

FINANCIAL STATEMENTS

CITY OF ISANTI
ISANTI, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

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City of Isanti, Minnesota
Annual Financial Report
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INTRODUCTORY SECTION

CITY OF ISANTI
ISANTI, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

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City of Isanti, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2024

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Luke Merrill*	Interim Mayor	9/1/2025
George Hemen	Council Member	12/31/2028
Steve Lundeen	Council Member	12/31/2028
Nicholas Pedersen**	Council Member	12/31/2026
Jeff Holmgren	Council Member	12/31/2026

* James Gordon vacated his Mayor seat to tak a State elected position and Luke Merrill was appointed the new mayor.

** Nicholas Pedersen filled the Council seat previously held by Luke Merrill.

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, 2024

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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, 2024, 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, 2024, 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 and note disclosures 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 4, 2025 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.



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Minneapolis, Minnesota
April 4, 2025



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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, 2024.

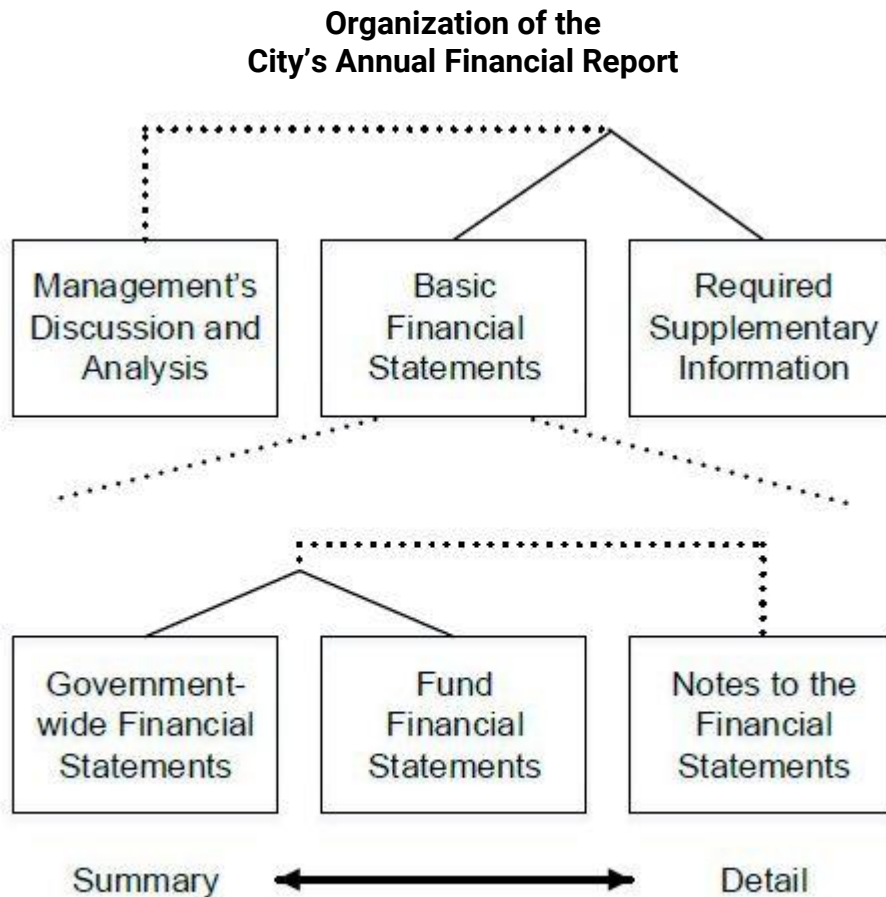
Financial Highlights

- 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 grants and contributions not restricted to specific programs, 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 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 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 *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).

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		
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)
Assets						
Current and other assets	\$ 8,982,571	\$ 9,370,174	\$ (387,603)	\$ 12,772,198	\$ 11,679,063	\$ 1,093,135
Capital assets, net of depreciation	20,482,220	20,631,454	(149,234)	31,069,957	32,218,307	(1,148,350)
Total Assets	29,464,791	30,001,628	(536,837)	43,842,155	43,897,370	(55,215)
Deferred Outflows of Resources						
Deferred pension resource	2,188,365	2,627,945	(439,580)	404,688	406,348	(1,660)
Liabilities						
Noncurrent liabilities outstanding	3,608,303	4,281,000	(672,697)	6,927,581	7,974,539	(1,046,958)
Other liabilities	226,215	1,076,485	(850,270)	291,265	337,988	(46,723)
Total Liabilities	3,834,518	5,357,485	(1,522,967)	7,218,846	8,312,527	(1,093,681)
Deferred Inflows of Resources						
Resources received in advance	359,442	395,960	(36,518)	-	-	-
Deferred pension resource	2,042,670	2,039,709	2,961	265,746	165,154	100,592
Deferred OPEB resources	79,494	111,643	(32,149)	49,706	55,565	(5,859)
Deferred lease resource	2,115,700	2,186,028	(70,328)	-	-	-
Total Deferred Inflows of Resources	4,597,306	4,733,340	(136,034)	315,452	220,719	94,733
Net Position						
Net investment in capital assets	19,328,347	19,245,990	82,357	25,152,798	25,244,110	(91,312)
Restricted	988,623	1,130,501	(141,878)	-	-	-
Unrestricted	2,904,362	2,162,257	742,105	11,559,747	10,526,362	1,033,385
Total Net Position	\$ 23,221,332	\$ 22,538,748	\$ 682,584	\$ 36,712,545	\$ 35,770,472	\$ 942,073
Net Position as a Percent of Total						
Net investment in capital assets	83.2 %	85.4 %		68.5 %	70.6 %	
Restricted	4.3	5.0		-	-	
Unrestricted	12.5	9.6		31.5	29.4	
	<u>100.0 %</u>	<u>100.0 %</u>		<u>100.0 %</u>	<u>100.0 %</u>	

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:

