



# Annual Financial Report

City of Isanti  
Isanti, Minnesota

For the year ended December 31, 2023



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INTRODUCTORY SECTION

CITY OF ISANTI  
ISANTI, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2023

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City of Isanti, Minnesota  
Elected and Appointed Officials  
For the Year Ended December 31, 2023

**ELECTED**

<u>Name</u>	<u>Title</u>	<u>Term Expires December 31,</u>
James Gordon	Mayor	2026
George Hemen	Council Member	2024
Steve Lundeen	Council Member	2024
Luke Merrill	Council Member	2026
Jeff Holmgren	Council Member	2024

**APPOINTED**

Josi Wood	Administrator
Mike Betker	Finance Director

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FINANCIAL SECTION

CITY OF ISANTI  
ISANTI, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2023

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Isanti, Minnesota

### Report on the Financial Statements

#### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Isanti, Minnesota (the City), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability and the Schedules of Employer's Contributions, the related note disclosures, and the Schedule of Changes in the City's OPEB Liability and Related Ratios starting on page 78 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



## **Supplementary Information**

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Information**

Management is responsible for the other information in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statement do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2024 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



**Abdo**  
Minneapolis, Minnesota  
April 12, 2024



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## **Management's Discussion and Analysis**

As management of the City of Isanti, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2023.

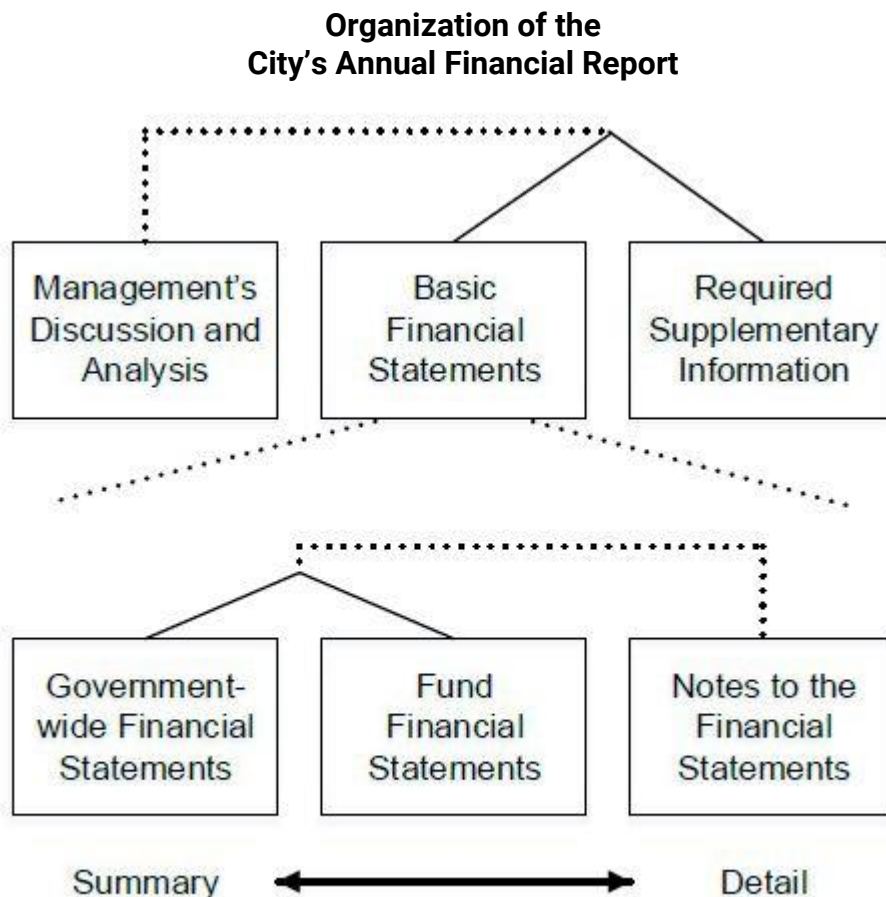
### **Financial Highlights**

- The assets and deferred outflows or resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year as shown in the summary of net position on the following pages. The unrestricted amount of net position may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased as shown in the summary of changes in net assets table on the following pages. The increase this year was due to an increase in capital grants and contributions, and charges for services in the business-type activities continuing to outweigh expenses.
- For the current fiscal year, the City's governmental funds fund balances are shown in the Financial Analysis of the City's Funds section of the MD&A. The total fund balance increased in comparison with the prior year. This increase was mainly due positive budget variances in the general fund revenues for intergovernmental revenue and licenses and permits, as well as other intergovernmental revenue received in other funds. The total of assigned and unassigned as shown in the governmental fund balance table is available for spending at the City's discretion.
- The unassigned fund balance in the General fund as shown in the financial analysis of the city's funds section increased from prior year.
- The City's total bonded debt decreased during the fiscal year. The decrease was a result of regularly scheduled debt payments as shown on the outstanding debt table.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

The following chart shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.



The following chart summarizes the major features of the City's financial statements, including the portion of the City's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

### Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system	Instances in which the City administers resources on behalf of someone else, such as developers
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statements of Net Position</li> <li>• Statements of Revenues, Expenses and Changes in Fund Net Position</li> <li>• Statements of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; fund do not currently contain capital assets, although they can
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid	
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and deferred inflows of resources and liabilities and deferred outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, economic development and interest on long-term debt. The business-type activities of the City include water, sewer, storm water and a liquor store.

The government-wide financial statements start on page 30 of this report.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and the fiduciary fund.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains numerous individual governmental funds, two of which are Debt Service funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, Street Construction fund and Capital Replacement fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

The City adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 34 of this report.

**Proprietary Funds.** The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, liquor store, and storm water.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds, all of which are considered to be major funds of the City.

The basic proprietary fund financial statements start on page 40 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 47 of this report.

**Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found starting on page 78 of this report.

**Other Information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund financial statements and schedules start on page 86 of this report.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources as shown in the Summary of Net position below.

By far, the largest portion of the City's net position reflects its investment in capital assets (e.g., land, land improvements, buildings, infrastructure, vehicles, and machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Isanti's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 9,370,174	\$ 7,685,225	\$ 1,684,949	\$ 11,679,063	\$ 11,860,175	\$ (181,112)
Capital assets, net of depreciation	20,631,454	20,159,857	471,597	32,218,307	31,567,579	650,728
<b>Total Assets</b>	<b>30,001,628</b>	<b>27,845,082</b>	<b>2,156,546</b>	<b>43,897,370</b>	<b>43,427,754</b>	<b>469,616</b>
<b>Deferred Outflows of Resources</b>						
Deferred pension resource	2,627,945	2,655,732	(27,787)	406,348	252,957	153,391
<b>Liabilities</b>						
Noncurrent liabilities outstanding	4,281,000	6,292,488	(2,011,488)	7,974,539	8,920,451	(945,912)
Other liabilities	1,076,485	535,752	540,733	337,988	694,803	(356,815)
<b>Total Liabilities</b>	<b>5,357,485</b>	<b>6,828,240</b>	<b>(1,470,755)</b>	<b>8,312,527</b>	<b>9,615,254</b>	<b>(1,302,727)</b>
<b>Deferred Inflows of Resources</b>						
Resources received in advance	395,960	640,812	(244,852)	-	-	-
Deferred pension resource	2,039,709	73,748	1,965,961	165,154	19,532	145,622
Deferred OPEB resources	111,643	107,637	4,006	55,565	57,114	(1,549)
Deferred lease resource	2,186,028	2,256,356	(70,328)	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>4,733,340</b>	<b>3,078,553</b>	<b>1,654,787</b>	<b>220,719</b>	<b>76,646</b>	<b>144,073</b>
<b>Net Position</b>						
Net investment in capital assets	19,245,990	18,552,802	693,188	25,244,110	23,805,714	1,438,396
Restricted	1,130,501	350,049	780,452	-	-	-
Unrestricted	2,162,257	1,691,170	471,087	10,526,362	10,183,097	343,265
<b>Total Net Position</b>	<b>\$ 22,538,748</b>	<b>\$ 20,594,021</b>	<b>\$ 1,944,727</b>	<b>\$ 35,770,472</b>	<b>\$ 33,988,811</b>	<b>\$ 1,781,661</b>
<b>Net Position as a Percent of Total</b>						
Net investment in capital assets	85.4 %	90.1 %		70.6 %	70.0 %	
Restricted	5.0	1.7		-	-	
Unrestricted	9.6	8.2		29.4	30.0	
	<b>100.0 %</b>	<b>100.0 %</b>		<b>100.0 %</b>	<b>100.0 %</b>	

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

**Governmental Activities.** Governmental activities increased the City's net position, as shown below. This increase was mainly due to an increase in capital grants and contributions. Key elements of this increase are as follows:

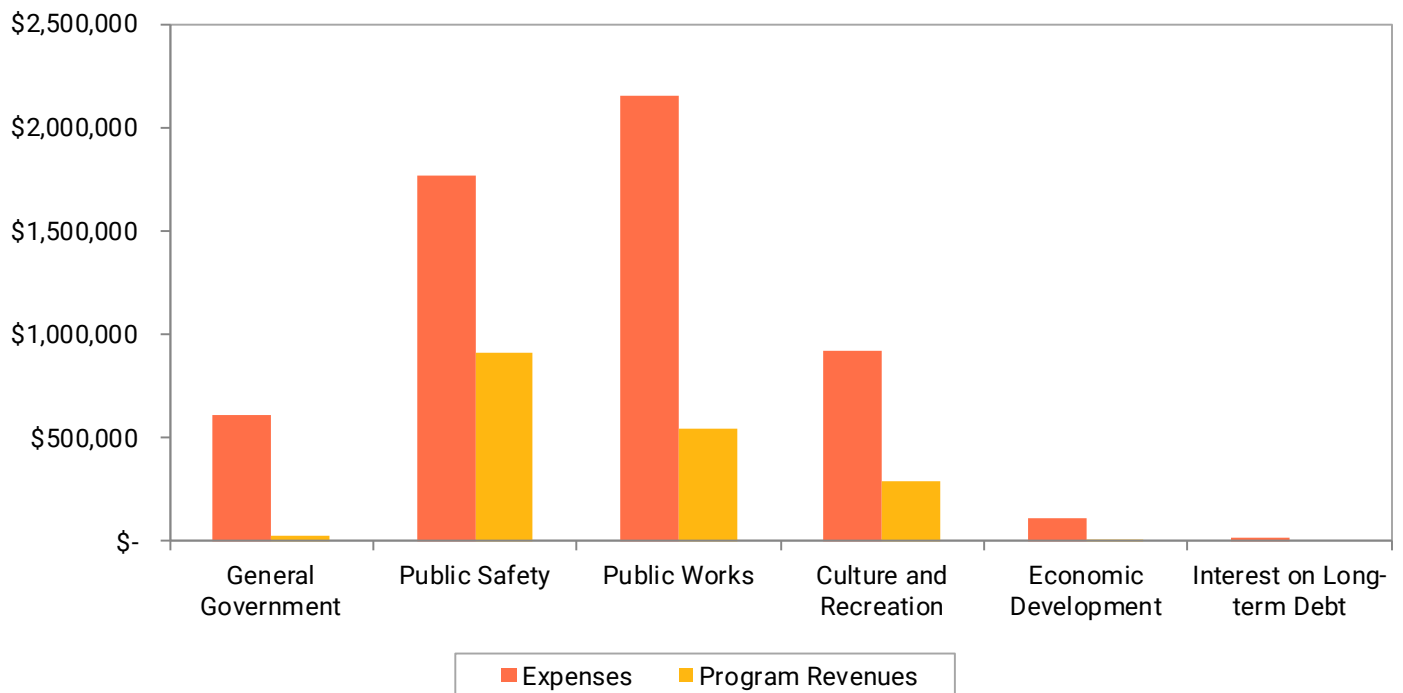
### City of Isanti's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
<b>Revenues</b>						
Program Revenues						
Charges for services	\$ 646,780	\$ 625,270	\$ 21,510	\$ 4,631,786	\$ 8,246,670	\$ (3,614,884)
Operating grants and contributions	834,627	583,003	251,624	305,859	393,134	(87,275)
Capital grants and contributions	298,461	729,330	(430,869)	910,309	1,127,720	(217,411)
General Revenues						
Taxes						
Property taxes	3,664,147	3,377,264	286,883	-	-	-
Tax increment	28,827	20,860	7,967	-	-	-
Other taxes	367,435	363,031	4,404	-	-	-
Grants and contributions not restricted to specific programs	851,333	867,368	(16,035)	-	-	-
Unrestricted investment earnings	259,188	19,428	239,760	497,094	(118,159)	615,253
Gain on sale of capital assets	123,992	95	123,897	-	-	-
<b>Total Revenues</b>	<b>7,074,790</b>	<b>6,585,649</b>	<b>489,141</b>	<b>6,345,048</b>	<b>9,649,365</b>	<b>(3,304,317)</b>
<b>Expenses</b>						
General government	611,030	965,131	(354,101)	-	-	-
Public safety	1,766,609	2,517,796	(751,187)	-	-	-
Public works	2,155,779	2,399,409	(243,630)	-	-	-
Culture and recreation	920,243	839,723	80,520	-	-	-
Economic development	116,136	420,531	(304,395)	-	-	-
Interest on long-term debt	16,968	42,276	(25,308)	-	-	-
Water	-	-	-	1,272,724	1,077,672	195,052
Sewer	-	-	-	1,704,556	1,498,615	205,941
Storm Water	-	-	-	232,577	178,063	54,514
Liquor store	-	-	-	896,828	4,543,545	(3,646,717)
<b>Total Expenses</b>	<b>5,586,765</b>	<b>7,184,866</b>	<b>(1,598,101)</b>	<b>4,106,685</b>	<b>7,297,895</b>	<b>(3,191,210)</b>
<b>Changes in Net Position Before Transfers and Special Items</b>	<b>1,488,025</b>	<b>(599,217)</b>	<b>2,087,242</b>	<b>2,238,363</b>	<b>2,351,470</b>	<b>(113,107)</b>
<b>Transfers - Internal Activities</b>	<b>456,702</b>	<b>507,606</b>	<b>(50,904)</b>	<b>(456,702)</b>	<b>(507,606)</b>	<b>50,904</b>
<b>Change in Net Position</b>	<b>1,944,727</b>	<b>(91,611)</b>	<b>2,036,338</b>	<b>1,781,661</b>	<b>1,843,864</b>	<b>(62,203)</b>
<b>Net Position, January 1</b>	<b>20,594,021</b>	<b>20,685,632</b>	<b>(91,611)</b>	<b>33,988,811</b>	<b>32,144,947</b>	<b>1,843,864</b>
<b>Net Position, December 31</b>	<b>\$ 22,538,748</b>	<b>\$ 20,594,021</b>	<b>\$ 1,944,727</b>	<b>\$ 35,770,472</b>	<b>\$ 33,988,811</b>	<b>\$ 1,781,661</b>

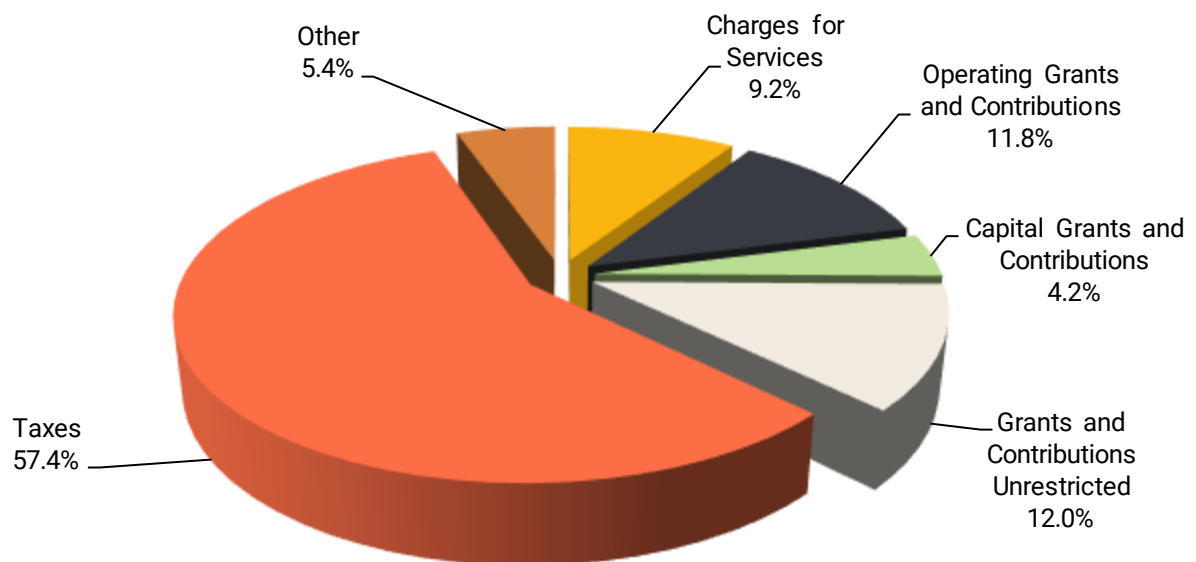
- Governmental revenues increased \$489,141 from the prior year mainly due to an increase in investment earnings and operating grants and contributions. Property taxes also increased from the prior year and is in line with the City's budget and capital improvement plan.
- Governmental expenses decreased \$1,598,101 from the prior year. The main reason for the decrease were expenditures decreasing in public safety and economic development for less new home growth in comparison to the prior year.

The following graph depicts various governmental activities and shows the revenues and expenses directly related to those activities.

### Expenses and Program Revenues - Governmental Activities



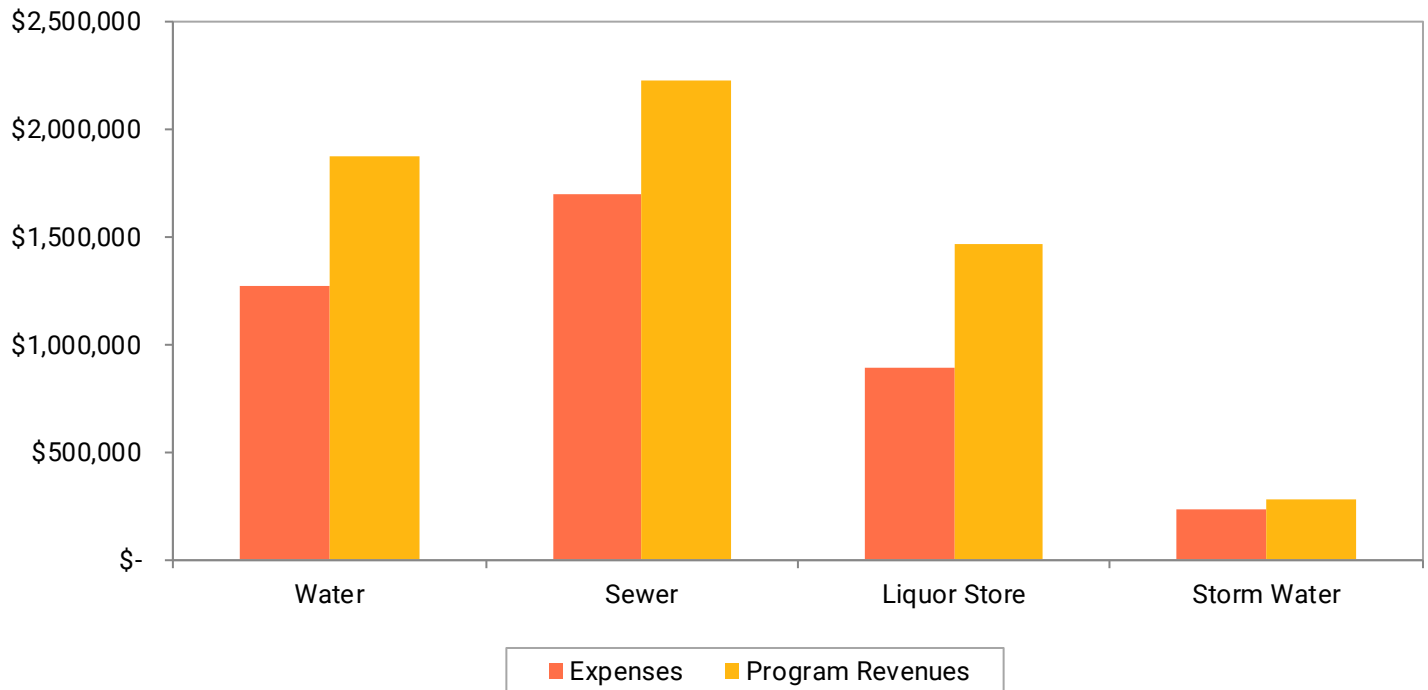
### Revenues by Sources - Governmental Activities



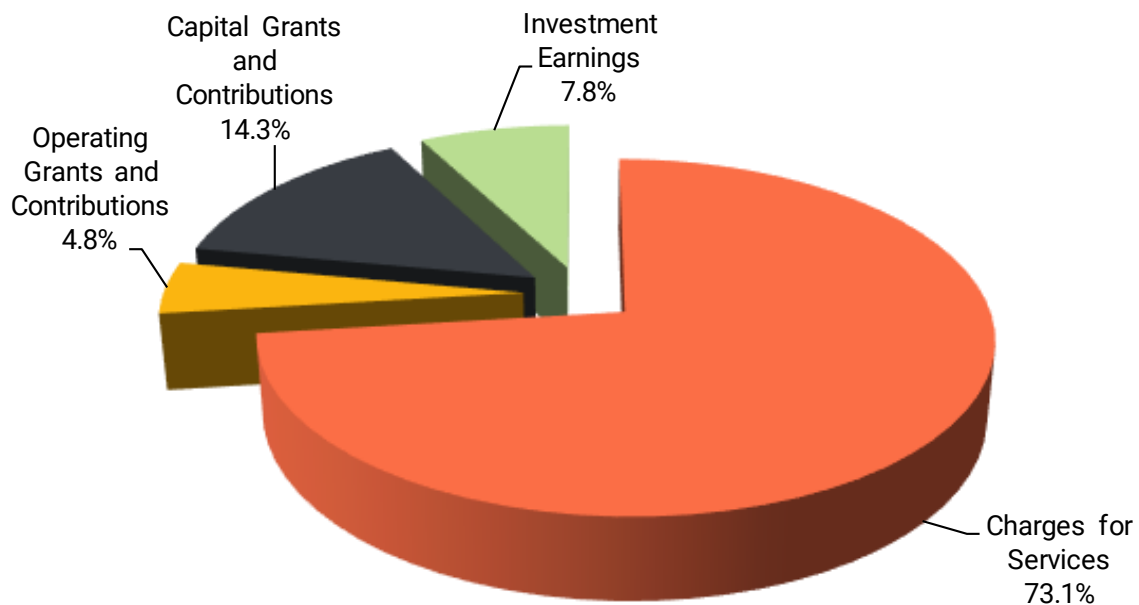
**Business-type Activities.** Business-type activities increased the City's net position, as shown in the changes in net position table.

- Charges for services for business-type activities increased due to an increase in utility user charges.
- Total expenses for business-type activities increased due to an increase in personnel and professional services.

### Expenses and Program Revenues - Business-type Activities



### Revenues by Source - Business-type Activities





## Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

**Governmental Funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The table below outlines the governmental fund balances for the year ending December 31, 2023.

	General	Street Construction	Capital Replacement	Other Governmental Funds	Total	Prior Year Total	Increase/ (Decrease)
Fund Balances							
Nonspendable	\$ 17,083	\$ -	\$ -	\$ 1,667	\$ 18,750	\$ 19,145	\$ (395)
Restricted	-	-	307,285	834,313	1,141,598	362,915	778,683
Committed	-	-	-	394,529	394,529	709,353	(314,824)
Assigned	-	239,019	606,100	13,890	859,009	713,364	145,645
Unassigned	2,568,160	-	-	(250,633)	2,317,527	1,295,403	1,022,124
Total Fund Balances	<u>\$ 2,585,243</u>	<u>\$ 239,019</u>	<u>\$ 913,385</u>	<u>\$ 993,766</u>	<u>\$ 4,731,413</u>	<u>\$ 3,100,180</u>	<u>\$ 1,631,233</u>

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances shown above. Additional information on the City's fund balances can be found in Note 1 starting on page 47 of this report.

The *General fund* is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund is shown in the table above. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. The total unassigned fund balance as a percent of total fund expenditures is shown in the chart below along with total fund balance as a percent of total expenditures.

	Current Year Ending Balance	Prior Year Ending Balance	Increase/ (Decrease)
General Fund Fund Balances			
Nonspendable	\$ 17,083	\$ 17,323	\$ (240)
Unassigned	2,568,160	1,955,039	613,121
Total General Fund Balances	<u>\$ 2,585,243</u>	<u>\$ 1,972,362</u>	<u>\$ 612,881</u>
General Fund expenditures	4,563,431	4,051,659	511,772
Unassigned as a percent of expenditures	56.3%	48.3%	
Total fund balance as a percent of expenditures	56.7%	48.7%	

The fund balance of the City's General fund increased during the current fiscal year as shown in the table above. The increase in fund balance was due to an increase in the property tax levy.

Other major governmental fund analysis is shown below:

	December 31, 2023	December 31, 2022	Increase/ (Decrease)
Street Construction	\$ 239,019	(316,008)	555,027
<i>The Street Construction increase in fund balance during the year was due to resources received exceeding street construction projects during the year in accordance with the City capital improvement plan.</i>			
Capital Replacement	\$ 913,385	501,608	411,777
<i>The Capital Replacement increase in fund balance during the year was due to insurance transfers and other revenues exceeding current year expenditures in accordance with the City capital improvement plan.</i>			

**Proprietary Funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position of the City's proprietary funds increased as follows:

	Ending Net Position 2023	Ending Net Position 2022	Increase/ (Decrease)
Water Utility	\$ 12,872,897	\$ 12,155,435	\$ 717,462
<i>The increase is primarily attributed to the increase in charges for services and investment earnings during the year.</i>			
Sewer Utility	19,638,098	18,874,947	763,151
<i>The increase is primarily attributed to the increase in intergovernmental revenues and investment earnings.</i>			
Liquor Store	1,600,536	1,390,453	210,083
<i>The increase is primarily attributed to the increase in liquor sales during the year.</i>			
Storm Water Utility	1,658,941	1,567,976	90,965
<i>The increase is primarily attributed to the increase in investment earnings during the year.</i>			

#### General Fund Budgetary Highlights

	Original Budgeted Amounts	Budget Amendments	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 4,384,930	\$ -	\$ 4,384,930	\$ 4,611,950	\$ 227,020
Expenditures	4,610,531	-	4,610,531	4,563,431	47,100
Excess (Deficiency) of Revenues Over (Under) Expenditures	(225,601)	-	(225,601)	48,519	274,120
Other Financing Sources (Uses)					
Gain on sale of assets	-	-	-	121,757	121,757
Transfers in	442,605	-	442,605	442,605	-
Transfers out	(50,825)	-	(50,825)	-	50,825
Total Other Financing Sources (Uses)	391,780	-	391,780	564,362	172,582
Net Change in Fund Balances	166,179	-	166,179	612,881	446,702
Fund Balances, January 1	1,972,362	1,972,362	1,972,362	1,972,362	-
Fund Balances, December 31	<u>\$ 2,138,541</u>	<u>\$ 1,972,362</u>	<u>\$ 2,138,541</u>	<u>\$ 2,585,243</u>	<u>\$ 446,702</u>

The City's General fund budget was not amended during the year. Actual revenues were over budget by \$227,020 mainly due to interest earnings and the expenditures were under budget by \$47,100 mainly due to general government less than anticipated due to staff turnover. Note the City also had a positive variance in transfers out and sale of assets during the year as shown above.

### Capital Assets and Debt Administration

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of December 31, 2023, is shown below in capital asset table (net of accumulated depreciation). This investment in capital assets includes land, improvements, infrastructure, machinery and equipment, and vehicles. The total increase in the City's investment in capital assets for the current fiscal year for governmental and business-type activities is due to the following major capital events:

- Completion of the 2023 Water Tower Coating Project
- Completion of the City Hall and Isanti Indoor Arena Roof Replacement Projects
- Completion of the new Police Department Building
- Meter Replacements
- 2023 3<sup>rd</sup> Ave Utility Extension Project

Additional information on the City's capital assets can be found in Note 3F starting on page 59 of this report.

### City of Isanti's Capital Asset (Net of Depreciation)

	Governmental Activities			Business-type Activities		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
Land	\$ 2,104,720	\$ 2,104,720	\$ -	\$ 37,078	\$ 37,078	\$ -
Construction in Progress	257,115	1,526,286	(1,269,171)	-	844,657	(844,657)
Land Improvements	-	-	-	13,288	13,288	-
Buildings	6,207,886	3,387,156	2,820,730	5,708,370	5,864,637	(156,267)
Infrastructure	11,365,115	12,337,141	(972,026)	24,377,615	23,870,432	507,183
Machinery and Equipment	483,702	554,526	(70,824)	2,052,011	899,252	1,152,759
Vehicles	212,916	250,028	(37,112)	29,945	38,235	(8,290)
<b>Total</b>	<b>\$ 20,631,454</b>	<b>\$ 20,159,857</b>	<b>\$ 471,597</b>	<b>\$ 32,218,307</b>	<b>\$ 31,567,579</b>	<b>\$ 650,728</b>
Percent increase/(decrease)			2.3%			2.1%

**Long-term Debt.** At the end of the current fiscal year, the City had total bonded debt outstanding consisting of special assessment debt, revenue related debt and general obligation debt as noted in the table below. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

### City of Isanti's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2023	2022	Increase (Decrease)	2023	2022	Increase (Decrease)
G.O. Bonds	\$ 1,325,000	\$ 1,535,000	\$ (210,000)	\$ -	\$ -	\$ -
G.O. Improvement Bonds	-	-	-	190,000	230,000	(40,000)
G.O. Revenue Bonds	-	-	-	6,666,056	7,645,056	(979,000)
Bond Premium	60,464	72,055	(11,591)	126,478	139,774	(13,296)
<b>Total</b>	<b>\$ 1,385,464</b>	<b>\$ 1,607,055</b>	<b>\$ (221,591)</b>	<b>\$ 6,982,534</b>	<b>\$ 8,014,830</b>	<b>\$ (1,032,296)</b>
Percent increase/(decrease)			-13.8%			-12.9%

Minnesota statutes limit the amount of net general obligation debt a City may issue to three percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and, therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues, or tax increments. As of December 31, 2023, the City is under the legal debt margin.