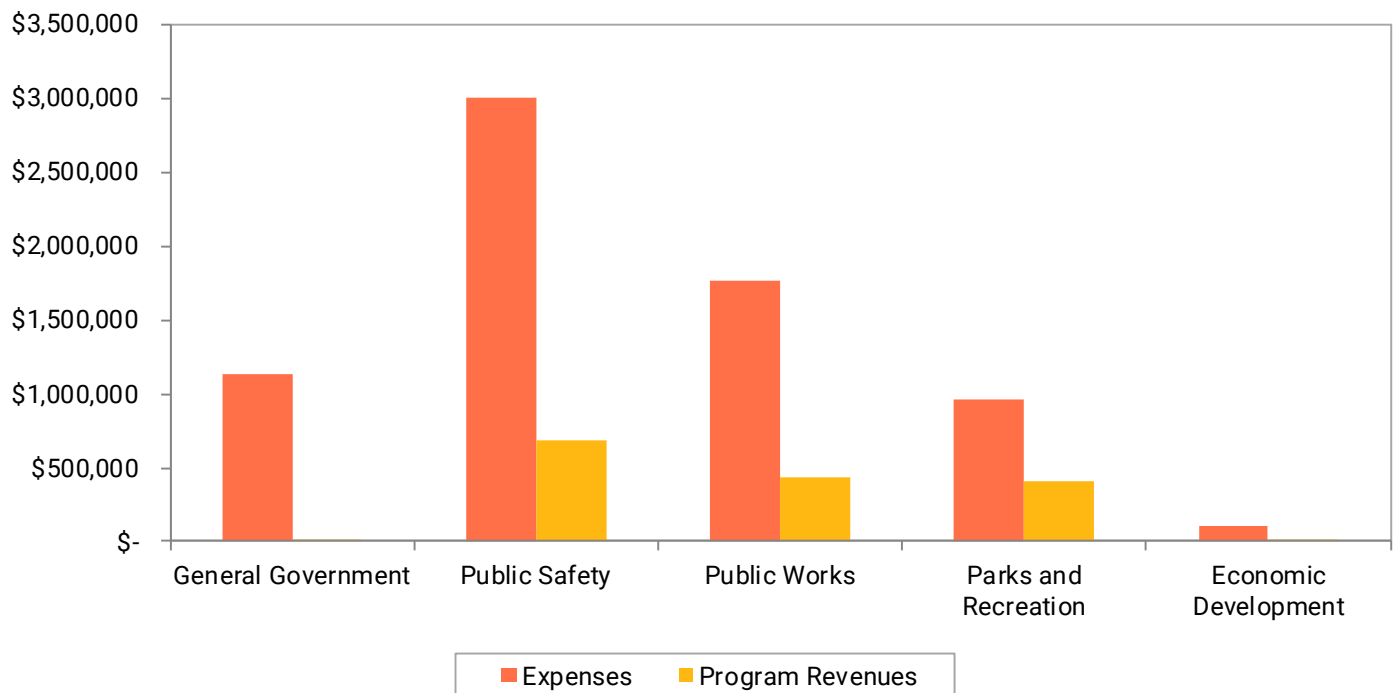
City of Isanti's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 704,694	\$ 646,780	\$ 57,914	\$ 4,456,619	\$ 4,631,786	\$ (175,167)
Operating grants and contributions	556,913	834,627	(277,714)	25,372	305,859	(280,487)
Capital grants and contributions	293,391	298,461	(5,070)	932,754	910,309	22,445
General Revenues						
Taxes						
Property taxes	3,533,081	3,664,147	(131,066)	-	-	-
Tax increment	29,317	28,827	490	-	-	-
Other taxes	373,153	367,435	5,718	-	-	-
Grants and contributions not restricted to specific programs	1,072,667	851,333	221,334	6,591	-	6,591
Unrestricted investment earnings	289,075	259,188	29,887	547,646	497,094	50,552
Gain on sale of capital assets	18,277	123,992	(105,715)	14,086	-	14,086
Total Revenues	<u>6,870,568</u>	<u>6,585,649</u>	<u>(204,222)</u>	<u>5,983,068</u>	<u>9,649,365</u>	<u>(361,980)</u>
Expenses						
General government	1,128,519	611,030	517,489	-	-	-
Public safety	3,001,923	1,766,609	1,235,314	-	-	-
Public works	1,764,082	2,155,779	(391,697)	-	-	-
Parks and recreation	967,892	920,243	47,649	-	-	-
Economic development	111,376	116,136	(4,760)	-	-	-
Interest on long-term debt	12,439	16,968	(4,529)	-	-	-
Water	-	-	-	1,355,479	1,272,724	82,755
Sewer	-	-	-	1,680,148	1,704,556	(24,408)
Storm Water	-	-	-	224,830	232,577	(7,747)
Liquor store	-	-	-	982,291	896,828	85,463
Total Expenses	<u>6,986,231</u>	<u>7,184,866</u>	<u>1,399,466</u>	<u>4,242,748</u>	<u>7,297,895</u>	<u>136,063</u>
Changes in Net Position Before Transfer	(115,663)	1,488,025	(1,603,688)	1,740,320	2,238,363	(498,043)
Transfers - Internal Activities	<u>798,247</u>	<u>456,702</u>	<u>341,545</u>	<u>(798,247)</u>	<u>(456,702)</u>	<u>(341,545)</u>
Change in Net Position	682,584	1,944,727	(1,262,143)	942,073	1,781,661	(839,588)
Net Position, January 1	<u>22,538,748</u>	<u>20,594,021</u>	<u>1,944,727</u>	<u>35,770,472</u>	<u>33,988,811</u>	<u>1,781,661</u>
Net Position, December 31	<u>\$ 23,221,332</u>	<u>\$ 22,538,748</u>	<u>\$ 682,584</u>	<u>\$ 36,712,545</u>	<u>\$ 35,770,472</u>	<u>\$ 942,073</u>

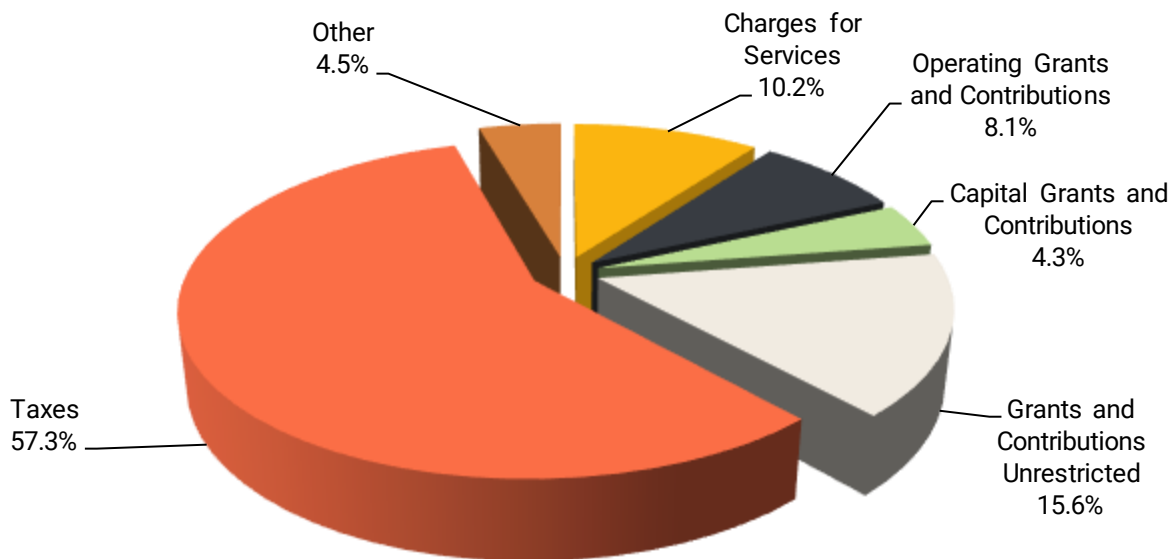
- Governmental revenues decreased \$204,222 from the prior year mainly due to a decrease in property taxes and operating grants and contributions.
- Governmental expenses increased \$1,399,466 from the prior year. The main reason for the increase was expenditures in public safety for operations.

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

Expenses and Program Revenues - Governmental Activities



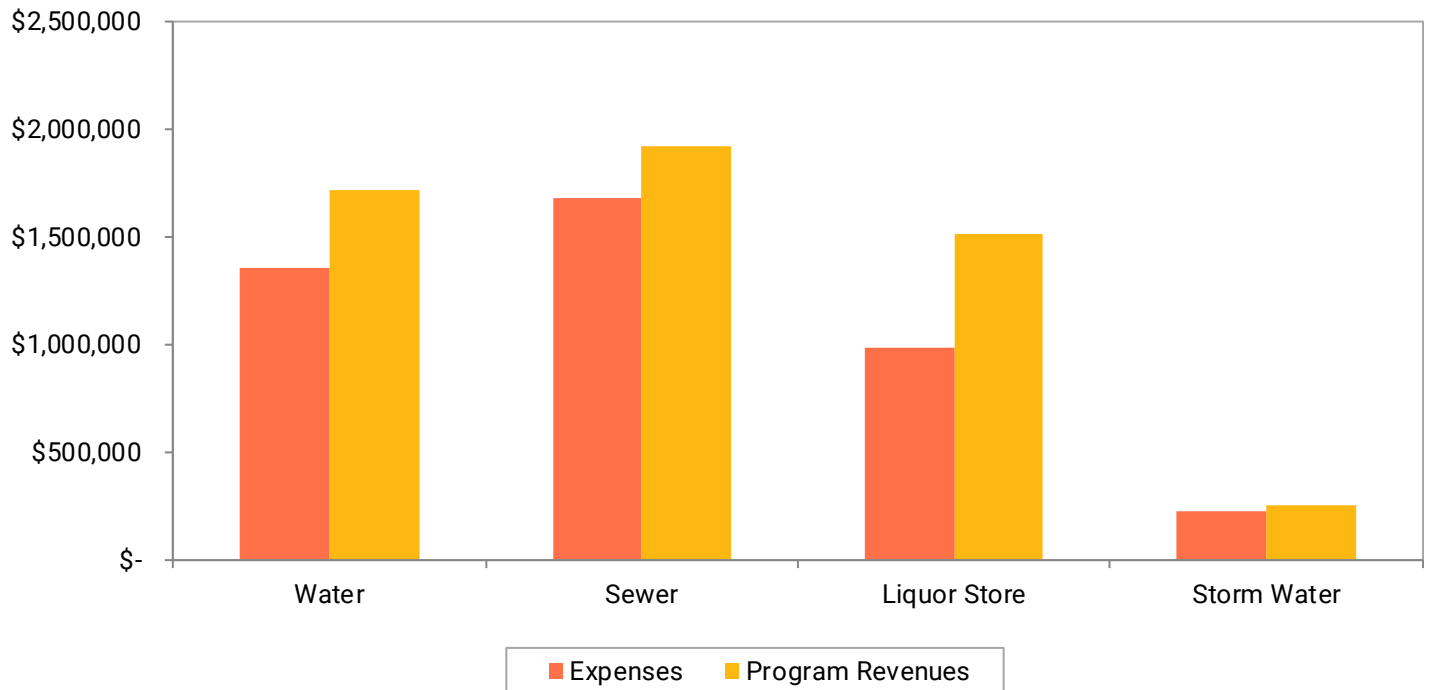
Revenues by Sources - Governmental Activities



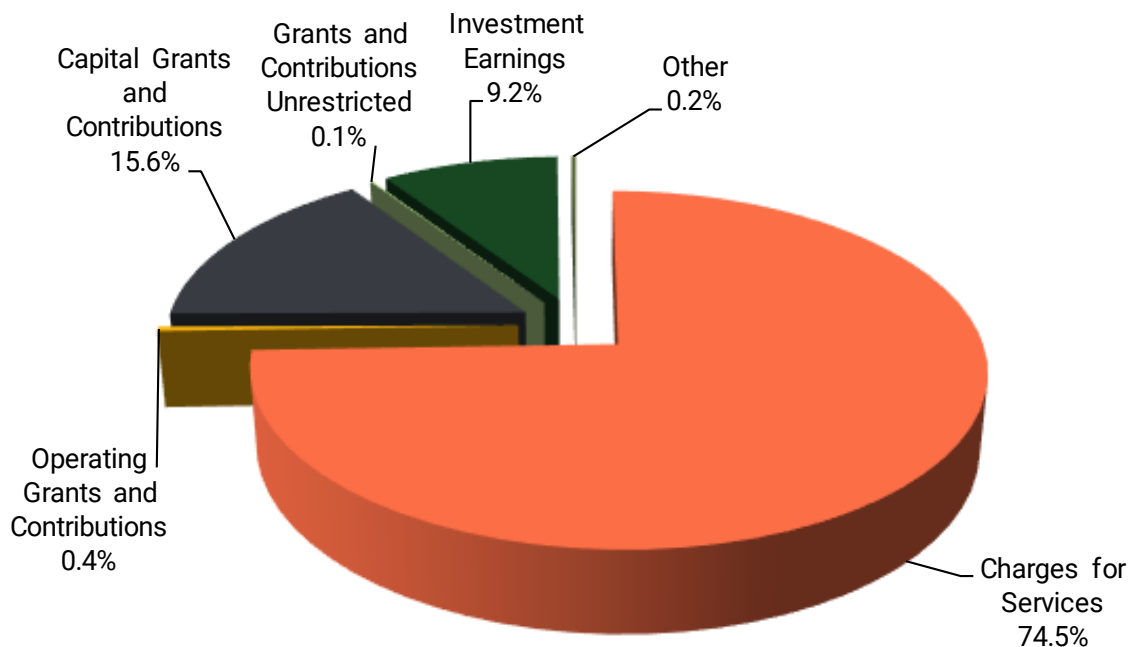
Business-type Activities. Business-type activities increased the City's net position, as shown in the changes in net position table.

- Charges for services for business-type activities decreased due to a decrease in utility user charges.
- Total expenses for business-type activities increased due to an increase in personnel 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, 2024.

	General	Street Construction	Capital Replacement	Other Governmental Funds	Total	Prior Year Total	Increase/ (Decrease)
Fund Balances							
Nonspendable	\$ 18,970	\$ -	\$ -	\$ 1,625	\$ 20,595	\$ 18,750	\$ 1,845
Restricted	-	129,192	-	868,639	997,831	1,141,598	(143,767)
Committed	-	-	-	438,707	438,707	394,529	44,178
Assigned	-	577,218	631,594	42,903	1,251,715	859,009	392,706
Unassigned	3,012,873	-	-	(260,078)	2,752,795	2,317,527	435,268
Total Fund Balances	<u>\$ 3,031,843</u>	<u>\$ 706,410</u>	<u>\$ 631,594</u>	<u>\$ 1,091,796</u>	<u>\$ 5,461,643</u>	<u>\$ 4,731,413</u>	<u>\$ 730,230</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	\$ 18,970	\$ 17,083	\$ 1,887
Unassigned	3,012,873	2,568,160	444,713
Total General Fund Balances	<u>\$ 3,031,843</u>	<u>\$ 2,585,243</u>	<u>\$ 446,600</u>
General Fund expenditures	4,773,792	4,563,431	210,361
Unassigned as a percent of expenditures	63.1%	56.3%	
Total fund balance as a percent of expenditures	63.5%	56.7%	

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 nonbusiness licenses and permits.

Other major governmental fund analysis is shown below:

	December 31, 2024	December 31, 2023	Increase/ (Decrease)
Street Construction	\$ 706,410	\$ 239,019	\$ 467,391
<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	\$ 631,594	\$ 938,885	\$ (281,791)
<i>The Capital Replacement decrease in fund balance during the year was due to a decrease in state aid and grants received in the current year.</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 2024	Ending Net Position 2023	Increase/ (Decrease)
Water Utility	\$ 13,275,798	\$ 12,872,897	\$ 402,901
<i>The increase is primarily attributed to the increase in investment earnings and connection charges during the year.</i>			
Sewer Utility	\$ 20,044,311	\$ 19,638,098	\$ 406,213
<i>The increase is primarily attributed to the increase in investment earnings and connection charges during the year.</i>			
Liquor Store	\$ 1,662,312	\$ 1,600,536	\$ 61,776
<i>The increase is primarily attributed to financially responsible monitoring of expenses and the increase in liquor store sales.</i>			
Storm Water Utility	\$ 1,730,124	\$ 1,658,941	\$ 71,183
<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	\$ 4,218,319	\$ -	\$ 4,218,319	\$ 4,658,611	\$ 440,292
Expenditures	4,754,335	(5,250)	4,759,585	4,773,792	(14,207)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(536,016)	5,250	(541,266)	(115,181)	426,085
Other Financing Sources (Uses)					
Transfers in	569,281	-	569,281	569,281	-
Transfers out	(33,265)	-	(33,265)	(7,500)	25,765
Total Other Financing Sources (Uses)	536,016	-	536,016	561,781	25,765
Net Change in Fund Balances	-	5,250	(5,250)	446,600	451,850
Fund Balances, January 1	2,585,243	2,585,243	2,585,243	2,585,243	-
Fund Balances, December 31	<u>\$ 2,585,243</u>	<u>\$ 2,590,493</u>	<u>\$ 2,579,993</u>	<u>\$ 3,031,843</u>	<u>\$ 451,850</u>

The City's General fund budget was not amended during the year. Actual revenues were over budget by \$440,992 mainly due to license and permits and the expenditures were over budget by \$14,207 mainly due to other services and charges related to building inspection. 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, 2024, 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:

- Bluebird Playground Project
- Well #4 Project
- Heritage Roundabout 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		
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)
Land	\$ 2,104,720	\$ 2,104,720	\$ -	\$ 37,078	\$ 37,078	\$ -
Construction in Progress	445,906	257,115	188,791	62,169	-	62,169
Improvements other than buildings	-	-	-	(168,219)	13,288	(181,507)
Buildings	6,641,721	6,207,886	433,835	5,552,106	5,708,370	(156,264)
Infrastructure	10,098,168	11,365,115	(1,266,947)	23,541,074	24,377,615	(836,541)
Machinery and Equipment	835,033	483,702	351,331	1,990,207	2,052,011	(61,804)
Vehicles	356,672	212,916	143,756	55,542	29,945	25,597
Total	\$ 20,482,220	\$ 20,631,454	\$ (149,234)	\$ 31,069,957	\$ 32,218,307	\$ (1,148,350)
Percent increase/(decrease)			-0.7%			-3.6%

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		
	2024	2023	Increase (Decrease)	2024	2023	Increase (Decrease)
G.O. Bonds	\$ 1,105,000	\$ 1,325,000	\$ (220,000)	\$ -	\$ -	\$ -
G.O. Improvement Bonds	-	-	-	155,000	190,000	(35,000)
G.O. Revenue Bonds	-	-	-	5,671,056	6,666,056	(995,000)
Bond Premium	48,873	60,464	(11,591)	113,182	126,478	(13,296)
Total	\$ 1,153,873	\$ 1,385,464	\$ (231,591)	\$ 5,939,238	\$ 6,982,534	\$ (1,043,296)
Percent increase/(decrease)			-16.7%			-14.9%