Additional information on the City's long-term debt can be found in Note 3G starting on page 61 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

- Property tax valuations within the City increased in 2023 by 27.83% and have continued to increase for 2024 by 11.17%.
- The 2024 budget includes a property tax levy of \$3,534,476 which is 4.08% lower than the 2023 levy and lowered the tax rate by 14.96%.
- The 2024 budget includes an amount for Local Government Aid in the amount of \$1,019,827.
- Isanti County had an average unemployment rate for 2023 of 3.9%. This compares with unemployment rates of 2.8% for the State of Minnesota and 3.6% for the United States.

All of these factors were considered in preparing the City's budget for the 2024 fiscal year.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Isanti, 110 1st Avenue Northwest, PO Box 428, Isanti, Minnesota 55040.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF ISANTI  
ISANTI, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2023

City of Isanti, Minnesota  
Statement of Net Position  
December 31, 2023

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and temporary investments	\$ 5,766,522	\$ 9,864,453	\$ 15,630,975
Restricted cash	-	264,936	264,936
Receivables			
Accrued interest	10,675	17,769	28,444
Taxes	55,235	-	55,235
Accounts	112,819	283,262	396,081
Lease	2,313,074	-	2,313,074
Loans	129,167	-	129,167
Notes	240,000	-	240,000
Special assessments	719,340	46,195	765,535
Internal balances	(154,591)	154,591	-
Due from other governments	154,183	-	154,183
Inventories	-	1,041,860	1,041,860
Prepaid items	18,750	5,997	24,747
Land held for resale	5,000	-	5,000
Capital assets			
Land and construction in progress	2,361,835	37,078	2,398,913
Depreciable assets (net of accumulated depreciation)	18,269,619	32,181,229	50,450,848
<b>Total Assets</b>	<b>30,001,628</b>	<b>43,897,370</b>	<b>73,898,998</b>
<b>Deferred Outflows of Resources</b>			
Deferred pension resources	2,090,784	139,003	2,229,787
Deferred other post employment benefits	537,161	267,345	804,506
<b>Total Deferred Outflows of Resources</b>	<b>2,627,945</b>	<b>406,348</b>	<b>3,034,293</b>
<b>Liabilities</b>			
Accounts payable	984,175	246,101	1,230,276
Deposits payable	57,124	-	57,124
Due to other governments	13,643	63,304	76,947
Accrued salaries payable	10,446	1,156	11,602
Accrued interest payable	11,097	27,427	38,524
Noncurrent liabilities			
Due within one year			
Long-term debt	360,002	1,094,781	1,454,783
Due in more than one year			
Long-term debt	1,263,634	5,997,958	7,261,592
Net pension liability	2,012,036	560,619	2,572,655
Other postemployment benefits liability	645,328	321,181	966,509
<b>Total Liabilities</b>	<b>5,357,485</b>	<b>8,312,527</b>	<b>13,670,012</b>
<b>Deferred Inflows of Resources</b>			
Deferred intergovernmental resources	395,960	-	395,960
Deferred pension resources	2,039,709	165,154	2,204,863
Deferred OPEB resources	111,643	55,565	167,208
Deferred lease resources	2,186,028	-	2,186,028
<b>Total Deferred Inflows of Resources</b>	<b>4,733,340</b>	<b>220,719</b>	<b>4,954,059</b>
<b>Net Position</b>			
Net investment in capital assets	19,245,990	25,244,110	44,490,100
Restricted for			
Debt service	348,262	-	348,262
Park improvements	455,519	-	455,519
Public safety	326,720	-	326,720
Unrestricted	2,162,257	10,526,362	12,688,619
<b>Total Net Position</b>	<b>\$ 22,538,748</b>	<b>\$ 35,770,472</b>	<b>\$ 58,309,220</b>

The notes to the financial statements are an integral part of this statement.

City of Isanti, Minnesota  
Statement of Activities  
For the Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities</b>							
General government	\$ 611,030	\$ 24,291	\$ -	\$ -	\$ (586,739)	\$ -	\$ (586,739)
Public safety	1,766,609	483,528	426,844	-	(856,237)	-	(856,237)
Public works	2,155,779	30,326	344,359	170,961	(1,610,133)	-	(1,610,133)
Culture and recreation	920,243	100,485	63,224	127,500	(629,034)	-	(629,034)
Economic development	116,136	8,150	200	-	(107,786)	-	(107,786)
Interest on long-term debt	16,968	-	-	-	(16,968)	-	(16,968)
Total Governmental Activities	<u>5,586,765</u>	<u>646,780</u>	<u>834,627</u>	<u>298,461</u>	<u>(3,806,897)</u>	<u>-</u>	<u>(3,806,897)</u>
<b>Business-type Activities</b>							
Water	1,272,724	1,447,775	7,821	420,465	-	603,337	603,337
Sewer	1,704,556	1,441,157	296,772	489,844	-	523,217	523,217
Liquor store	896,828	1,465,450	242	-	-	568,864	568,864
Stormwater	232,577	277,404	1,024	-	-	45,851	45,851
Total Business-type Activities	<u>4,106,685</u>	<u>4,631,786</u>	<u>305,859</u>	<u>910,309</u>	<u>-</u>	<u>1,741,269</u>	<u>1,741,269</u>
<b>Total</b>	<u>\$ 9,693,450</u>	<u>\$ 5,278,566</u>	<u>\$ 1,140,486</u>	<u>\$ 1,208,770</u>	<u>(3,806,897)</u>	<u>1,741,269</u>	<u>(2,065,628)</u>
<b>General Revenues</b>							
Taxes							
Property taxes, levied for general purposes					3,405,180	-	3,405,180
Property taxes, levied for debt service					258,967	-	258,967
Tax increments					28,827	-	28,827
Franchise taxes					367,435	-	367,435
Grants and contributions not restricted to specific programs					851,333	-	851,333
Unrestricted investment earnings					259,188	497,094	756,282
Gain on sale of capital assets					123,992	-	123,992
Transfers - Internal Activities					456,702	(456,702)	-
Total General Revenues and Transfers					<u>5,751,624</u>	<u>40,392</u>	<u>5,792,016</u>
Change in Net Position					1,944,727	1,781,661	3,726,388
Net Position, January 1					<u>20,594,021</u>	<u>33,988,811</u>	<u>54,582,832</u>
Net Position, December 31					<u>\$ 22,538,748</u>	<u>\$ 35,770,472</u>	<u>\$ 58,309,220</u>

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

CITY OF ISANTI  
ISANTI, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2023

**City of Isanti, Minnesota**

Balance Sheet

Governmental Funds

December 31, 2023

	<b>101</b>	<b>425</b>	<b>920</b>	Other	Total
	General	Street Construction	Capital Replacement	Governmental Funds	Governmental Funds
<b>Assets</b>					
Cash and temporary investments	\$ 2,691,133	\$ 702,561	\$ 1,522,279	\$ 850,549	\$ 5,766,522
Receivables					
Accrued interest	4,746	1,356	2,655	1,918	10,675
Taxes	54,164	-	-	1,071	55,235
Accounts	2,479	93,882	-	16,458	112,819
Leases	2,313,074	-	-	-	2,313,074
Loans	-	-	-	129,167	129,167
Notes	-	-	240,000	-	240,000
Special assessments	112	231,033	488,195	-	719,340
Due from other governments	96,183	-	58,000	-	154,183
Prepaid items	17,083	-	-	1,667	18,750
Land held for resale	5,000	-	-	-	5,000
<b>Total Assets</b>	<b>\$ 5,183,974</b>	<b>\$ 1,028,832</b>	<b>\$ 2,311,129</b>	<b>\$ 1,000,830</b>	<b>\$ 9,524,765</b>
<b>Liabilities</b>					
Accounts payable	\$ 144,453	\$ 163,084	\$ 669,574	\$ 7,064	\$ 984,175
Deposits payable	57,124	-	-	-	57,124
Due to other governments	13,643	-	-	-	13,643
Accrued salaries payable	10,446	-	-	-	10,446
Due to other funds	25,765	-	-	-	25,765
Advances from other funds	128,826	-	-	-	128,826
<b>Total Liabilities</b>	<b>380,257</b>	<b>163,084</b>	<b>669,574</b>	<b>7,064</b>	<b>1,219,979</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - taxes	32,334	-	-	-	32,334
Unavailable revenue - special assessments	112	230,769	488,170	-	719,051
Unavailable revenue - note receivable	-	-	240,000	-	240,000
Deferred intergovernmental resources	-	395,960	-	-	395,960
Deferred lease resources	2,186,028	-	-	-	2,186,028
<b>Total Deferred Inflows of Resources</b>	<b>2,218,474</b>	<b>626,729</b>	<b>728,170</b>	<b>-</b>	<b>3,573,373</b>
<b>Fund Balances</b>					
Nonspendable	17,083	-	-	1,667	18,750
Restricted	-	-	307,285	834,313	1,141,598
Committed	-	-	-	394,529	394,529
Assigned	-	239,019	606,100	13,890	859,009
Unassigned	2,568,160	-	-	(250,633)	2,317,527
<b>Total Fund Balances</b>	<b>2,585,243</b>	<b>239,019</b>	<b>913,385</b>	<b>993,766</b>	<b>4,731,413</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 5,183,974</b>	<b>\$ 1,028,832</b>	<b>\$ 2,311,129</b>	<b>\$ 1,000,830</b>	<b>\$ 9,524,765</b>

The notes to the financial statements are an integral part of this statement.

City of Isanti, Minnesota  
Reconciliation of the Balance Sheet  
to the Statement of Net Position  
Governmental Funds  
December 31, 2023

Amounts reported for the governmental activities in the statement of net position are different because

Total Fund Balances - Governmental Funds	\$ 4,731,413
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	43,614,897
Less: accumulated depreciation	(22,983,443)
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of	
Bond principal payable	(1,325,000)
Plus bond premium	(60,464)
Compensated absences payable	(238,172)
Other postemployment benefits payable	(645,328)
Net pension liability	(2,012,036)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue in the funds.	
Taxes receivable	32,334
Special assessments receivable	719,051
Note receivable	240,000
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	2,090,784
Deferred inflows of pension resources	(2,039,709)
Deferred outflows of other post employment retirement benefits	537,161
Deferred inflows of other post employment retirement benefits	(111,643)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(11,097)</u>
Total Net Position - Governmental Activities	<u><u>\$ 22,538,748</u></u>

The notes to the financial statements are an integral part of this statement.

**City of Isanti, Minnesota**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2023**

	<b>101</b>	<b>425</b>	<b>920</b>	<b>Other</b>	<b>Total</b>
	<b>General</b>	<b>Street Construction</b>	<b>Capital Replacement</b>	<b>Governmental Funds</b>	<b>Governmental Funds</b>
<b>Revenues</b>					
Taxes	\$ 2,796,109	\$ 307,000	\$ 177,500	\$ 410,169	\$ 3,690,778
Franchise taxes	-	339,031	-	28,404	367,435
Licenses and permits	398,929	-	-	-	398,929
Intergovernmental	1,056,023	244,852	307,285	-	1,608,160
Charges for services	165,337	-	120,000	194,073	479,410
Fines and forfeitures	32,402	-	-	-	32,402
Special assessments	-	50,655	17,483	-	68,138
Investment earnings	141,807	33,111	51,803	32,467	259,188
Miscellaneous	21,343	4,667	13,350	33,238	72,598
Total Revenues	<u>4,611,950</u>	<u>979,316</u>	<u>687,421</u>	<u>698,351</u>	<u>6,977,038</u>
<b>Expenditures</b>					
Current					
General government	809,221	-	-	4,310	813,531
Public safety	2,748,771	-	-	3,277	2,752,048
Public works	552,200	-	-	-	552,200
Culture and recreation	438,386	-	-	99,841	538,227
Economic development	14,853	-	-	98,518	113,371
Capital outlay					
General government	-	-	1,405,390	10,585	1,415,975
Public safety	-	-	321,125	-	321,125
Public works	-	571,358	8,298	-	579,656
Culture and recreation	-	-	104,033	26,045	130,078
Economic development	-	-	-	525	525
Debt service					
Principal	-	-	-	210,000	210,000
Interest and other	-	-	-	30,328	30,328
Total Expenditures	<u>4,563,431</u>	<u>571,358</u>	<u>1,838,846</u>	<u>483,429</u>	<u>7,457,064</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>48,519</u>	<u>407,958</u>	<u>(1,151,425)</u>	<u>214,922</u>	<u>(480,026)</u>
Other Financing Sources (Uses)					
Sale of capital assets	121,757	-	2,235	-	123,992
Insurance recovery	-	-	1,530,565	-	1,530,565
Transfers in	442,605	-	36,702	6,300	485,607
Transfers out	-	-	(6,300)	(22,605)	(28,905)
Total Other Financing Sources (Uses)	<u>564,362</u>	<u>-</u>	<u>1,563,202</u>	<u>(16,305)</u>	<u>2,111,259</u>
Net Change in Fund Balances	612,881	407,958	411,777	198,617	1,631,233
Fund Balances, January 1	<u>1,972,362</u>	<u>(168,939)</u>	<u>501,608</u>	<u>795,149</u>	<u>3,100,180</u>
Fund Balances, December 31	<u>\$ 2,585,243</u>	<u>\$ 239,019</u>	<u>\$ 913,385</u>	<u>\$ 993,766</u>	<u>\$ 4,731,413</u>

The notes to the financial statements are an integral part of this statement.

City of Isanti, Minnesota  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances to the Statement of Activities  
Governmental Funds  
For the Year Ended December 31, 2023

Amounts reported for governmental activities in the statement of activities are different because

Total Net Change in Fund Balances - Governmental Funds	\$ 1,631,233
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	1,941,554
Depreciation expense	(1,613,957)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Contributed capital assets	144,000
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
Principal repayments	210,000
Amortization of bond premium	11,591
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	
	1,769
Long-term pension activity is not reported in governmental funds.	
Pension expense	(189,310)
Pension revenue	3,366
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Property taxes	2,196
Special assessments	(55,802)
Notes	(120,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Other post employment benefit expense	(17,161)
Compensated absences	(4,752)
Change in Net Position - Governmental Activities	<u><u>\$ 1,944,727</u></u>

The notes to the financial statements are an integral part of this statement.