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, 2024, 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 2024 by 11.17%.
- The 2025 budget includes a property tax levy of \$3,682,141 which is 4.18% higher than the 2024 levy and lowered the tax rate by 0.62%.
- The 2025 budget includes an amount for Local Government Aid in the amount of \$1,021,790.
- 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 2025 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.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF ISANTI
ISANTI, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

City of Isanti, Minnesota
Statement of Net Position
December 31, 2024

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and temporary investments	\$ 5,672,450	\$ 10,927,906	\$ 16,600,356
Restricted cash	-	278,493	278,493
Receivables			
Accrued interest	9,023	16,634	25,657
Taxes	54,866	-	54,866
Accounts	121,786	285,206	406,992
Lease	2,306,221	-	2,306,221
Loans	119,167	-	119,167
Notes	120,000	-	120,000
Special assessments	677,678	85,408	763,086
Internal balances	(128,826)	128,826	-
Due from other governments	9,611	-	9,611
Inventories	-	1,034,428	1,034,428
Prepaid items	15,595	15,297	30,892
Land held for resale	5,000	-	5,000
Capital assets			
Land and construction in progress	2,550,626	99,247	2,649,873
Depreciable assets (net of accumulated depreciation)	17,931,594	30,970,710	48,902,304
Total Assets	29,464,791	43,842,155	73,306,946
Deferred Outflows of Resources			
Deferred pension resources	1,657,483	72,738	1,730,221
Deferred other post employment benefits	530,882	331,950	862,832
Total Deferred Outflows of Resources	2,188,365	404,688	2,593,053
Liabilities			
Accounts payable	170,973	197,466	368,439
Deposits payable	13,588	-	13,588
Due to other governments	7,455	63,780	71,235
Accrued salaries payable	24,991	8,255	33,246
Accrued interest payable	9,208	21,764	30,972
Noncurrent liabilities			
Due within one year			
Long-term debt	354,883	1,073,476	1,428,359
Due in more than one year			
Long-term debt	1,084,545	4,994,692	6,079,237
Net pension liability	1,463,357	418,268	1,881,625
Other postemployment benefits liability	705,518	441,145	1,146,663
Total Liabilities	3,834,518	7,218,846	11,053,364
Deferred Inflows of Resources			
Deferred intergovernmental resources	359,442	-	359,442
Deferred pension resources	2,042,670	265,746	2,308,416
Deferred OPEB resources	79,494	49,706	129,200
Deferred lease resources	2,115,700	-	2,115,700
Total Deferred Inflows of Resources	4,597,306	315,452	4,912,758
Net Position			
Net investment in capital assets	19,328,347	25,152,798	44,481,145
Restricted for			
Debt service	298,950	-	298,950
Park improvements	519,510	-	519,510
Public safety	147,863	-	147,863
Economic development	22,300	-	22,300
Unrestricted	2,904,362	11,559,747	14,464,109
Total Net Position	\$ 23,221,332	\$ 36,712,545	\$ 59,933,877

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, 2024

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
Governmental Activities							
General government	\$ 1,128,519	\$ 12,458	\$ 1,810	\$ -	\$ (1,114,251)	\$ -	\$ (1,114,251)
Public safety	3,001,923	550,469	141,209	-	(2,310,245)	-	(2,310,245)
Public works	1,764,082	30,519	398,790	2,991	(1,331,782)	-	(1,331,782)
Parks and recreation	967,892	106,948	15,096	290,400	(555,448)	-	(555,448)
Economic development	111,376	4,300	8	-	(107,068)	-	(107,068)
Interest on long-term debt	12,439	-	-	-	(12,439)	-	(12,439)
Total Governmental Activities	<u>6,986,231</u>	<u>704,694</u>	<u>556,913</u>	<u>293,391</u>	<u>(5,431,233)</u>	<u>-</u>	<u>(5,431,233)</u>
Business-type Activities							
Water	1,355,479	1,284,354	9,935	428,601	-	367,411	367,411
Sewer	1,680,148	1,416,901	6,364	504,153	-	247,270	247,270
Liquor store	982,291	1,503,234	7,909	-	-	528,852	528,852
Stormwater	224,830	252,130	1,164	-	-	28,464	28,464
Total Business-type Activities	<u>4,242,748</u>	<u>4,456,619</u>	<u>25,372</u>	<u>932,754</u>	<u>-</u>	<u>1,171,997</u>	<u>1,171,997</u>
Total	<u>\$ 11,228,979</u>	<u>\$ 5,161,313</u>	<u>\$ 582,285</u>	<u>\$ 1,226,145</u>	<u>(5,431,233)</u>	<u>1,171,997</u>	<u>(4,259,236)</u>
General Revenues							
Taxes							
Property taxes, levied for general purposes					3,331,376	-	3,331,376
Property taxes, levied for debt service					201,705	-	201,705
Tax increments					29,317	-	29,317
Franchise taxes					373,153	-	373,153
Grants and contributions not restricted to specific programs					1,072,667	6,591	1,079,258
Unrestricted investment earnings					289,075	547,646	836,721
Gain on sale of capital assets					18,277	14,086	32,363
Transfers - Internal Activities					798,247	(798,247)	-
Total General Revenues and Transfers					<u>6,113,817</u>	<u>(229,924)</u>	<u>5,883,893</u>
Change in Net Position					682,584	942,073	1,624,657
Net Position, January 1					<u>22,538,748</u>	<u>35,770,472</u>	<u>58,309,220</u>
Net Position, December 31					<u>\$ 23,221,332</u>	<u>\$ 36,712,545</u>	<u>\$ 59,933,877</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, 2024

City of Isanti, Minnesota
Balance Sheet
Governmental Funds
December 31, 2024

	101	425	920	Other	Total
	General	Street Construction	Capital Replacement	Governmental Funds	Governmental Funds
Assets					
Cash and temporary investments	\$ 3,051,223	\$ 1,011,111	\$ 642,635	\$ 967,481	\$ 5,672,450
Receivables					
Accrued interest	4,885	1,601	762	1,775	9,023
Taxes	54,529	-	-	337	54,866
Accounts	24,815	88,135	-	8,836	121,786
Leases	2,306,221	-	-	-	2,306,221
Loans	-	-	-	119,167	119,167
Notes	-	-	120,000	-	120,000
Special assessments	-	198,957	478,721	-	677,678
Due from other governments	9,611	-	-	-	9,611
Prepaid items	13,970	-	-	1,625	15,595
Land held for resale	5,000	-	-	-	5,000
Total Assets	\$ 5,470,254	\$ 1,299,804	\$ 1,242,118	\$ 1,099,221	\$ 9,111,397
Liabilities					
Accounts payable	\$ 116,530	\$ 35,420	\$ 11,956	\$ 7,067	\$ 170,973
Deposits payable	13,588	-	-	-	13,588
Due to other governments	7,455	-	-	-	7,455
Accrued salaries payable	24,633	-	-	358	24,991
Due to other funds	25,765	-	-	-	25,765
Advances from other funds	103,061	-	-	-	103,061
Total Liabilities	291,032	35,420	11,956	7,425	345,833
Deferred Inflows of Resources					
Unavailable revenue - taxes	31,679	-	-	-	31,679
Unavailable revenue - special assessments	-	198,532	478,568	-	677,100
Unavailable revenue - note receivable	-	-	120,000	-	120,000
Deferred intergovernmental resources	-	359,442	-	-	359,442
Deferred lease resources	2,115,700	-	-	-	2,115,700
Total Deferred Inflows of Resources	2,147,379	557,974	598,568	-	3,303,921
Fund Balances					
Nonspendable	18,970	-	-	1,625	20,595
Restricted	-	129,192	-	868,639	997,831
Committed	-	-	-	438,707	438,707
Assigned	-	577,218	631,594	42,903	1,251,715
Unassigned	3,012,873	-	-	(260,078)	2,752,795
Total Fund Balances	3,031,843	706,410	631,594	1,091,796	5,461,643
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 5,470,254	\$ 1,299,804	\$ 1,242,118	\$ 1,099,221	\$ 9,111,397

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, 2024

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

Total Fund Balances - Governmental Funds	\$ 5,461,643
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	45,003,390
Less: accumulated depreciation	(24,521,170)
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	(1,105,000)
Plus bond premium	(48,873)
Compensated absences payable	(285,555)
Other postemployment benefits payable	(705,518)
Net pension liability	(1,463,357)
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	31,679
Special assessments receivable	677,100
Note receivable	120,000
Governmental funds do not report long-term amounts related to pensions and other post employment benefits.	
Deferred outflows of pension resources	1,657,483
Deferred inflows of pension resources	(2,042,670)
Deferred outflows of other post employment benefits	530,882
Deferred inflows of other post employment benefits	(79,494)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(9,208)</u>
Total Net Position - Governmental Activities	<u><u>\$ 23,221,332</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, 2024

	101	425	920	Other	Total
	General	Street Construction	Capital Replacement	Governmental Funds	Governmental Funds
Revenues					
Taxes	\$ 2,515,540	\$ 319,000	\$ 360,000	\$ 368,513	\$ 3,563,053
Franchise taxes	-	347,561	-	25,592	373,153
Licenses and permits	458,889	-	-	-	458,889
Intergovernmental	1,295,583	272,757	-	-	1,568,340
Charges for services	165,401	-	120,000	339,017	624,418
Fines and forfeitures	34,018	-	-	-	34,018
Special assessments	-	40,237	1,345	-	41,582
Investment earnings	168,945	40,895	27,806	51,429	289,075
Miscellaneous	20,235	-	-	7,803	28,038
Total Revenues	<u>4,658,611</u>	<u>1,020,450</u>	<u>509,151</u>	<u>792,354</u>	<u>6,980,566</u>
Expenditures					
Current					
General government	879,794	-	-	-	879,794
Public safety	2,929,248	-	-	2,399	2,931,647
Public works	538,653	-	-	-	538,653
Parks and recreation	412,214	-	-	55,076	467,290
Economic development	13,883	-	-	99,745	113,628
Capital outlay					
General government	-	-	186,904	15,273	202,177
Public safety	-	-	272,976	1,531	274,507
Public works	-	560,559	583,409	-	1,143,968
Parks and recreation	-	-	46,637	231,249	277,886
Debt service					
Principal	-	-	-	220,000	220,000
Interest and other	-	-	-	25,919	25,919
Total Expenditures	<u>4,773,792</u>	<u>560,559</u>	<u>1,089,926</u>	<u>651,192</u>	<u>7,075,469</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(115,181)</u>	<u>459,891</u>	<u>(580,775)</u>	<u>141,162</u>	<u>(94,903)</u>
Other Financing Sources (Uses)					
Sale of capital assets	-	-	18,277	-	18,277
Insurance recovery	-	-	8,609	-	8,609
Transfers in	569,281	7,500	280,398	8,300	865,479
Transfers out	(7,500)	-	(8,300)	(51,432)	(67,232)
Total Other Financing Sources (Uses)	<u>561,781</u>	<u>7,500</u>	<u>298,984</u>	<u>(43,132)</u>	<u>825,133</u>
Net Change in Fund Balances	446,600	467,391	(281,791)	98,030	730,230
Fund Balances, January 1	<u>2,585,243</u>	<u>239,019</u>	<u>913,385</u>	<u>993,766</u>	<u>4,731,413</u>
Fund Balances, December 31	<u>\$ 3,031,843</u>	<u>\$ 706,410</u>	<u>\$ 631,594</u>	<u>\$ 1,091,796</u>	<u>\$ 5,461,643</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, 2024

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

Total Net Change in Fund Balances - Governmental Funds	\$ 730,230
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	1,457,732
Depreciation expense	(1,606,966)
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	220,000
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.	
	1,889
Long-term pension activity is not reported in governmental funds.	
Pension expense	78,086
Pension revenue	34,329
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	(655)
Special assessments	(41,949)
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	(34,320)
Compensated absences	(47,383)
Change in Net Position - Governmental Activities	<u>\$ 682,584</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, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 2,535,167	\$ 2,535,167	\$ 2,515,540	\$ (19,627)
Licenses and permits	236,050	236,050	458,889	222,839
Intergovernmental	1,208,352	1,208,352	1,295,583	87,231
Charges for services	165,750	165,750	165,401	(349)
Fines and forfeitures	28,500	28,500	34,018	5,518
Investment earnings	30,000	30,000	168,945	138,945
Miscellaneous	14,500	14,500	20,235	5,735
Total Revenues	<u>4,218,319</u>	<u>4,218,319</u>	<u>4,658,611</u>	<u>440,292</u>
Expenditures				
Current				
General government	928,405	925,955	879,794	46,161
Public safety	2,748,820	2,753,320	2,929,248	(175,928)
Public works	631,415	632,115	538,653	93,462
Parks and recreation	429,185	431,685	412,214	19,471
Economic development	16,510	16,510	13,883	2,627
Total Expenditures	<u>4,754,335</u>	<u>4,759,585</u>	<u>4,773,792</u>	<u>(14,207)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(536,016)</u>	<u>(541,266)</u>	<u>(115,181)</u>	<u>426,085</u>
Other Financing Sources (Uses)				
Transfers in	569,281	569,281	569,281	-
Transfers out	<u>(33,265)</u>	<u>(33,265)</u>	<u>(7,500)</u>	<u>25,765</u>
Total Other Financing Sources (Uses)	<u>536,016</u>	<u>536,016</u>	<u>561,781</u>	<u>25,765</u>
Net Change in Fund Balances	-	(5,250)	446,600	451,850
Fund Balances, January 1	<u>2,585,243</u>	<u>2,585,243</u>	<u>2,585,243</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 2,585,243</u>	<u>\$ 2,579,993</u>	<u>\$ 3,031,843</u>	<u>\$ 451,850</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, 2024

	Business-type Activities - Enterprise Funds				
	601	602	609	Nonmajor 603	Total
	Water	Sewer	Liquor Store	Storm Water	
Assets					
Current Assets					
Cash and temporary investments	\$ 2,868,982	\$ 6,055,101	\$ 786,061	\$ 1,217,762	\$ 10,927,906
Restricted cash	-	-	278,493	-	278,493
Receivables					
Accrued interest	4,259	8,989	1,575	1,811	16,634
Accounts	117,481	140,422	-	27,303	285,206
Special assessments	19,991	24,143	-	4,327	48,461
Due from other funds	-	-	25,765	-	25,765
Inventories	-	-	1,034,428	-	1,034,428
Prepaid items	4,769	4,769	5,710	49	15,297
Total Current Assets	3,015,482	6,233,424	2,132,032	1,251,252	12,632,190
Noncurrent Assets					
Special assessments receivable	444	35,849	-	654	36,947
Advances to other funds	-	-	103,061	-	103,061
Capital assets					
Land	11,078	5,000	-	21,000	37,078
Construction in progress	62,169	-	-	-	62,169
Buildings	37,156	3,349,406	2,826,950	-	6,213,512
Improvements other than buildings	-	-	176,663	-	176,663
Machinery and equipment	1,956,789	978,420	43,007	307,635	3,285,851
Vehicles	79,605	55,267	-	6,258	141,130
Infrastructure	17,084,438	21,304,384	-	769,766	39,158,588
Less accumulated depreciation	(6,863,452)	(10,215,248)	(358,705)	(567,629)	(18,005,034)
Total Capital Assets	12,367,783	15,477,229	2,687,915	537,030	31,069,957
(Net of Accumulated Depreciation)					
Total Noncurrent Assets	12,368,227	15,513,078	2,790,976	537,684	31,209,965
Total Assets	15,383,709	21,746,502	4,923,008	1,788,936	43,842,155
Deferred Outflows of Resources					
Deferred pension resources	16,936	21,250	29,597	4,955	72,738
Deferred other postemployment benefit resources	92,231	108,484	111,632	19,603	331,950
Total Deferred Outflows of Resources	109,167	129,734	141,229	24,558	404,688