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City of Isanti, Minnesota  
Statement of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual  
General Fund  
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 2,840,412	\$ 2,840,412	\$ 2,796,109	\$ (44,303)
Licenses and permits	283,275	283,275	398,929	115,654
Intergovernmental	1,019,918	1,019,918	1,056,023	36,105
Charges for services	167,675	167,675	165,337	(2,338)
Fines and forfeitures	35,900	35,900	32,402	(3,498)
Investment earnings	20,000	20,000	141,807	121,807
Miscellaneous	17,750	17,750	21,343	3,593
Total Revenues	<u>4,384,930</u>	<u>4,384,930</u>	<u>4,611,950</u>	<u>227,020</u>
Expenditures				
Current				
General government	896,616	896,616	809,221	87,395
Public safety	2,627,630	2,627,630	2,748,771	(121,141)
Public works	617,340	617,340	552,200	65,140
Culture and recreation	453,485	453,485	438,386	15,099
Economic development	15,460	15,460	14,853	607
Total Expenditures	<u>4,610,531</u>	<u>4,610,531</u>	<u>4,563,431</u>	<u>47,100</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(225,601)</u>	<u>(225,601)</u>	<u>48,519</u>	<u>274,120</u>
Other Financing Sources (Uses)				
Gain on sale of capital assets	-	-	121,757	121,757
Transfers in	442,605	442,605	442,605	-
Transfers out	(50,825)	(50,825)	-	50,825
Total Other Financing Sources (Uses)	<u>391,780</u>	<u>391,780</u>	<u>564,362</u>	<u>172,582</u>
Net Change in Fund Balances	166,179	166,179	612,881	446,702
Fund Balances, January 1	<u>1,972,362</u>	<u>1,972,362</u>	<u>1,972,362</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 2,138,541</u>	<u>\$ 2,138,541</u>	<u>\$ 2,585,243</u>	<u>\$ 446,702</u>

The notes to the financial statements are an integral part of this statement.

City of Isanti, Minnesota  
Statement of Net Position  
Proprietary Funds  
December 31, 2023

	Business-type Activities - Enterprise Funds				Total
	601 Water	602 Sewer	609 Liquor Store	Nonmajor 603 Storm Water	
<b>Assets</b>					
<b>Current Assets</b>					
Cash and temporary investments	\$ 2,573,539	\$ 5,429,293	\$ 808,120	\$ 1,053,501	\$ 9,864,453
Restricted cash	-	-	264,936	-	264,936
Receivables					
Accrued interest	4,543	9,494	1,871	1,861	17,769
Accounts	115,586	140,304	-	27,372	283,262
Special assessments	1,660	965	-	3,424	6,049
Due from other funds	-	-	25,765	-	25,765
Inventories	-	-	1,041,860	-	1,041,860
Prepaid items	492	443	5,012	50	5,997
<b>Total Current Assets</b>	<b>2,695,820</b>	<b>5,580,499</b>	<b>2,147,564</b>	<b>1,086,208</b>	<b>11,510,091</b>
<b>Noncurrent Assets</b>					
Special assessments receivable	784	38,350	-	1,012	40,146
Advances to other funds	-	-	128,826	-	128,826
Capital assets					
Land	11,078	5,000	-	21,000	37,078
Buildings	37,156	3,349,403	2,826,950	-	6,213,509
Improvements other than buildings	-	-	176,663	-	176,663
Machinery and equipment	1,908,448	1,014,243	41,357	311,393	3,275,441
Infrastructure	17,084,438	21,304,384	-	769,766	39,158,588
Less accumulated depreciation	(6,305,845)	(9,567,825)	(288,031)	(481,271)	(16,642,972)
<b>Total Capital Assets</b>	<b>12,735,275</b>	<b>16,105,205</b>	<b>2,756,939</b>	<b>620,888</b>	<b>32,218,307</b>
(Net of Accumulated Depreciation)					
<b>Total Noncurrent Assets</b>	<b>12,736,059</b>	<b>16,143,555</b>	<b>2,885,765</b>	<b>621,900</b>	<b>32,387,279</b>
<b>Total Assets</b>	<b>15,431,879</b>	<b>21,724,054</b>	<b>5,033,329</b>	<b>1,708,108</b>	<b>43,897,370</b>
<b>Deferred Outflows of Resources</b>					
Deferred pension resources	31,777	39,820	59,398	8,008	139,003
Deferred other postemployment benefit resources	71,459	87,010	93,301	15,575	267,345
<b>Total Deferred Outflows of Resources</b>	<b>103,236</b>	<b>126,830</b>	<b>152,699</b>	<b>23,583</b>	<b>406,348</b>

The notes to the financial statements are an integral part of this statement.



City of Isanti, Minnesota  
Statement of Net Position (Continued)  
Proprietary Funds  
December 31, 2023

	Business-type Activities - Enterprise Funds				
	601	602	609	Nonmajor 603	Total
	Water	Sewer	Liquor Store	Storm Water	
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts payable	49,031	54,631	140,971	1,468	246,101
Due to other governments	8,086	-	55,218	-	63,304
Accrued salaries payable	-	-	1,156	-	1,156
Accrued interest payable	20,068	4,851	2,508	-	27,427
Compensated absences payable - current	18,777	21,708	20,261	4,035	64,781
Bonds payable - current	455,000	385,000	190,000	-	1,030,000
Total Current Liabilities	550,962	466,190	410,114	5,503	1,432,769
<b>Noncurrent Liabilities</b>					
Compensated absences payable	13,166	15,222	14,207	2,829	45,424
Other postemployment benefits payable	85,849	104,531	112,089	18,712	321,181
Net pension liability	128,499	160,933	238,356	32,831	560,619
Bonds payable	1,831,056	1,400,438	2,721,040	-	5,952,534
Total Noncurrent Liabilities	2,058,570	1,681,124	3,085,692	54,372	6,879,758
Total Liabilities	2,609,532	2,147,314	3,495,806	59,875	8,312,527
<b>Deferred Inflows of Resources</b>					
Deferred pension resources	37,834	47,388	70,294	9,638	165,154
Deferred other postemployment benefit resources	14,852	18,084	19,392	3,237	55,565
Total Deferred Inflows of Resources	52,686	65,472	89,686	12,875	220,719
<b>Net Position</b>					
Net investment in capital assets	10,449,219	14,319,767	(145,764)	620,888	25,244,110
Unrestricted	2,423,678	5,318,331	1,746,300	1,038,053	10,526,362
Total Net Position	\$ 12,872,897	\$ 19,638,098	\$ 1,600,536	\$ 1,658,941	\$ 35,770,472

The notes to the financial statements are an integral part of this statement.

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**City of Isanti, Minnesota**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2023**

	Business-type Activities - Enterprise Funds				Total
	601 Water	602 Sewer	609 Liquor Store	Nonmajor 603 Storm Water	
Operating Revenues					
Sales	\$ -	\$ -	\$ 5,580,094	\$ -	\$ 5,580,094
Cost of sales	-	-	(4,114,794)	-	(4,114,794)
Gross Profit	-	-	1,465,300	-	1,465,300
Charges for services	1,447,775	1,441,075	-	277,396	3,166,246
Total Operating Revenues	1,447,775	1,441,075	1,465,300	277,396	4,631,546
Operating Expenses					
Personnel services	382,154	449,809	579,525	80,322	1,491,810
Supplies	141,889	96,344	12,003	6,345	256,581
Professional services	100,938	42,074	5,450	25,719	174,181
Communications	3,537	3,115	4,187	760	11,599
Insurance	20,303	41,107	14,715	312	76,437
Utilities	59,644	258,955	23,265	3,263	345,127
Repairs and maintenance	58,778	150,871	9,508	29,498	248,655
Depreciation	432,850	625,249	70,675	86,358	1,215,132
Other services and charges	-	-	122,947	-	122,947
Total Operating Expenses	1,200,093	1,667,524	842,275	232,577	3,942,469
Operating Income (Loss)	247,682	(226,449)	623,025	44,819	689,077
Nonoperating Revenues (Expenses)					
Other revenues	7,821	2,199	392	1,032	11,444
Intergovernmental	-	294,655	-	-	294,655
Investment earnings	132,491	256,441	61,219	46,943	497,094
Interest expense and other	(72,631)	(37,032)	(54,553)	-	(164,216)
Total Nonoperating Revenues (Expenses)	67,681	516,263	7,058	47,975	638,977
Income Before Contributions and Transfers	315,363	289,814	630,083	92,794	1,328,054
Capital Contributions - Connections	289,240	358,619	-	-	647,859
Capital Contributions - Developer	131,225	131,225	-	-	262,450
Transfers Out	(18,366)	(16,507)	(420,000)	(1,829)	(456,702)
Change in Net Position	717,462	763,151	210,083	90,965	1,781,661
Net Position, January 1	12,155,435	18,874,947	1,390,453	1,567,976	33,988,811
Net Position, December 31	\$ 12,872,897	\$ 19,638,098	\$ 1,600,536	\$ 1,658,941	\$ 35,770,472

The notes to the financial statements are an integral part of this statement.

City of Isanti, Minnesota  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2023

	Business-type Activities - Enterprise Funds				Total
	601 Water	602 Sewer	609 Liquor Store	Nonmajor 603 Storm Water	
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 1,450,004	\$ 1,443,032	\$ 5,580,094	\$ 284,765	\$ 8,757,895
Other receipts	7,821	2,199	392	1,032	11,444
Payments to suppliers	(457,430)	(670,353)	(4,571,234)	(81,032)	(5,780,049)
Payments to employees	(297,893)	(353,931)	(484,748)	(53,972)	(1,190,544)
Net Cash Provided by Operating Activities	702,502	420,947	524,504	150,793	1,798,746
Cash Flows from Noncapital Financing Activities					
Receipt on advance to other funds	-	-	25,765	-	25,765
Transfers to other funds	(18,366)	(16,507)	(420,000)	(1,829)	(456,702)
Net Cash Provided (Used) by Noncapital Financing Activities	(18,366)	(16,507)	(394,235)	(1,829)	(430,937)
Cash Flows from Capital and Related Financing Activities					
Connection fees received	289,240	358,619	-	-	647,859
Acquisition of capital assets	(1,085,738)	(460,732)	-	-	(1,546,470)
Interest paid on bonds	(76,459)	(44,519)	(61,999)	-	(182,977)
Principal paid on bonds	(449,000)	(380,000)	(190,000)	-	(1,019,000)
Net Cash Used by Capital and Related Financing Activities	(1,321,957)	(526,632)	(251,999)	-	(2,100,588)
Cash Flows from Investing Activities					
Interest received	132,473	254,731	61,031	46,349	494,584
Net Increase (Decrease) in Cash and Cash Equivalents	(505,348)	132,539	(60,699)	195,313	(238,195)
Cash and Cash Equivalents, January 1	3,078,887	5,296,754	1,133,755	858,188	10,367,584
Cash and Cash Equivalents, December 31	<u>\$ 2,573,539</u>	<u>\$ 5,429,293</u>	<u>\$ 1,073,056</u>	<u>\$ 1,053,501</u>	<u>\$ 10,129,389</u>
Reconciliation of Cash and Cash Equivalents					
Cash and Temporary Investments	\$ 2,573,539	\$ 5,429,293	\$ 808,120	\$ 1,053,501	\$ 9,864,453
Restricted Cash	-	-	264,936	-	264,936
Reconciliation of Cash and Cash Equivalents, December 31	<u>\$ 2,573,539</u>	<u>\$ 5,429,293</u>	<u>\$ 1,073,056</u>	<u>\$ 1,053,501</u>	<u>\$ 10,129,389</u>

The notes to the financial statements are an integral part of this statement.

City of Isanti, Minnesota  
Statement of Cash Flows (Continued)  
Proprietary Funds  
For the Year Ended December 31, 2023

	Business-type Activities - Enterprise Funds				Total
	601 Water	602 Sewer	609 Liquor Store	Nonmajor 603 Storm Water	
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities					
Operating income (loss)	\$ 247,682	\$ (226,449)	\$ 623,025	\$ 44,819	\$ 689,077
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation	432,850	625,249	70,675	86,358	1,215,132
Other receipts	7,821	2,199	392	1,032	11,444
(Increase) decrease in assets					
Accounts receivable	(1,991)	(1,393)	-	5,712	2,328
Special assessments	4,220	3,350	-	1,657	9,227
Inventories	-	-	(92,302)	-	(92,302)
Prepaid items	539	1,209	(1,304)	(35)	409
(Increase) in deferred outflows of resources					
Deferred pension resources	21,709	29,318	50,183	3,529	104,739
Deferred other post employment benefit resources	(69,056)	(84,042)	(89,827)	(15,205)	(258,130)
Increase (decrease) in liabilities					
Accounts payable	(3,937)	4,946	(81,470)	105	(80,356)
Due to other governments	113	-	538	-	651
Accrued salaries payable	(8,160)	(9,885)	(14,649)	(1,236)	(33,930)
Compensated absences payable	4,584	2,977	7,848	2,139	17,548
Other postemployment benefits payable	70,301	85,328	89,608	16,318	261,555
Net pension liability	(37,438)	(53,220)	(98,347)	(3,714)	(192,719)
Increase (decrease) in deferred inflows of resources					
Deferred pension resources	33,307	41,668	62,274	8,373	145,622
Deferred other post employment benefit resources	(42)	(308)	(2,140)	941	(1,549)
Net Cash Provided by Operating Activities	<u>\$ 702,502</u>	<u>\$ 420,947</u>	<u>\$ 524,504</u>	<u>\$ 150,793</u>	<u>\$ 1,798,746</u>
Schedule of Noncash Capital and Related Financing Activities					
Capital asset contributions	<u>\$ 131,225</u>	<u>\$ 131,225</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 262,450</u>
Amortization of bond premium	<u>\$ -</u>	<u>\$ 6,018</u>	<u>\$ 7,278</u>	<u>\$ -</u>	<u>\$ 13,296</u>
Capital assets purchased on account	<u>\$ 27,110</u>	<u>\$ 29,830</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,940</u>

The notes to the financial statements are an integral part of this statement.

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City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2023

## Note 1: Summary of Significant Accounting Policies

### A. Reporting Entity

The City of Isanti, Minnesota (the City) operates under "Optional Plan A" form of government as defined in the State of Minnesota statutes. The City is governed by an elected Mayor and four-member City Council. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City.

The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the City. The City has the following component unit:

**Blended Component Unit.** The Economic Development Authority (EDA) of the City was created pursuant to Minnesota statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment consistent with policies established by the City Council. The City has the authority to approve and modify the EDA's budget, and the City Council has the ability to veto, overrule, or modify the decisions of the EDA Board of Commissioners. The EDA is governed by a total of seven commissioners, two of which are residents and five are City Council members. The EDA activities are blended and reported as a special revenue fund due to substantively the same governing board and due to the City having operation responsibility. Separate financial statements are not issued for this component unit.

### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and the fiduciary fund, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 1: Summary of Significant Accounting Policies (Continued)**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The City reports the following major governmental funds:

The *General fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Street Construction fund* is the City's road maintenance fund. It accounts for costs associated with street maintenance and other projects within the City.

The *Capital Replacement fund* is the City's capital fund. It accounts for costs associated with capital projects within the City.