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, 2024

	Business-type Activities - Enterprise Funds				
	601	602	609	Nonmajor 603	Total
	Water	Sewer	Liquor Store	Storm Water	
Liabilities					
Current Liabilities					
Accounts payable	28,638	30,045	138,403	380	197,466
Due to other governments	8,175	-	55,605	-	63,780
Accrued salaries payable	2,078	2,489	3,204	484	8,255
Accrued interest payable	16,143	3,282	2,339	-	21,764
Compensated absences payable - current	22,821	26,781	29,467	4,407	83,476
Bonds payable - current	440,000	355,000	195,000	-	990,000
Total Current Liabilities	517,855	417,597	424,018	5,271	1,364,741
Noncurrent Liabilities					
Compensated absences payable	12,426	14,583	16,046	2,399	45,454
Other postemployment benefits payable	122,571	144,170	148,353	26,051	441,145
Net pension liability	97,552	122,337	169,681	28,698	418,268
Bonds payable	1,391,056	1,039,420	2,518,762	-	4,949,238
Total Noncurrent Liabilities	1,623,605	1,320,510	2,852,842	57,148	5,854,105
Total Liabilities	2,141,460	1,738,107	3,276,860	62,419	7,218,846
Deferred Inflows of Resources					
Deferred pension resources	61,807	77,574	108,349	18,016	265,746
Deferred other postemployment benefit resources	13,811	16,244	16,716	2,935	49,706
Total Deferred Inflows of Resources	75,618	93,818	125,065	20,951	315,452
Net Position					
Net investment in capital assets	10,536,727	14,082,809	(3,768)	537,030	25,152,798
Unrestricted	2,739,071	5,961,502	1,666,080	1,193,094	11,559,747
Total Net Position	\$ 13,275,798	\$ 20,044,311	\$ 1,662,312	\$ 1,730,124	\$ 36,712,545

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, 2024

	Business-type Activities - Enterprise Funds				Total
	601 Water	602 Sewer	609 Liquor Store	Nonmajor 603 Storm Water	
Operating Revenues					
Sales	\$ -	\$ -	\$ 5,760,312	\$ -	\$ 5,760,312
Cost of sales	-	-	(4,257,228)	-	(4,257,228)
Gross Profit	-	-	1,503,084	-	1,503,084
Charges for services	1,284,354	1,416,901	-	252,042	2,953,297
Total Operating Revenues	1,284,354	1,416,901	1,503,084	252,042	4,456,381
Operating Expenses					
Personnel services	449,408	535,100	658,094	101,664	1,744,266
Supplies	106,264	76,559	12,630	1,666	197,119
Professional services	54,867	46,574	5,514	16,144	123,099
Communications	4,381	3,738	4,165	928	13,212
Insurance	20,122	35,735	15,998	296	72,151
Utilities	56,003	248,954	23,527	2,938	331,422
Repairs and maintenance	47,063	57,269	12,482	14,836	131,650
Depreciation	557,607	647,423	70,674	86,358	1,362,062
Other services and charges	-	-	128,454	-	128,454
Total Operating Expenses	1,295,715	1,651,352	931,538	224,830	4,103,435
Operating Income (Loss)	(11,361)	(234,451)	571,546	27,212	352,946
Nonoperating Revenues (Expenses)					
Other revenues	11,999	7,428	8,059	4,715	32,201
Gain on sale of capital assets	14,086	-	-	-	14,086
Investment earnings	134,671	290,130	66,669	56,176	547,646
Interest expense and other	(59,764)	(28,796)	(50,753)	-	(139,313)
Total Nonoperating Revenues (Expenses)	100,992	268,762	23,975	60,891	454,620
Income Before Contributions and Transfers	89,631	34,311	595,521	88,103	807,566
Capital Contributions - Connections	428,601	504,153	-	-	932,754
Transfers Out	(115,331)	(132,251)	(533,745)	(16,920)	(798,247)
Change in Net Position	402,901	406,213	61,776	71,183	942,073
Net Position, January 1	12,872,897	19,638,098	1,600,536	1,658,941	35,770,472
Net Position, December 31	\$ 13,275,798	\$ 20,044,311	\$ 1,662,312	\$ 1,730,124	\$ 36,712,545

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, 2024

	Business-type Activities - Enterprise Funds				
	601	602	609	Nonmajor 603	Total
	Water	Sewer	Liquor Store	Storm Water	
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 1,264,468	\$ 1,396,106	\$ 5,757,624	\$ 251,566	\$ 8,669,764
Other receipts	11,999	7,428	8,059	4,715	32,201
Payments to suppliers	(334,053)	(505,919)	(4,471,088)	(41,923)	(5,352,983)
Payments to employees	(400,478)	(480,218)	(612,232)	(86,903)	(1,579,831)
Net Cash Provided by Operating Activities	541,936	417,397	682,363	127,455	1,769,151
Cash Flows from Noncapital Financing Activities					
Receipt on advance to other funds	-	-	25,765	-	25,765
Transfers to other funds	(115,331)	(132,251)	(533,745)	(16,920)	(798,247)
Net Cash Provided (Used) by Noncapital Financing Activities	(115,331)	(132,251)	(507,980)	(16,920)	(772,482)
Cash Flows from Capital and Related Financing Activities					
Connection fees received	428,601	504,153	-	-	932,754
Acquisition of capital assets	(190,115)	(19,447)	(1,650)	(2,500)	(213,712)
Proceeds from sale of capital assets	14,086	-	-	-	14,086
Interest paid on bonds	(63,689)	(36,383)	(58,200)	-	(158,272)
Principal paid on bonds	(455,000)	(385,000)	(190,000)	-	(1,030,000)
Net Cash Provided (Used) by Capital and Related Financing Activities	(266,117)	63,323	(249,850)	(2,500)	(455,144)
Cash Flows from Investing Activities					
Interest received	134,955	290,635	66,965	56,226	548,781
Net Increase (Decrease) in Cash and Cash Equivalents	295,443	639,104	(8,502)	164,261	1,090,306
Cash and Cash Equivalents, January 1	2,573,539	5,429,293	1,073,056	1,053,501	10,129,389
Cash and Cash Equivalents, December 31	<u>\$ 2,868,982</u>	<u>\$ 6,068,397</u>	<u>\$ 1,064,554</u>	<u>\$ 1,217,762</u>	<u>\$ 11,219,695</u>
Reconciliation of Cash and Cash Equivalents					
Cash and Temporary Investments	\$ 2,868,982	\$ 6,055,101	\$ 786,061	\$ 1,217,762	\$ 10,927,906
Restricted Cash	-	-	278,493	-	278,493
Reconciliation of Cash and Cash Equivalents, December 31	<u>\$ 2,868,982</u>	<u>\$ 6,055,101</u>	<u>\$ 1,064,554</u>	<u>\$ 1,217,762</u>	<u>\$ 11,206,399</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, 2024

	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)	\$ (11,361)	\$ (234,451)	\$ 571,546	\$ 27,212	\$ 352,946
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation	557,607	647,423	70,674	86,358	1,362,062
Other receipts	11,999	7,428	8,059	4,715	32,201
(Increase) decrease in assets					
Accounts receivable	(1,895)	(118)	(2,688)	69	(4,632)
Special assessments	(17,991)	(20,677)	-	(545)	(39,213)
Inventories	-	-	7,432	-	7,432
Prepaid items	(4,277)	(4,326)	(698)	1	(9,300)
(Increase) in deferred outflows of resources					
Deferred pension resources	14,841	18,570	29,801	3,053	66,265
Deferred other post employment benefit resources	(20,772)	(21,474)	(18,331)	(4,028)	(64,605)
Increase (decrease) in liabilities					
Accounts payable	(20,393)	(11,290)	120	(1,088)	(32,651)
Due to other governments	89	-	387	-	476
Accrued salaries payable	2,078	2,489	2,048	484	7,099
Compensated absences payable	3,304	4,434	11,045	(58)	18,725
Unearned revenue	-	-	-	-	-
Other postemployment benefits payable	36,722	39,639	36,264	7,339	119,964
Net pension liability	(30,947)	(38,596)	(68,675)	(4,133)	(142,351)
Increase (decrease) in deferred inflows of resources					
Deferred pension resources	23,973	30,186	38,055	8,378	100,592
Deferred other post employment benefit resources	(1,041)	(1,840)	(2,676)	(302)	(5,859)
Net Cash Provided by Operating Activities	<u>\$ 541,936</u>	<u>\$ 417,397</u>	<u>\$ 682,363</u>	<u>\$ 127,455</u>	<u>\$ 1,769,151</u>
Schedule of Noncash Capital and Related Financing Activities					
Amortization of bond premium	<u>\$ -</u>	<u>\$ 6,018</u>	<u>\$ 7,278</u>	<u>\$ -</u>	<u>\$ 13,296</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, 2024

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, 2024

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, 2024

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, 2024:

- US Government Agency securities of \$1,081,619 are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposit of \$3,776,403 are valued using a matrix pricing model (Level 2 inputs)

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2024

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, 2024

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 2024. 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, 2024

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, 2024

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	PEPFP	Total Pension Expense
City's Proportionate Share	\$ 101,709	\$ 208,373	\$ 310,082
Proportionate Share of State's Contribution	(451)	3,601	3,150
Total Pension Expense	<u>\$ 101,258</u>	<u>\$ 211,974</u>	<u>\$ 313,232</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, 2024. 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, 2024

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, 2024

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.