City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 1: Summary of Significant Accounting Policies (Continued)**

The City reports the following major proprietary funds:

The *Water fund* accounts for the costs associated with the City's water system and ensure that user charges are sufficient to pay for those costs.

The *Sewer fund* accounts for the costs associated with the City's sewer system and ensure that user charges are sufficient to pay for those costs.

The *Liquor Store fund* accounts for the costs associated with the City's liquor operations.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance**

***Deposits and Investments***

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the statement of cash flows.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. It is the City's policy to refrain from investing in banks, savings and loan associations or credit unions whose equity to asset ratio is less than 10 percent. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City's recurring fair value measurements are listed in detail on page 47.

The City has the following recurring fair value measurements as of December 31, 2023:

- US Government Agency securities of \$1,033,480 are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposit of \$4,149,224 are valued using a matrix pricing model (Level 2 inputs)

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 1: Summary of Significant Accounting Policies (Continued)**

The City may invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

***Investment Policy***

The City's investment policy incorporates Minnesota statutes as described above which reduces the City's exposure to credit, custodial credit and interest rate risks. Specific risk information for the City is as follows:

- *Credit Risk* is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings provided by various credit rating agencies where applicable indicate associated credit risk. The City's investments in Government Agencies are fully backed by the U.S. Government and are rated AAA.
- *Custodial Credit Risk* for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City limits its exposure to custodial credit risk by purchasing insured or registered investments. It is the City's policy to refrain from investing in banks, savings and loan associations or credit unions whose equity to asset ratio is less than 10%.
- *Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy does not address investments in any one institution greater than 5%. The City does have individual investments greater than 5%.
- *Interest Rate Risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. Using the segmented time distribution method, the interest rate risk of these investments ranges from less than 6 months to more than 3 years.

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 1: Summary of Significant Accounting Policies (Continued)**

***Property Taxes***

The City Council annually adopts a tax levy in December and certifies it to the County for collection in the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Auditor and tax settlements are made to the City during January, July and December each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for taxes not received within 60 days after year end in the governmental fund financial statements.

***Accounts Receivable***

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2023. The City annually certifies delinquent water and sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

***Lease Receivable***

The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

***Special Assessments***

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are received in cash or within 60 days after year end. All special assessments receivable are offset by a deferred inflow of resources in the governmental fund financial statements.

***Interfund Receivables and Payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

***Inventories and Prepaid Items***

Inventories are valued at lower of cost or market, using the first-in, first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

***Land Held for Resale***

Land held for resale is valued at the lower of the cost or the market value of the property.

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the acquisition value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Lives in Years
Buildings and Structures	40
Infrastructure	10 to 50
Furniture and Equipment	3 to 20
Improvements other than Buildings	10 to 20

**Deferred Outflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items which qualify for reporting in this category. Accordingly, the items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position. These items result from actuarial calculations and current year pension contributions and OPEB contributions made subsequent to the measurement dates.

**Long-term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. The recognition of bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 1: Summary of Significant Accounting Policies (Continued)**

***Compensated Absences***

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation, which is paid to the employee upon separation. A portion of unused sick leave may also be paid upon separation from City service. In governmental fund types the cost of these benefits is recognized when payments are made to the employees. The General fund is typically used to liquidate governmental compensated absences payable.

***Pensions***

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension liability.

The total pension expense for the City was as follows:

	GERP	PEFP	Total Pension Expense
City's Proportionate Share	\$ 279,653	\$ 295,445	\$ 575,098
Proportionate Share of State's Contribution	38,704	47,074	85,778
Total Pension Expense	<u>\$ 318,357</u>	<u>\$ 342,519</u>	<u>\$ 660,876</u>

***Postemployment Benefits other than Pensions***

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in a group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB 75, at January 1, 2022. The General fund is typically used to liquidate governmental other postemployment benefits payable.

***Deferred Inflows of Resources***

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has the following items listed below reported in the statement of net position and governmental funds balance sheet.

- *Unavailable revenues* are presented in the governmental funds from three sources: property taxes, special assessments, and notes which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 1: Summary of Significant Accounting Policies (Continued)**

- *Deferred intergovernmental resources* are reported in the governmental funds balance sheet and were received in advance and apply to future periods. This item is also reported in the statement of net position.
- *Deferred pension resources* are reported only in the statements of net position and results from actuarial calculations.
- *Deferred OPEB resources* is reported only in the statements of net position and results from actuarial calculations.
- *Deferred lease resources* are reported in the governmental funds balance sheet and are deferred to the period the amounts become available. This item is also reported in the statement of net position.

**Fund Balance**

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

*Nonspendable* - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

*Restricted* - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

*Committed* - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council, which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

*Assigned* - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the City Council itself or by an official to which the governing body delegates the authority. The City Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Finance Director.

*Unassigned* - The residual classification for the General fund and negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 50 percent of the following year's budgeted expenditures and transfers out.

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consists of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets".

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**Comparative Data/Reclassifications**

To better reflect the activity of the primary government, the City elected to show the prior year Signal Light Improvements and City Parking Improvements funds with the Street fund. The amounts collected in prior years are held for future infrastructure projects. The total combined beginning fund balance of the primary government was unchanged.

**Note 2: Stewardship, Compliance and Accountability**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund and Economic Development Authority. All annual appropriations lapse at year end. The City does not use encumbrance accounting.

In May of each year, all departments of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. Before September 30, the proposed budget is presented to the City Council for review. The City Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. The budget was not amended during the year.

**B. Deficit Fund Equity**

The following funds had deficit fund equity at December 31, 2023:

Fund	Amount
Nonmajor	
Isanti Indoor Arena	104,501
Illuminate Isanti	144,596
TIF 9	1,161

These deficits will be eliminated with charges for services, tax increment and transfers from other funds.

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 3: Detailed Notes on All Funds**

**A. Deposits and Investments**

***Deposits***

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the City Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

*Minnesota statutes* require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks. Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds.
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

*Minnesota statutes* require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

At year end, the City's carrying amount of deposits was \$10,618,745 and the bank balance was \$11,034,433. Of the bank balance, \$500,000 was covered by Federal depository insurance and the remaining balance was collateral held in the City's name.



City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 3: Detailed Notes on All Funds (Continued)**

At year end, the City's investment balances were as follows:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Cost						
Broker Money Markets	N/A	Less than 1 year	\$ 84,708	\$ -	\$ -	\$ -
Non-pooled Investments at Fair Value						
U.S. Government Agency Securities	AAA	Under 6 months	1,033,480	1,033,480	-	-
Negotiable CDs	N/A	Less than 1 year	702,692	-	702,692	-
Negotiable CDs	N/A	1 to 5 years	3,446,532	-	3,446,532	-
Total Investments			<u>\$ 5,267,412</u>	<u>\$ 1,033,480</u>	<u>\$ 4,149,224</u>	<u>\$ -</u>

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicates not applicable or available.

A reconciliation of cash and investments as shown on the statement of net position for the City follows:

Carrying Amount of Deposits	\$ 10,618,745
Investments	5,267,412
Cash on Hand	<u>9,754</u>
Total	<u>\$ 15,895,911</u>
Cash and Temporary Investments	
Unrestricted	\$ 15,630,975
Cash with fiscal agent	<u>264,936</u>
Total	<u>\$ 15,895,911</u>

**B. Loans Receivable**

In 2015, the City's Revolving Loan fund loaned \$200,000 to Enterprise Avenue Properties LP for 21 years at 2 percent interest. As of December 31, 2023, the loan receivable was \$129,167.

**C. Notes Receivable**

On March 2, 2021 the City of Isanti and the Isanti Area Joint Operating Fire District entered into a lease purchase agreement for the Isanti Fire Hall. The City is to receive yearly payments in the amount of \$120,000 for the next 5 years starting on January 1, 2022 and commencing on January 1, 2025. As of December 31, 2023, the note receivable balance was \$240,000.

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 3: Detailed Notes on All Funds (Continued)**

**D. Interfund Receivables, Payables and Transfers**

Receivable Fund	Payable Fund	Purpose	Amount
<b>Due from/to other Funds</b>			
Business-type	Governmental		
Liquor store	General fund	Finance project costs	\$ 25,765
<b>Advances to/from other Funds</b>			
Business-type	Governmental		
Liquor store	General fund	Finance project costs	128,826
Total Internal Balances Government-wide Statements			<u>\$ 154,591</u>

In 2018, the Liquor fund loaned \$257,652 to the General fund to cover the 2018 Street and Utility Improvement Project. The loan is expected to be paid back over a ten year period from future levy dollars. Repayments are interest free. The outstanding balance at December 31, 2023 is noted above.

**Interfund Transfers**

The following interfund transfers were made during 2023:

Fund	Transfer in			Total
	General	Capital Replacement	Nonmajor Governmental	
Transfer Out				
Capital Replacement	\$ -	\$ -	\$ 6,300	\$ 6,300
Nonmajor Governmental	22,605	-	-	22,605
Water	-	18,366	-	18,366
Sewer	-	16,507	-	16,507
Liquor Store	420,000	-	-	420,000
Nonmajor - Storm Water	-	1,829	-	1,829
Total	<u>\$ 442,605</u>	<u>\$ 36,702</u>	<u>\$ 6,300</u>	<u>\$ 485,607</u>

During the year ended December 31, 2023, the City made the following transfers.

- The Capital Replacement fund transferred \$6,300 to the Nonmajor Cable Franchise fund to pay for the acquisition of new accounting software.
- The Water, Sewer, and Storm Water funds transferred \$18,366, \$16,507, and \$1,829, respectively, to the Capital Replacement fund to support future capital projects.
- The Liquor Store transferred \$420,000 to the General fund in line with the City's adopted budget.
- The nonmajor governmental funds (EDA) made a budgeted transfer of \$22,605 to the General fund for administrative services.

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 3: Detailed Notes on All Funds (Continued)**

**E. Lease Receivable**

Description	Interest Rate	Issue Date	Payment Terms		Payment Amount	Balance at Year End
Isanti Indoor Arena	3.54 %	2/1/2015	397	Months	\$ 7,310	<u>\$ 2,313,074</u>

The City entered into an agreement with Rum River BMX Association for the building constructed at 101 Isanti Parkway NW, Isanti, Minnesota. The lease began on February 1st, 2015 and goes for a remaining 397 months. The City will be paid \$7,310 every month, increasing by 2.5% every August 1st, at an interest rate of 3.54 percent.

**F. Capital Assets**

Capital asset activity for the year ended December 31, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 2,104,720	\$ -	\$ -	\$ 2,104,720
Construction in progress	1,526,286	\$257,115.00	(1,526,286)	257,115
Total Capital Assets not Being Depreciated	<u>3,631,006</u>	<u>257,115</u>	<u>(1,526,286)</u>	<u>2,361,835</u>
Capital Assets Being Depreciated				
Land improvements	440,300	-	-	440,300
Buildings	5,236,532	2,952,252	-	8,188,784
Infrastructure	29,617,137	374,730	-	29,991,867
Machinery and equipment	1,849,396	-	-	1,849,396
Vehicles	754,972	27,743	-	782,715
Total Capital Assets Being Depreciated	<u>37,898,402</u>	<u>3,354,725</u>	<u>-</u>	<u>41,253,062</u>
Less Accumulated Depreciation for				
Land improvements	(440,300)	-	-	(440,300)
Buildings	(1,849,311)	(131,587)	-	(1,980,898)
Infrastructure	(17,279,996)	(1,346,756)	-	(18,626,752)
Machinery and equipment	(1,294,935)	(70,759)	-	(1,365,694)
Vehicles	(504,944)	(64,855)	-	(569,799)
Total Accumulated Depreciation	<u>(21,369,551)</u>	<u>(1,613,957)</u>	<u>-</u>	<u>(22,983,443)</u>
Total Capital Assets Being Depreciated, Net	<u>16,528,851</u>	<u>1,740,768</u>	<u>-</u>	<u>18,269,619</u>
Governmental Activities Capital Assets, Net	<u>\$ 20,159,857</u>	<u>\$ 1,997,883</u>	<u>\$ (1,526,286)</u>	<u>\$ 20,631,454</u>

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 3: Detailed Notes on All Funds (Continued)**

Depreciation expense was charged to functions of the governmental activities as follows:

General Government	\$ 57,263
Public Safety	73,975
Public Works	1,239,878
Culture and Recreation	<u>242,841</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 1,613,957</u></u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 37,078	\$ -	\$ -	\$ 37,078
Construction in progress	844,657	-	(844,657)	-
Total Capital Assets not Being Depreciated	<u>881,735</u>	<u>-</u>	<u>(844,657)</u>	<u>37,078</u>
Capital Assets Being Depreciated				
Land improvements	176,663	-	-	176,663
Buildings	6,213,509	-	-	6,213,509
Infrastructure	37,712,457	1,446,131	-	39,158,588
Machinery and equipment	1,903,812	1,264,386	-	3,168,198
Vehicles	107,243	-	-	107,243
Total Capital Assets Being Depreciated	<u>46,113,684</u>	<u>2,710,517</u>	<u>-</u>	<u>48,824,201</u>
Less Accumulated Depreciation for				
Land improvements	(163,375)	-	-	(163,375)
Buildings	(348,872)	(156,267)	-	(505,139)
Infrastructure	(13,842,025)	(938,948)	-	(14,780,973)
Machinery and equipment	(1,004,560)	(111,627)	-	(1,116,187)
Vehicles	(69,008)	(8,290)	-	(77,298)
Total Accumulated Depreciation	<u>(15,427,840)</u>	<u>(1,215,132)</u>	<u>-</u>	<u>(16,642,972)</u>
Total Capital Assets Being Depreciated, Net	<u>30,685,844</u>	<u>1,495,385</u>	<u>-</u>	<u>32,181,229</u>
Business-type Activities Capital Assets, Net	<u><u>\$ 31,567,579</u></u>	<u><u>\$ 1,495,385</u></u>	<u><u>\$ (844,657)</u></u>	<u><u>\$ 32,218,307</u></u>

Depreciation expense was charged to programs of the business-type activities as follows:

Water	\$ 432,850
Sewer	625,249
Stormwater	86,358
Liquor Store	<u>70,675</u>
Total Depreciation Expense - Business-type Activities	<u><u>\$ 1,215,132</u></u>

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 3: Detailed Notes on All Funds (Continued)**

**G. Long-term Debt**

General Obligation (G.O.) Bonds

The City issues G.O. bonds to provide funds for the acquisition and construction of major capital facilities. G.O. bonds have been issued for both general government and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, bonds have been issued to refund G.O. bonds.

G.O. bonds are direct obligations and pledge the full faith and credit of the government. G.O. bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Bonds, Series 2014B	\$ 1,420,000	0.50 - 2.50	10/01/14	02/01/24	\$ 45,000
G.O. Refunding Bonds, Series 2021A	1,445,000	2.00	11/16/21	02/01/30	1,280,000
Total G.O. Bonds					<u>\$ 1,325,000</u>

Annual debt service requirements to maturity for the G.O. bonds are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2024	\$ 220,000	\$ 24,368	\$ 244,368
2025	170,000	20,400	190,400
2026	175,000	16,950	191,950
2027	180,000	13,400	193,400
2028	195,000	9,650	204,650
2029 - 2030	385,000	7,650	392,650
Total	<u>\$ 1,325,000</u>	<u>\$ 92,418</u>	<u>\$ 1,417,418</u>

G.O. Improvement (Special Assessment) Bonds

The following bonds were issued to finance various improvements and will be repaid from special assessments levied on the properties benefiting from the improvements and/or ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. Each year the combined assessment and tax levy equals 105 percent of the amount required for debt service. The excess of 5 percent is to cover any delinquencies in tax or assessment payments. The business-type bonds will be repaid from special assessments and future net revenues pledged from the Water fund.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Refunding Bonds, Series 2013A	2,160,000	0.35 - 2.50	02/01/13	12/01/28	<u>\$ 190,000</u>

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 3: Detailed Notes on All Funds (Continued)**

Annual debt service requirements to maturity for the G.O. improvement bonds are as follows:

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2024	\$ 35,000	\$ 4,470	\$ 39,470
2025	35,000	3,735	38,735
2026	40,000	3,000	43,000
2027	40,000	2,000	42,000
2028	40,000	1,000	41,000
Total	<u>\$ 190,000</u>	<u>\$ 14,205</u>	<u>\$ 204,205</u>

G.O. Revenue Bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be repaid from future net revenues pledged from the Water and Sewer funds and are backed by the taxing power of the City.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
MPFA - Water Revenue Bonds, Series 2007A	\$ 965,000	2.63 %	07/10/08	08/20/26	\$ 187,000
MPFA - Water Revenue Bonds, Series 2008	5,064,256	3.04	10/07/08	08/20/28	1,584,056
G.O. Utility Revenue Bonds, Series 2010A	835,000	2.00 - 3.70	07/01/10	12/01/24	65,000
MPFA - Water Revenue Bonds, Series 2011	479,047	1.533	11/23/11	08/20/31	300,000
G.O. Utility Revenue Bonds, Series 2014B	1,030,000	0.50 - 2.50	10/01/14	02/01/25	225,000
MPFA - Sewer Revenue Bonds, Series 2016A	2,525,000	1.53	07/15/16	12/01/29	1,485,000
Lease Revenue Bonds, Series 2021A	3,165,000	2.00	06/16/21	12/15/36	<u>2,820,000</u>
Total G.O. Revenue Bonds					<u>\$ 6,666,056</u>

Annual revenue from operations, principal and interest payments on bonds and percentage of revenues required to cover principal and interest payments are as follows:

	Water	Sewer	Liquor Store
Operating Revenues	\$ 1,447,775	\$ 1,441,075	\$ 277,396
Principal and Interest	525,459	424,519	251,999
Percentage of Revenues	36%	29%	91%

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 3: Detailed Notes on All Funds (Continued)**

Annual debt service requirements to maturity for the G.O. revenue bonds are as follows:

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2024	\$ 995,000	\$ 150,349	\$ 1,145,349
2025	955,000	125,521	1,080,521
2026	863,000	103,861	966,861
2027	818,000	83,068	901,068
2028	839,056	63,484	902,540
2029 - 2033	1,476,000	147,772	1,623,772
2034 - 2036	720,000	29,000	749,000
Total	<u>\$ 6,666,056</u>	<u>\$ 703,055</u>	<u>\$ 7,369,111</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable					
General obligation bonds	\$ 1,535,000	\$ -	\$ (210,000)	\$ 1,325,000	\$ 220,000
Premium on bonds	72,055	-	(11,591)	60,464	-
Total Bonds Payable	1,607,055	-	(221,591)	1,385,464	220,000
Compensated Absences Payable	233,420	108,739	(103,987)	238,172	140,002
Governmental Activities Long-term Liabilities	<u>\$ 1,840,475</u>	<u>\$ 108,739</u>	<u>\$ (325,578)</u>	<u>\$ 1,623,636</u>	<u>\$ 360,002</u>
<b>Business-type Activities</b>					
Bonds Payable					
G.O. revenue bonds	\$ 7,645,056	\$ -	\$ (979,000)	\$ 6,666,056	\$ 995,000
G.O. improvement bonds	230,000	-	(40,000)	190,000	35,000
Premium on bonds	139,774	-	(13,296)	126,478	-
Total Bonds Payable	8,014,830	-	(1,032,296)	6,982,534	1,030,000
Compensated Absences Payable	92,657	59,260	(41,712)	110,205	64,781
Business-type Activities Long-term Liabilities	<u>\$ 8,107,487</u>	<u>\$ 59,260</u>	<u>\$ (1,074,008)</u>	<u>\$ 7,092,739</u>	<u>\$ 1,094,781</u>

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 3: Detailed Notes on All Funds (Continued)**

**H. Components of Fund Balance**

At December 31, 2023, portions of the City's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), City Council action (Committed), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Street Construction	Capital Replacement	Other Governmental Funds	Total Governmental Funds
Nonspendable					
Prepaid items	<u>\$ 17,083</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,667</u>	<u>\$ 18,750</u>
Restricted for					
Debt service	\$ -	\$ -	\$ -	\$ 359,359	\$ 359,359
Park improvements	-	-	-	455,519	455,519
Public safety	-	-	307,285	19,435	326,720
Total Restricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 307,285</u>	<u>\$ 834,313</u>	<u>\$ 1,141,598</u>
Committed to					
Culture and recreation	\$ -	\$ -	\$ -	\$ 2,311	\$ 2,311
Economic development	-	-	-	381,263	381,263
City technology improvements	-	-	-	10,955	10,955
Total Committed	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 394,529</u>	<u>\$ 394,529</u>
Assigned to					
Capital projects	\$ -	\$ 239,019	\$ 606,100	\$ -	\$ 845,119
Park improvements	-	-	-	13,890	13,890
Total assigned	<u>\$ -</u>	<u>\$ 239,019</u>	<u>\$ 606,100</u>	<u>\$ 13,890</u>	<u>\$ 859,009</u>
Unassigned	<u>\$ 2,568,160</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (250,633)</u>	<u>\$ 2,317,527</u>



City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 4: Defined Benefit Pension Plans - Statewide**

**A. Plan Description**

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota statutes, chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

All full-time and certain part-time employees of the City are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

Public Employees Police and Fire Plan

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

**B. Benefits Provided**

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for average salary for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014 vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

**C. Contributions**

Minnesota *Statutes* Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2023 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the years ending December 31, 2023, 2022 and 2021 were \$153,890, \$137,514 and \$133,608, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2023 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the years ending December 31, 2023, 2022 and 2021 were \$174,190, \$147,520 and \$150,552, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

**D. Pension Costs**

General Employees Fund Pension Costs

At December 31, 2023, the City reported a liability of \$1,403,564 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$38,704. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0251 percent at the end of the measurement period and 0.0248 percent for the beginning of the period.

City Proportionate Share of the Net Pension Liability	\$ 1,403,564
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>38,704</u>
Total	<u><u>\$ 1,442,268</u></u>

For the year ended December 31, 2023, the City recognized pension expense of \$279,479 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized \$174 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2023, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 45,961	\$ 8,899
Changes in Actuarial Assumptions	209,726	384,705
Net Difference Between Projected and Actual Investment Earnings	-	23,364
Changes in Proportion	30,030	-
Contributions Paid to PERA Subsequent to the Measurement Date	<u>76,151</u>	<u>-</u>
Total	<u><u>\$ 361,868</u></u>	<u><u>\$ 416,968</u></u>

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

The \$76,151 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2024	\$ 55,088
2025	(186,513)
2026	30,621
2027	(30,447)

Police and Fire Fund Pension Costs

At December 31, 2023, the City reported a liability of \$1,169,091 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0677 percent at the end of the measurement period and 0.0719 percent for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2023. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2022. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2023, the City recognized pension expense of \$298,281 for its proportionate share of the Police and Fire Plan's pension expense. In addition, the City recognized an additional -\$2,835 as pension expense (grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$6,093 for the year ended December 31, 2023 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

City of Isanti, Minnesota  
Notes to the Financial Statements  
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**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

At December 31, 2023, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 326,859	\$ -
Changes in Actuarial Assumptions	1,408,125	1,643,430
Net Difference Between Projected and Actual Investment Earnings	-	16,967
Changes in Proportion	40,543	127,498
Contributions Paid to PERA Subsequent to the Measurement Date	92,392	-
	<u>\$ 1,867,919</u>	<u>\$ 1,787,895</u>
Total		

The \$92,392 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2024	\$ 66,439
2025	19,125
2026	285,484
2027	(93,357)
2028	(290,059)

**E. Long-term Expected Return on Investment**

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
International Equity	16.5	5.30
Fixed Income	25.0	0.75
Private Markets	25.0	5.90
Total	<u>100.0 %</u>	

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

**F. Actuarial Assumptions**

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan and 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan and 1.00 percent for the the Police and Fire Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan is based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2023:

General Employees Fund

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.0 percent.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

Police and Fire Fund

Changes in Actuarial Assumptions

- The investment return assumption was changed from 6.5 percent to 7.0 percent.
- The single discount rate changed from 5.4 percent to 7.0 percent.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$19.4 million will be contributed to the Plan on October 1, 2023.
- The vesting requirement for new hires after June 30, 2014 was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years increasing incrementally to 100 percent after 10 years.
- A one-time, non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023 prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

**G. Discount Rate**

The discount rate used to measure the total pension liability in 2023 was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the General Employees and Police and Fire Funds were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**H. Pension Liability Sensitivity**

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	<u>1 Percent Decrease (6.0%)</u>	<u>Current (7.0%)</u>	<u>1 Percent Increase (8.0%)</u>
General Employees Fund	\$ 2,483,017	\$ 1,403,564	\$ 515,672
Police and Fire Fund	2,319,616	1,169,091	223,206

**I. Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).

City of Isanti, Minnesota  
Notes to the Financial Statements  
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**Note 5: Postemployment Benefits Other Than Pensions**

**A. Plan Description**

The City operates a single-employer retiree benefit plan ("the Plan") that provides health, life and dental insurance to eligible employees and their families through the City's health insurance plan. The full cost of the benefits is covered by the plan. Benefit and eligibility provisions are established through negotiations between the City and various unions representing City employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available report. At December 31, 2023, the 34 active plan members were covered by the benefit terms.

**B. Funding Policy**

OPEB benefits have historically been funded on a pay-as-you-go basis (PAYGO). Plan sponsors may set up a trust and pre-fund the benefits. There is no requirement to pre-fund benefit. However, continuing on a PAYGO basis will create a Total OPEB Liability (TOL) on the balance sheet. Results throughout the report assume continued funding under PAYGO. The overall single discount rate is 4.00 percent.

**C. Actuarial Methods and Assumptions**

The City's total OPEB liability of \$966,509 was measured as of December 31, 2023, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of January 1, 2022. Roll forward procedures were used to roll forward the total OPEB liability to the measurement date.

The total OPEB liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	4.00%
20-Year Municipal Bond Yield	4.00%
Inflation Rate	2.50%
Salary Increases	Service graded table
Medical Trend Rate	6.25% as of January 1, 2023 grading to 5.00%, then 4.00%

The discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds. The overall single discount rate is 4.00 percent. Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2021 Generational Improvement Scale. The actuarial assumptions used in the December 31, 2018 valuation were based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.



City of Isanti, Minnesota  
Notes to the Financial Statements  
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**Note 5: Postemployment Benefits Other Than Pensions (Continued)**

**D. Changes in the Total OPEB Liability**

	Total OPEB Liability (a)
Balances at December 31, 2022	\$ 172,005
Changes for the Year:	
Service cost	9,799
Interset	3,433
Differences between expected and actual experience	842,108
Changes in assumptions or other inputs	(40,468)
Benefit payments	(20,368)
Net Changes	794,504
Balances at December 31, 2023	\$ 966,509

**E. Sensitivity of the Total OPEB Liability**

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current discount rate:

1 Percent Decrease (3%)	Current (4%)	1 Percent Increase (5%)
\$ 1,059,618	\$ 966,509	\$ 885,429

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a Healthcare Cost Trend Rates that is 1-percentage point lower or 1-percentage-point higher than the current discount rate:

1 Percent Decrease (5.25% Decreasing to 4.00%)	Healthcare Cost Trend Rates (6.25% Decreasing to 5.00%)	1 Percent Increase (7.25% Decreasing to 6.00%)
\$ 878,912	\$ 966,509	\$ 1,066,083

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 5: Postemployment Benefits Other Than Pensions (Continued)**

**F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended December 31, 2023, the City recognized negative OPEB expense of \$39,403. At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 742,275	\$ 130,452
Changes in Actuarial Assumptions	2,996	36,756
Contributions to OPEB subsequent to the measurement date.	59,235	-
Total	<u>\$ 804,506</u>	<u>\$ 167,208</u>

Deferred inflows of resources totaling \$59,235 related to OPEB resulting from the City's contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2024	\$ 68,756
2025	68,756
2026	68,756
2027	68,756
2028	101,707
Thereafter	201,332

**Note 6: Other Information**

**A. Legal Debt Margin**

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of three percent of the estimated market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and, therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues, or tax increments. As of December 31, 2023, the City is under the legal debt margin.

**B. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT), which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 7: Joint Venture**

**A. Isanti Area Joint Operating Fire Board District**

The City participates in a joint powers agreement with the towns of Athens, Bradford, Isanti, Oxford, Spencer Brook and Stanford to acquire and pay for new fire department substations in the townships. The City shall deposit in advance quarterly contributions with the treasurer of the Isanti Area Joint Operating Fire fund. The amount of the quarterly contributions to the fund shall be according to the proportions established in the fire protection contract. The City contributed \$305,310 to the District in 2023. The City's equity interest and its share of the net income (loss) of the District is not measurable and it is not explicit; therefore, no equity interest is reported in the government-wide financial statements.