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, 2024:

Fund	Amount
Nonmajor	
Isanti Indoor Arena	\$ 94,355
Illuminate Isanti	164,923

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

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 2: Stewardship, Compliance and Accountability (Continued)

C. Excess Expenditures Over Appropriations

The following fund had expenditures in excess of appropriations at December 31, 2024:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
General	\$ 4,759,585	\$ 4,773,792	\$ 14,207

These excess was funded with revenues in excess of budget.

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.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 3: Detailed Notes on All Funds (Continued)

At year end, the City's carrying amount of deposits was \$11,320,032 and the bank balance was \$11,581,173. Of the bank balance, \$8,717,824 was covered by Federal depository insurance and the remaining balance was collateral held in the City's name.

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	\$ 691,041	\$ -	\$ -	\$ -
Non-pooled Investments at Fair Value						
U.S. Government Agency Securities	AAA	Under 6 months	1,081,619	1,081,619	-	-
Negotiable CDs	N/A	Less than 1 year	389,306	-	389,306	-
Negotiable CDs	N/A	1 to 5 years	3,139,830	-	3,139,830	-
Negotiable CDs	N/A	More than 5 years	247,267	-	247,267	-
Total Investments			<u>\$ 5,549,063</u>	<u>\$ 1,081,619</u>	<u>\$ 3,776,403</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	\$ 11,320,032
Investments	5,549,063
Cash on Hand	<u>9,754</u>
Total	<u>\$ 16,878,849</u>
Cash and Temporary Investments	
Unrestricted	\$ 16,600,356
Cash with fiscal agent	<u>278,493</u>
Total	<u>\$ 16,878,849</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, 2024, the loan receivable was \$119,167.

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, 2024, the note receivable balance was \$120,000.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2024



Note 3: Detailed Notes on All Funds (Continued)

D. Interfund Receivables, Payables and Transfers

Receivable Fund	Payable Fund	Purpose	Amount
Due from/to other Funds			
Business-type	Governmental		
Liquor store	General fund	Finance project costs	\$ 25,765
Advances to/from other Funds			
Business-type	Governmental		
Liquor store	General fund	Finance project costs	103,061
Total Internal Balances Government-wide Statements			<u>\$ 128,826</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, 2024 is noted above.

Interfund Transfers

The following interfund transfers were made during 2024:

Fund	Transfer in				Total
	General	Street Construction	Capital Replacement	Nonmajor Governmental	
Transfer Out					
General	\$ -	\$ 7,500	\$ -	\$ -	\$ 7,500
Capital Replacement	-	-	-	8,300	8,300
Nonmajor Governmental	35,536	-	15,896	-	51,432
Water	-	-	115,331	-	115,331
Sewer	-	-	132,251	-	132,251
Liquor Store	533,745	-	-	-	533,745
Nonmajor - Storm Water	-	-	16,920	-	16,920
Total	<u>\$ 569,281</u>	<u>\$ 7,500</u>	<u>\$ 280,398</u>	<u>\$ 8,300</u>	<u>\$ 865,479</u>

During the year ended December 31, 2024, all the City's transfers were budgeted for except for the \$15,896 transfer to close the 2014B G.O. Improvement Bonds fund to the Capital Replacement fund after the bonds matured.

E. Lease Receivable

Description	Interest Rate	Issue Date	Payment Terms	Payment Amount	Balance at Year End
Isanti Indoor Arena	3.54 %	2/1/2015	385 Months	\$ 7,493	<u>\$ 2,306,221</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 385 months. The City will be paid \$7,493 every month, increasing by 2.5% every August 1st, at an interest rate of 3.54 percent.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 3: Detailed Notes on All Funds (Continued)

F. Capital Assets

Capital asset activity for the year ended December 31, 2024 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 2,104,720	\$ -	\$ -	\$ 2,104,720
Construction in progress	257,115	633,082	(444,291)	445,906
Total Capital Assets not Being Depreciated	<u>2,361,835</u>	<u>633,082</u>	<u>(444,291)</u>	<u>2,550,626</u>
Capital Assets Being Depreciated				
Land improvements	440,300	-	-	440,300
Buildings	8,188,784	633,490	-	8,822,274
Infrastructure	29,991,867	-	-	29,991,867
Machinery and equipment	1,849,396	421,292	(69,239)	2,201,449
Vehicles	782,715	214,159	-	996,874
Total Capital Assets Being Depreciated	<u>41,253,062</u>	<u>1,268,941</u>	<u>(69,239)</u>	<u>42,452,764</u>
Less Accumulated Depreciation for				
Land improvements	(440,300)	-	-	(440,300)
Buildings	(1,980,898)	(199,655)	-	(2,180,553)
Infrastructure	(18,626,752)	(1,266,947)	-	(19,893,699)
Machinery and equipment	(1,365,694)	(69,961)	69,239	(1,366,416)
Vehicles	(569,799)	(70,403)	-	(640,202)
Total Accumulated Depreciation	<u>(22,983,443)</u>	<u>(1,606,966)</u>	<u>69,239</u>	<u>(24,521,170)</u>
Total Capital Assets Being Depreciated, Net	<u>18,269,619</u>	<u>(338,025)</u>	<u>-</u>	<u>17,931,594</u>
Governmental Activities Capital Assets, Net	<u>\$ 20,631,454</u>	<u>\$ 295,057</u>	<u>\$ (444,291)</u>	<u>\$ 20,482,220</u>

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 3: Detailed Notes on All Funds (Continued)

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

General Government	\$ 70,943
Public Safety	147,681
Public Works	1,151,140
Parks and Recreation	<u>237,202</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 1,606,966</u></u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated				
Land	\$ 37,078	\$ -	\$ -	\$ 37,078
Construction in progress	-	62,169	-	62,169
Total Capital Assets not Being Depreciated	<u>37,078</u>	<u>62,169</u>	<u>-</u>	<u>99,247</u>
Capital Assets Being Depreciated				
Improvements other than buildings	176,663	-	-	176,663
Buildings	6,213,512	-	-	6,213,512
Infrastructure	39,158,588	-	-	39,158,588
Machinery and equipment	3,168,197	117,654	-	3,285,851
Vehicles	107,241	33,889	-	141,130
Total Capital Assets Being Depreciated	<u>48,824,201</u>	<u>151,543</u>	<u>-</u>	<u>48,975,744</u>
Less Accumulated Depreciation for				
Improvements other than buildings	(163,375)	(181,507)	-	(344,882)
Buildings	(505,139)	(156,267)	-	(661,406)
Infrastructure	(14,780,973)	(836,541)	-	(15,617,514)
Machinery and equipment	(1,116,187)	(179,457)	-	(1,295,644)
Vehicles	(77,298)	(8,290)	-	(85,588)
Total Accumulated Depreciation	<u>(16,642,972)</u>	<u>(1,362,062)</u>	<u>-</u>	<u>(18,005,034)</u>
Total Capital Assets Being Depreciated, Net	<u>32,181,229</u>	<u>(1,210,519)</u>	<u>-</u>	<u>30,970,710</u>
Business-type Activities Capital Assets, Net	<u><u>\$ 32,218,307</u></u>	<u><u>\$ (1,148,350)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 31,069,957</u></u>

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

Water	\$ 557,607
Sewer	647,423
Stormwater	86,358
Liquor Store	<u>70,674</u>
Total Depreciation Expense - Business-type Activities	<u><u>\$ 1,362,062</u></u>

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2024

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. Refunding Bonds, Series 2021A	\$ 1,445,000	2.00 %	11/16/21	02/01/30	\$ 1,105,000