The following is a summary of the Fire District's statements of net position as of December 31, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Assets	\$ 313,201	\$ 347,807
Capital assets, net	<u>1,631,631</u>	<u>1,690,074</u>
 Total Assets	 <u><u>\$ 1,944,832</u></u>	 <u><u>\$ 2,037,881</u></u>
Liabilities	\$ 6,551	\$ 94,957
Net Position	<u>1,938,281</u>	<u>1,942,924</u>
 Total Liabilities and Net Position	 <u><u>\$ 1,944,832</u></u>	 <u><u>\$ 2,037,881</u></u>

The following is a summary of Fire District's statements of activities for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Revenues	\$ 779,234	\$ 718,415
Expenses	<u>783,877</u>	<u>788,744</u>
 Change in Net Position	 (4,643)	 (70,329)
 Net Position, January 1	 <u>1,942,924</u>	 <u>2,020,555</u>
 Net Position, December 31	 <u><u>\$ 1,938,281</u></u>	 <u><u>\$ 1,942,924</u></u>

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2023

**Note 8: Commitments and Contingencies**

**Tax Increment Districts**

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

**Conduit Debt**

The City issued facility revenue notes to provide financial assistance to the Art and Science Academy for the acquisition and construction of an educational facility deemed to be in the public interest for \$5,250,000 in 2021. At December 31, 2023, the balance of the notes outstanding was 4,807,202. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ISANTI  
ISANTI, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2023

City of Isanti, Minnesota  
Required Supplementary Information  
For the Year Ended December 31, 2023

**Schedule of Employer's Share of PERA Net Pension Liability - General Employees Fund**

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/23	0.0251 %	\$ 1,403,564	\$ 38,704	\$ 1,442,268	\$ 1,999,813	70.2 %	83.1 %
06/30/22	0.0248	1,964,168	57,522	2,021,690	1,781,453	110.3	76.7
06/30/21	0.0231	986,473	30,118	1,016,591	1,659,494	59.4	87.0
06/30/20	0.0218	1,307,010	40,174	1,347,184	1,609,429	81.2	79.0
06/30/19	0.0204	1,127,870	35,165	1,163,035	1,390,803	81.1	80.2
06/30/18	0.0218	1,209,375	39,643	1,249,018	1,465,877	82.5	79.5
06/30/17	0.0216	1,378,930	17,319	1,396,249	1,389,926	99.2	75.9
06/30/16	0.0211	1,713,216	22,401	1,735,617	1,310,966	130.7	68.9
06/30/15	0.0219	1,134,972	-	1,134,972	1,284,497	88.4	78.2

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.*

**Schedule of Employer's PERA Contributions - General Employees Fund**

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/23	\$ 153,890	\$ 153,890	\$ -	\$ 2,051,867	7.5 %
12/31/22	137,514	137,514	-	1,833,520	7.5
12/31/21	133,608	133,608	-	1,781,440	7.5
12/31/20	118,222	118,222	-	1,576,289	7.5
12/31/19	112,189	112,189	-	1,495,849	7.5
12/31/18	108,556	108,556	-	1,447,416	7.5
12/31/17	104,864	104,864	-	1,398,189	7.5
12/31/16	105,054	105,054	-	1,400,725	7.5
12/31/15	97,034	97,034	-	1,293,790	7.5

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.*

City of Isanti, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2023

**Notes to the Required Supplementary Information - General Employee Fund**

Changes in Actuarial Assumptions

2023 - The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

2022 – The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021

2021 – The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

City of Isanti, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2023

**Notes to the Required Supplementary Information - General Employee Fund (Continued)**

Changes in Plan Provisions

2023 - An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023. The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service. The benefit increase delay for early retirements on or after January 1, 2024, was eliminated. A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 – There were no changes in plan provisions since the previous valuation.

2021 – There were no changes in plan provisions since the previous valuation.

2020 - Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 - The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter. The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 – There were no changes in plan provisions since the previous valuation.

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.



City of Isanti, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2023

**Schedule of Employer's Share of PERA Net Pension Liability - Police and Fire Fund**

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/23	0.0677 %	\$ 1,169,091	\$ 47,074	\$ 1,216,165	\$ 888,955	131.5 %	86.5 %
06/30/22	0.0719	3,128,804	136,609	3,152,084	776,773	402.8	70.5
06/30/21	0.0671	517,941	23,280	541,221	776,773	66.7	93.7
06/30/20	0.0646	851,497	20,053	871,550	712,030	119.6	87.2
06/30/19	0.0656	698,378	-	698,378	668,403	104.5	89.3
06/30/18	0.0617	657,658	-	657,658	649,935	101.2	88.8
06/30/17	0.0700	945,083	-	945,083	723,699	130.6	85.4
06/30/16	0.0660	2,648,695	-	2,648,695	637,473	415.5	63.9
06/30/15	0.0620	704,465	-	704,465	563,393	125.0	86.6

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.*

**Schedule of Employer's PERA Contributions - Police and Fire Fund**

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/23	\$ 174,190	\$ 174,190	\$ -	\$ 984,124	17.7 %
12/31/22	147,520	147,520	-	833,446	17.7
12/31/21	150,552	150,552	-	850,576	17.7
12/31/20	128,590	128,590	-	726,497	17.7
12/31/19	113,940	113,940	-	672,213	16.9
12/31/18	104,266	104,266	-	643,617	16.2
12/31/17	113,975	113,975	-	703,552	16.2
12/31/16	110,692	110,692	-	683,285	16.2
12/31/15	98,214	98,214	-	606,260	16.2

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.*

City of Isanti, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2023

**Notes to the Required Supplementary Information - Police and Fire Fund**

Changes in Actuarial Assumptions

2023 - The investment return assumption was changed from 6.5 percent to 7.00 percent. The single discount rate changed from 5.4 percent to 7.0 percent.

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021. The single discount rate changed from 6.50 percent to 5.40 percent.

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The inflation assumption was changed from 2.50 percent to 2.25 percent. The payroll growth assumption was changed from 3.25 percent to 3.00 percent. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020. The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020). Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates. Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements. Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations. Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities. Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

2020 - The mortality projection scale was changed from MP-2018 to MP-2019.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2016 to MP-2017.

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65 percent to 60 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.6 percent to 7.5 percent.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 5.6 percent. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2037 and 2.5 percent per year thereafter.

City of Isanti, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2023

**Notes to the Required Supplementary Information - Police and Fire Fund (Continued)**

Changes in Plan Provisions

2023 - Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023. Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100% after 10 years. A one-time, non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024. Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation. The total and permanent duty disability benefit was increased, effective July 1, 2023.

2022 – There were no changes in plan provisions since the previous valuation.

2021 – There were no changes in plan provisions since the previous valuation.

2020 – There were no changes in plan provisions since the previous valuation.

2019 – There were no changes in plan provisions since the previous valuation.

2018 - As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger. An end date of July 1, 2048 was added to the existing \$9.0 million state contribution. New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier. Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020. Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed postretirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016 – There were no changes in plan provisions since the previous valuation.

2015 - The post-retirement benefit increase to be paid after attainment of the 90 percent funding threshold was changed, from inflation up to 2.5 percent, to a fixed rate of 2.5 percent.

City of Isanti, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2023

**Schedule of Changes in the City's Total OPEB Liability and Related Ratios**

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost	\$ 9,799	\$ 13,023	\$ 12,993	\$ 11,217	\$ 28,959	\$ 28,116
Interest	3,433	3,374	2,295	10,677	10,024	8,792
Differences between expected and actual experience	842,108	7,241	-	(260,904)	-	-
Changes in assumptions	(40,468)	154	4,608	(2,693)	-	-
Plan changes	-	-	80,559	-	-	-
Benefit payments	(20,368)	(14,869)	(6,959)	(2,063)	(850)	-
Net Change in Total OPEB Liability	794,504	8,923	93,496	(243,766)	38,133	36,908
Total OPEB Liability - Beginning	172,005	163,082	69,586	313,352	275,219	238,311
Total OPEB Liability - Ending	<u>\$ 966,509</u>	<u>\$ 172,005</u>	<u>\$ 163,082</u>	<u>\$ 69,586</u>	<u>\$ 313,352</u>	<u>\$ 275,219</u>
Covered - Employee Payroll	\$ 2,561,389	\$ 2,486,785	\$ 2,028,393	\$ 1,969,314	\$ 2,059,503	\$ 1,999,517
City's total OPEB liability as a percentage of covered employee payroll	38 %	7 %	8 %	4 %	15 %	14 %

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.*

COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF ISANTI  
ISANTI, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2023

City of Isanti, Minnesota  
Nonmajor Governmental Funds  
Combining Balance Sheet  
December 31, 2023

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
Assets			
Cash and temporary investments	\$ 490,842	\$ 359,707	\$ 850,549
Receivables			
Accrued interest	1,290	628	1,918
Taxes	1,071	-	1,071
Accounts	16,458	-	16,458
Loans	129,167	-	129,167
Prepaid items	1,667	-	1,667
	<u>1,667</u>	<u>-</u>	<u>1,667</u>
Total Assets	<u>\$ 640,495</u>	<u>\$ 360,335</u>	<u>\$ 1,000,830</u>
Liabilities			
Accounts payable	<u>\$ 6,088</u>	<u>\$ 976</u>	<u>\$ 7,064</u>
Fund Balances			
Nonspendable	1,667	-	1,667
Restricted	474,954	359,359	834,313
Committed	394,529	-	394,529
Assigned	13,890	-	13,890
Unassigned	(250,633)	-	(250,633)
Total Fund Balances	<u>634,407</u>	<u>359,359</u>	<u>993,766</u>
Total Liabilities and Fund Balances	<u>\$ 640,495</u>	<u>\$ 360,335</u>	<u>\$ 1,000,830</u>

City of Isanti, Minnesota  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances  
For the Year Ended December 31, 2023

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
Revenues			
Taxes			
Property taxes	\$ 122,375	\$ 258,967	\$ 381,342
Tax increments	28,827	-	28,827
Franchise taxes	28,404	-	28,404
Charges for services	194,073	-	194,073
Investment earnings	22,932	9,535	32,467
Miscellaneous	33,238	-	33,238
Total Revenues	<u>429,849</u>	<u>268,502</u>	<u>698,351</u>
Expenditures			
Current			
General government	4,310	-	4,310
Public safety	3,277	-	3,277
Culture and recreation	99,841	-	99,841
Economic development	98,518	-	98,518
Capital outlay			
General government	10,585	-	10,585
Culture and recreation	26,045	-	26,045
Economic development	525	-	525
Debt service			
Principal	-	210,000	210,000
Interest and other	-	30,328	30,328
Total Expenditures	<u>243,101</u>	<u>240,328</u>	<u>483,429</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>186,748</u>	<u>28,174</u>	<u>214,922</u>
Other Financing Sources (Uses)			
Transfers in	6,300	-	6,300
Transfers out	<u>(22,605)</u>	<u>-</u>	<u>(22,605)</u>
Total Other Financing Sources (Uses)	<u>(16,305)</u>	<u>-</u>	<u>(16,305)</u>
Net Change in Fund Balances	170,443	28,174	198,617
Fund Balances, January 1	<u>463,964</u>	<u>331,185</u>	<u>795,149</u>
Fund Balances, December 31	<u><u>\$ 634,407</u></u>	<u><u>\$ 359,359</u></u>	<u><u>\$ 993,766</u></u>

City of Isanti, Minnesota  
Nonmajor Special Revenue Funds  
Combining Balance Sheet  
December 31, 2023

	<b>104</b>	<b>108</b>	<b>214</b>	<b>219</b>	<b>220</b>
	Redbirds Maintenance	Economic Development Authority	Park	Revolving Loan	Forfeiture
<b>Assets</b>					
Cash and temporary investments	\$ 2,307	\$ 56,067	\$ 468,592	\$ 169,501	\$ 19,401
Receivables					
Accrued interest	4	98	817	296	34
Taxes	-	-	-	-	-
Accounts	-	12,231	-	-	-
Loans	-	-	-	129,167	-
Prepaid items	-	1,292	-	-	-
<b>Total Assets</b>	<u><u>\$ 2,311</u></u>	<u><u>\$ 69,688</u></u>	<u><u>\$ 469,409</u></u>	<u><u>\$ 298,964</u></u>	<u><u>\$ 19,435</u></u>
<b>Liabilities</b>					
Accounts payable	<u>\$ -</u>	<u>\$ 337</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balances</b>					
Nonspendable	-	1,292	-	-	-
Restricted	-	-	455,519	-	19,435
Committed	2,311	68,059	-	298,964	-
Assigned	-	-	13,890	-	-
Unassigned	-	-	-	-	-
<b>Total Fund Balances</b>	<u><u>2,311</u></u>	<u><u>69,351</u></u>	<u><u>469,409</u></u>	<u><u>298,964</u></u>	<u><u>19,435</u></u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 2,311</u></u>	<u><u>\$ 69,688</u></u>	<u><u>\$ 469,409</u></u>	<u><u>\$ 298,964</u></u>	<u><u>\$ 19,435</u></u>



<b>226</b>	<b>227</b>	<b>228</b>	<b>409</b>	<b>614</b>	
Isanti Indoor Arena	Special Response Team	Illuminate Isanti	TIF 9	City Technology Improvement	Total
\$ (102,989)	\$ 14,215	\$ (145,642)	\$ 248	\$ 9,142	\$ 490,842
-	25	-	-	16	1,290
-	-	-	1,071	-	1,071
-	-	2,430	-	1,797	16,458
-	-	-	-	-	129,167
-	-	375	-	-	1,667
<u>\$ (102,989)</u>	<u>\$ 14,240</u>	<u>\$ (142,837)</u>	<u>\$ 1,319</u>	<u>\$ 10,955</u>	<u>\$ 640,495</u>
\$ 1,512	\$ -	\$ 1,759	\$ 2,480	\$ -	\$ 6,088
-	-	375	-	-	1,667
-	-	-	-	-	474,954
-	14,240	-	-	10,955	394,529
-	-	-	-	-	13,890
(104,501)	-	(144,971)	(1,161)	-	(250,633)
<u>(104,501)</u>	<u>14,240</u>	<u>(144,596)</u>	<u>(1,161)</u>	<u>10,955</u>	<u>634,407</u>
<u>\$ (102,989)</u>	<u>\$ 14,240</u>	<u>\$ (142,837)</u>	<u>\$ 1,319</u>	<u>\$ 10,955</u>	<u>\$ 640,495</u>

City of Isanti, Minnesota  
Nonmajor Special Revenue Funds  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances  
For the Year Ended December 31, 2023

	<b>104</b>	<b>108</b>	<b>214</b>	<b>219</b>	<b>220</b>
	Redbirds Maintenance	Economic Development Authority	Park	Revolving Loan	Forfeiture
Revenues					
Taxes					
Property taxes	\$ -	\$ 122,375	\$ -	\$ -	\$ -
Tax increments	-	-	-	-	-
Franchise taxes	-	5,681	-	-	-
Charges for services	-	-	127,500	-	-
Investment earnings	124	889	12,374	7,820	982
Miscellaneous	1,500	8,350	-	-	-
Total Revenues	<u>1,624</u>	<u>137,295</u>	<u>139,874</u>	<u>7,820</u>	<u>982</u>
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	3,277
Culture and recreation	2,297	-	-	-	-
Economic development	-	83,558	-	10,000	-
Capital outlay					
General government	-	-	-	-	-
Culture and recreation	-	-	25,710	-	-
Economic development	-	-	-	-	-
Total Expenditures	<u>2,297</u>	<u>83,558</u>	<u>25,710</u>	<u>10,000</u>	<u>3,277</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(673)</u>	<u>53,737</u>	<u>114,164</u>	<u>(2,180)</u>	<u>(2,295)</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	(22,605)	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(22,605)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(673)	31,132	114,164	(2,180)	(2,295)
Fund Balances, January 1	<u>2,984</u>	<u>38,219</u>	<u>355,245</u>	<u>301,144</u>	<u>21,730</u>
Fund Balances, December 31	<u>\$ 2,311</u>	<u>\$ 69,351</u>	<u>\$ 469,409</u>	<u>\$ 298,964</u>	<u>\$ 19,435</u>

<b>226</b> Isanti Indoor Arena	<b>227</b> Special Response Team	<b>228</b> Illuminate Isanti	<b>409</b> TIF 9	<b>614</b> City Technology Improvement	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 122,375
-	-	-	28,827	-	28,827
-	-	-	-	22,723	28,404
43,237	-	23,336	-	-	194,073
-	657	-	-	86	22,932
-	-	23,388	-	-	33,238
<u>43,237</u>	<u>657</u>	<u>46,724</u>	<u>28,827</u>	<u>22,809</u>	<u>429,849</u>
-	-	4,310	-	-	4,310
-	-	-	-	-	3,277
18,602	-	78,942	-	-	99,841
-	-	-	4,960	-	98,518
-	-	-	-	10,585	10,585
-	-	335	-	-	26,045
-	-	-	525	-	525
<u>18,602</u>	<u>-</u>	<u>83,587</u>	<u>5,485</u>	<u>10,585</u>	<u>243,101</u>
<u>24,635</u>	<u>657</u>	<u>(36,863)</u>	<u>23,342</u>	<u>12,224</u>	<u>186,748</u>
-	-	-	-	6,300	6,300
-	-	-	-	-	(22,605)
-	-	-	-	6,300	(16,305)
24,635	657	(36,863)	23,342	18,524	170,443
<u>(129,136)</u>	<u>13,583</u>	<u>(107,733)</u>	<u>(24,503)</u>	<u>(7,569)</u>	<u>463,964</u>
<u>\$ (104,501)</u>	<u>\$ 14,240</u>	<u>\$ (144,596)</u>	<u>\$ (1,161)</u>	<u>\$ 10,955</u>	<u>\$ 634,407</u>

City of Isanti, Minnesota  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual (Continued on the Following Pages)  
For the Year Ended December 31, 2023  
(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023				2022
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Property taxes	\$ 2,840,412	\$ 2,840,412	\$ 2,796,109	\$ (44,303)	\$ 2,261,261
Licenses and permits					
Business	14,050	14,050	13,375	(675)	11,745
Nonbusiness	269,225	269,225	385,554	116,329	302,625
Total licenses and permits	283,275	283,275	398,929	115,654	314,370
Intergovernmental					
Federal					
Other	21,000	21,000	25,636	4,636	29,995
State					
Local government aid	829,918	829,918	829,918	-	799,088
Property tax credits	-	-	72	72	17
Police aid	94,000	94,000	90,557	(3,443)	98,446
MSA maintenance	75,000	75,000	81,617	6,617	82,564
Other	-	-	28,223	28,223	2,723
Total intergovernmental	1,019,918	1,019,918	1,056,023	36,105	1,012,833
Charges for services					
General government	16,390	16,390	22,177	5,787	38,012
Public safety	84,000	84,000	80,057	(3,943)	77,362
Public works	7,500	7,500	5,855	(1,645)	7,010
Culture and recreation	59,785	59,785	57,248	(2,537)	73,957
Total charges for services	167,675	167,675	165,337	(2,338)	196,341
Fines and forfeitures	35,900	35,900	32,402	(3,498)	22,912
Investment earnings	20,000	20,000	141,807	121,807	42,049
Miscellaneous					
Refunds and reimbursements	15,000	15,000	13,601	(1,399)	35,224
Other	2,750	2,750	7,742	4,992	1,366
Total miscellaneous	17,750	17,750	21,343	3,593	36,590
Total Revenues	4,384,930	4,384,930	4,611,950	227,020	3,886,356

City of Isanti, Minnesota  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual (Continued)  
For the Year Ended December 31, 2023  
(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	2023				2022
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and city council					
Personnel services	\$ 26,800	\$ 26,800	\$ 27,627	\$ (827)	\$ 24,573
Supplies	3,350	3,350	1,376	1,974	1,704
Other services and charges	14,400	14,400	16,233	(1,833)	10,877
Total mayor and city council	44,550	44,550	45,236	(686)	37,154
Elections					
Personnel services	-	-	-	-	5,581
Supplies	-	-	-	-	88
Other services and charges	-	-	450	(450)	1,493
Total elections	-	-	450	(450)	7,162
Financial administration					
Personnel services	521,700	521,700	515,462	6,238	489,852
Supplies	38,000	38,000	29,362	8,638	28,184
Other services and charges	91,856	91,856	51,678	40,178	70,762
Total finance administration	651,556	651,556	596,502	55,054	588,798
Planning and zoning					
Personnel services	122,250	122,250	104,900	17,350	117,305
Supplies	5,200	5,200	2,349	2,851	3,149
Other services and charges	22,225	22,225	11,326	10,899	11,263
Total planning and zoning	149,675	149,675	118,575	31,100	131,717
Municipal building					
Supplies	3,500	3,500	2,020	1,480	3,558
Other services and charges	47,335	47,335	46,438	897	48,864
Total municipal building	50,835	50,835	48,458	2,377	52,422
Total general government	896,616	896,616	809,221	87,395	817,253

City of Isanti, Minnesota  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual (Continued)  
For the Year Ended December 31, 2022  
(With Comparative Actual Amounts for the Year Ended December 31, 2021)

	2023				2022
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public safety					
Police					
Personnel services	\$ 1,750,750	\$ 1,750,750	\$ 1,721,910	\$ 28,840	\$ 1,474,801
Supplies	25,040	25,040	21,312	3,728	24,497
Other services and charges	246,070	246,070	274,112	(28,042)	235,247
Total police	<u>2,021,860</u>	<u>2,021,860</u>	<u>2,017,334</u>	<u>4,526</u>	<u>1,734,545</u>
Fire protection					
Other services and charges	<u>304,300</u>	<u>304,300</u>	<u>308,317</u>	<u>(4,017)</u>	<u>276,030</u>
Building inspection					
Personnel services	254,020	254,020	180,404	73,616	233,062
Supplies	5,650	5,650	2,914	2,736	3,211
Other services and charges	38,690	38,690	239,153	(200,463)	28,423
Total building inspection	<u>298,360</u>	<u>298,360</u>	<u>422,471</u>	<u>(124,111)</u>	<u>264,696</u>
Animal control					
Supplies	100	100	-	100	120
Other services and charges	3,010	3,010	649	2,361	1,002
Total animal control	<u>3,110</u>	<u>3,110</u>	<u>649</u>	<u>2,461</u>	<u>1,122</u>
Total public safety	<u>2,627,630</u>	<u>2,627,630</u>	<u>2,748,771</u>	<u>(121,141)</u>	<u>2,276,393</u>
Public works					
Streets and highways					
Personnel services	265,950	265,950	241,555	24,395	219,674
Supplies	132,350	132,350	89,420	42,930	111,657
Other services and charges	62,210	62,210	73,416	(11,206)	63,513
Total streets and highways	<u>460,510</u>	<u>460,510</u>	<u>404,391</u>	<u>56,119</u>	<u>394,844</u>

City of Isanti, Minnesota  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual (Continued)  
For the Year Ended December 31, 2022  
(With Comparative Actual Amounts for the Year Ended December 31, 2021)

	2023				2022
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public works (continued)					
Street lighting					
Other services and charges	\$ 56,100	\$ 56,100	\$ 52,858	\$ 3,242	\$ 53,769
Sanitation and waste control					
Personnel services	23,910	23,910	19,726	4,184	19,850
Supplies	1,600	1,600	1,357	243	1,773
Other services and charges	6,290	6,290	7,795	(1,505)	2,892
Total sanitation and waste control	31,800	31,800	28,878	2,922	24,515
General City maintenance					
Personnel services	46,125	46,125	42,747	3,378	38,841
Supplies	4,550	4,550	3,709	841	3,034
Other services and charges	18,255	18,255	19,617	(1,362)	20,124
Total general city maintenance	68,930	68,930	66,073	2,857	61,999
Total public works	617,340	617,340	552,200	65,140	535,127
Culture and recreation					
Parks and recreation					
Personnel services	295,900	295,900	292,732	3,168	230,870
Supplies	14,950	14,950	8,974	5,976	10,804
Other services and charges	142,635	142,635	136,680	5,955	139,051
Total parks and recreation	453,485	453,485	438,386	15,099	380,725
Total culture and recreation	453,485	453,485	438,386	15,099	380,725
Economic development					
Other services and charges	15,460	15,460	14,853	607	42,161
Total Expenditures	4,610,531	4,610,531	4,563,431	47,100	4,051,659
Excess (Deficiency) of Revenues Over (Under) Expenditures	(225,601)	(225,601)	48,519	274,120	(165,303)
Other Financing Sources (Uses)					
Sale of capital assets	-	-	121,757	121,757	95
Transfers in	442,605	442,605	442,605	-	409,152
Transfers out	(50,825)	(50,825)	-	50,825	-
Total Other Financing Sources (Uses)	391,780	391,780	564,362	172,582	409,247
Net Change in Fund Balances	166,179	166,179	612,881	446,702	243,944
Fund Balances, January 1	1,972,362	1,972,362	1,972,362	-	1,728,418
Fund Balances, December 31	\$ 2,138,541	\$ 2,138,541	\$ 2,585,243	\$ 446,702	\$ 1,972,362

City of Isanti, Minnesota  
Debt Service Funds  
Combining Balance Sheet  
December 31, 2023

	<b>931</b> 2021A G.O. Tax Abatement Bonds	<b>932</b> 2014B G.O. Improvement Bonds	Total
Assets			
Cash and temporary investments	\$ 298,053	\$ 61,654	\$ 359,707
Accrued interest	<u>520</u>	<u>108</u>	<u>628</u>
Total Assets	<u><u>\$ 298,573</u></u>	<u><u>\$ 61,762</u></u>	<u><u>\$ 360,335</u></u>
Liabilities			
Accounts payable	\$ 488	\$ 488	\$ 976
Fund Balances			
Restricted for debt service	<u>298,085</u>	<u>61,274</u>	<u>359,359</u>
Total Liabilities and Fund Balances	<u><u>\$ 298,573</u></u>	<u><u>\$ 61,762</u></u>	<u><u>\$ 360,335</u></u>



City of Isanti, Minnesota  
Debt Service Funds  
Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
For the Year Ended December 31, 2023

	<b>931</b> 2021A G.O. Tax Abatement Bonds	<b>932</b> 2014B G.O. Improvement Bonds	Total
Revenues			
Property taxes	\$ 210,630	\$ 48,337	\$ 258,967
Investment earnings	8,043	1,492	9,535
Total Revenues	<u>218,673</u>	<u>49,829</u>	<u>268,502</u>
Expenditures			
Debt service			
Principal	165,000	45,000	210,000
Interest and other	28,232	2,096	30,328
Total Expenditures	<u>193,232</u>	<u>47,096</u>	<u>240,328</u>
Net Change in Fund Balances	25,441	2,733	28,174
Fund Balances, January 1	<u>272,644</u>	<u>58,541</u>	<u>331,185</u>
Fund Balances, December 31	<u><u>\$ 298,085</u></u>	<u><u>\$ 61,274</u></u>	<u><u>\$ 359,359</u></u>

City of Isanti, Minnesota  
Summary Financial Report  
Revenues and Expenditures for General Operations  
Governmental Funds  
For the Years Ended December 31, 2023 and 2022

	Total		Percent Increase (Decrease)
	2023	2022	
Revenues			
Taxes	\$ 4,058,213	\$ 3,763,240	7.84 %
Licenses and permits	398,929	314,370	26.90
Intergovernmental	1,608,160	1,318,524	21.97
Charges for services	479,410	385,817	24.26
Fines and forfeits	32,402	22,912	41.42
Special assessments	68,138	41,074	65.89
Investment earnings	259,188	19,428	1,234.10
Miscellaneous	72,598	117,995	(38.47)
Total Revenues	<u>\$ 6,977,038</u>	<u>\$ 5,983,360</u>	16.61 %
Per Capita	<u>\$ 968</u>	<u>\$ 852</u>	13.65 %
Expenditures			
Current			
General government	\$ 813,531	\$ 818,813	(0.65) %
Public safety	2,752,048	2,279,419	20.73
Public works	552,200	535,127	3.19
Culture and recreation	538,227	548,917	(1.95)
Economic development	113,371	395,439	(71.33)
Capital outlay			
General government	1,415,975	72,069	1,864.75
Public safety	321,125	84,035	282.13
Public works	579,656	985,575	(41.19)
Culture and recreation	130,078	66,568	95.41
Economic development	525	19,425	(97.30)
Debt service			
Principal	210,000	300,000	(30.00)
Interest and other	30,328	45,920	(33.95)
Total Expenditures	<u>\$ 7,457,064</u>	<u>\$ 6,151,307</u>	21.23 %
Per Capita	<u>\$ 1,035</u>	<u>\$ 876</u>	18.15 %
Total Long-term Indebtedness	\$ 1,325,000	\$ 1,535,000	(13.68) %
Per Capita	184	219	(15.87)
General Fund Balance - December 31	\$ 2,585,243	\$ 1,972,362	31.07 %
Per Capita	359	281	27.74

The purpose of this report is to provide a summary of financial information concerning the City of Isanti to interested citizens. The complete financial statements may be examined at City Hall, 110 1st Avenue Northwest, PO Box 428, Isanti, MN 55040. Questions about this report should be directed to the Finance Director at (763) 444-5512.

OTHER REQUIRED REPORTS

CITY OF ISANTI  
ISANTI, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2023

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## INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council  
City of Isanti, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Isanti, Minnesota (the City) as of and for the year ended December 31, 2023, and the related notes to the financial statements, and have issued our report thereon dated April 12, 2024.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Isanti failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

This report is intended solely for the information and use of those charged with governance and management of the City and the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.



**Abdo**  
Minneapolis, Minnesota  
April 12, 2024

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and City Council  
City of Isanti, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Isanti, Minnesota (the City), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 12, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Finding and Response as item 2023-001 to be a significant deficiency.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance and identified no other matters that are required to be reported under *Government Auditing Standards*.

## Response to the Finding

The City's response to the finding identified in our audit is described in the accompanying Schedule of Finding and Response. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Abdo**  
Minneapolis, Minnesota  
April 12, 2024



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City of Isanti, Minnesota  
Schedule of Finding and Response  
For the Year Ended December 31, 2023

<u>Finding</u>	<u>Description</u>
<b>2023-001</b>	<b>Preparation of Financial Statements</b>
<i>Condition:</i>	As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Recent auditing standards require auditors to communicate this situation to the City Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over the reliability of financial records and reporting.
<i>Cause:</i>	From a practical standpoint, we both prepare your statements and determine the fairness of that presentation at the same time in connection with our audit. This is not unusual for us to do with organizations of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting. We have instructed management to review a draft of the auditor prepared financials in detail for accuracy; we have answered any questions that management might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosures in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.
<i>Recommendation:</i>	Under these circumstances, the most effective controls lie in management's knowledge of the City's financial operations. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations. Regarding the specific situations listed above, we would offer the following specific recommendations: 1) Utilize a disclosure checklist to ensure all required disclosures are present and agree to work papers, and 2) Agree your accounting information from your accounting software to the amounts reported in the financial statements.
<i>Management Response:</i>	
	For now, the City accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.