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
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	195,000	5,750	200,750
2030	190,000	1,900	191,900
Total	<u>\$ 1,105,000</u>	<u>\$ 68,050</u>	<u>\$ 1,173,050</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>\$ 155,000</u>

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2024

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
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>\$ 155,000</u>	<u>\$ 9,735</u>	<u>\$ 164,735</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	\$ 126,000
MPFA - Water Revenue Bonds, Series 2008	5,064,256	3.04	10/07/08	08/20/28	1,286,056
MPFA - Water Revenue Bonds, Series 2011	479,047	1.533	11/23/11	08/20/31	264,000
G.O. Utility Revenue Bonds, Series 2014B	1,030,000	0.50 - 2.50	10/01/14	02/01/25	115,000
MPFA - Sewer Revenue Bonds, Series 2016A	2,525,000	1.53	07/15/16	12/01/29	1,250,000
Lease Revenue Bonds, Series 2021A	3,165,000	2.00	06/16/21	12/15/36	<u>2,630,000</u>
Total G.O. Revenue Bonds					<u>\$ 5,671,056</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	\$ 1,284,354	\$ 1,416,901	\$ 252,042
Principal and Interest	518,689	421,383	248,200
Percentage of Revenues	40%	30%	98%

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2024

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
2025	\$ 955,000	\$ 125,520	\$ 1,080,520
2026	863,000	103,861	966,861
2027	818,000	83,068	901,068
2028	839,056	63,484	902,540
2029	508,000	43,378	551,378
2030 - 2034	1,203,000	118,794	1,321,794
2035 - 2036	485,000	14,600	499,600
Total	<u>\$ 5,671,056</u>	<u>\$ 552,705</u>	<u>\$ 6,223,761</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2024 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	\$ 1,325,000	\$ -	\$ (220,000)	\$ 1,105,000	\$ 170,000
Premium on bonds	60,464	-	(11,591)	48,873	-
Total Bonds Payable	1,385,464	-	(231,591)	1,153,873	170,000
Compensated Absences Payable*	238,172	47,383	-	285,555	184,883
Governmental Activities Long-term Liabilities	<u>\$ 1,623,636</u>	<u>\$ 47,383</u>	<u>\$ (231,591)</u>	<u>\$ 1,439,428</u>	<u>\$ 354,883</u>
Business-type Activities					
Bonds Payable					
G.O. revenue bonds	\$ 6,666,056	\$ -	\$ (995,000)	\$ 5,671,056	\$ 955,000
G.O. improvement bonds	190,000	-	(35,000)	155,000	35,000
Premium on bonds	126,478	-	(13,296)	113,182	-
Total Bonds Payable	6,982,534	-	(1,043,296)	5,939,238	990,000
Compensated Absences Payable*	110,205	-	18,725	128,930	83,476
Business-type Activities Long-term Liabilities	<u>\$ 7,092,739</u>	<u>\$ -</u>	<u>\$ (1,024,571)</u>	<u>\$ 6,068,168</u>	<u>\$ 1,073,476</u>

* Compensated absences payable are shown net of increases and decreases.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 3: Detailed Notes on All Funds (Continued)

H. Components of Fund Balance

At December 31, 2024, 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	\$ 13,970	\$ -	\$ -	\$ 1,625	\$ 15,595
Land held for resale	5,000	-	-	-	5,000
Total nonspendable	<u>\$ 18,970</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,625</u>	<u>\$ 20,595</u>
Restricted for					
Debt service	\$ -	\$ -	\$ -	\$ 308,158	\$ 308,158
Park improvements	-	-	-	519,510	519,510
Capital replacement	-	129,192	-	18,671	147,863
Economic development	-	-	-	22,300	22,300
Total Restricted	<u>\$ -</u>	<u>\$ 129,192</u>	<u>\$ -</u>	<u>\$ 868,639</u>	<u>\$ 997,831</u>
Committed to					
Culture and recreation	\$ -	\$ -	\$ -	\$ 2,955	\$ 2,955
Economic development	-	-	-	412,009	412,009
City technology improvements	-	-	-	23,743	23,743
Total Committed	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 438,707</u>	<u>\$ 438,707</u>
Assigned to					
Capital projects	\$ -	\$ 577,218	\$ -	\$ -	\$ 577,218
Capital equipment	-	-	631,594	-	631,594
Park improvements	-	-	-	42,903	42,903
Total assigned	<u>\$ -</u>	<u>\$ 577,218</u>	<u>\$ 631,594</u>	<u>\$ 42,903</u>	<u>\$ 1,251,715</u>
Unassigned	<u>\$ 3,012,873</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (260,078)</u>	<u>\$ 2,752,795</u>

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). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan (General Plan)

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

Public Employees Police and Fire Plan (Police and Fire Plan)

Membership in the Police and Fire Plan includes full-time, licensed police officers and firefighters who meet the membership criteria defined in Minnesota Statutes section 353.64 and who are not earning service credit in any other PERA retirement plan or a local relief association for the same service. Employers can provide Police and Fire Plan coverage for part-time positions and certain other public safety positions by submitting a resolution adopted by the entity's governing body. The resolution must state that the position meets plan requirements.

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. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

General Employee Plan Benefits

General Employees Plan requires three years of service to vest. 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 General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2 percent of the highest average salary for each of the first 10 years of service and 1.7 percent for each additional year. Under the Level formula, General Plan members receive 1.7 percent of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25 percent for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2024

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

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. The 2024 annual increase was 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 prorated increase.

Police and Fire Plan Benefits

Benefits for Police and Fire Plan members hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50 percent vested after five years of service and 100 percent vested after ten years. After five years, vesting increase by 10 percent each full year of service until members are 100 percent vested after ten years. Police and Fire Plan members receive 3 percent of highest average salary for all years of service. Police and Fire Plan members receive a full retirement benefit when they are age 55 and vested, or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement starts at age 50, and early retirement benefits are reduced by 0.417 percent each month members are younger than age 55.

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 chapters 353, 353E, 353G and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2024 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, 2024, 2023 and 2022, were \$161,942, \$153,890 and \$137,514, 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 2024 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, 2024, 2023 and, 2022 were \$187,550, \$174,190 and \$147,520, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2024, the City reported a liability of \$908,787 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 \$23,499.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2024

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

City's Proportionate Share of the Net Pension Liability	\$ 908,787
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>23,499</u>
Total	<u>\$ 932,286</u>

The net pension liability was measured as of June 30, 2024, 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 proportion 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, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0246 percent at the end of the measurement period and 0.0251 percent for the beginning of the period.

For the year ended December 31, 2024, the City recognized pension expense of \$101,709 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional negative \$451 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.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$41,845 for the year ended December 31, 2024 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 General Employees Fund.

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 85,980	\$ -
Changes in Actuarial Assumptions	4,476	349,252
Net Difference Between Projected and Actual Investment Earnings	-	247,716
Changes in Proportion	5,940	14,477
Contributions Paid to PERA Subsequent to the Measurement Date	<u>67,251</u>	<u>-</u>
Total	<u>\$ 163,647</u>	<u>\$ 611,445</u>

The \$67,251 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, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2025	\$ (275,278)
2026	(58,143)
2027	(111,974)
2028	(69,654)

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2024

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

Police and Fire Fund Pension Costs

At December 31, 2024, the City reported a liability of \$972,838 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0739 percent at the end of the measurement period and 0.0677 percent for the beginning of the period.

The State of Minnesota contributed \$37.4 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2024. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation, additional one-time direct state aid contribution of \$19.4 million, and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. Additionally, \$9 million supplemental state aid was paid on October 1, 2024. 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's proportionate share of the net pension liability associated with the City totaled \$37,084.

City's Proportionate Share of the Net Pension Liability	\$ 972,838
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>37,084</u>
Total	<u><u>\$ 1,009,922</u></u>

For the year ended December 31, 2024, the City recognized pension expense of \$208,373 for its proportionate share of the Police and Fire Plan's pension expense. In addition, the City recognized an additional \$3,601 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 \$28.4 million in supplemental state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$6,655 for the year ended December 31, 2024 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.

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 360,093	\$ -
Changes in Actuarial Assumptions	1,018,032	1,311,403
Net Difference Between Projected and Actual Investment Earnings	-	291,358
Changes in Proportion	89,748	94,210
Contributions Paid to PERA Subsequent to the Measurement Date	<u>98,701</u>	<u>-</u>
Total	<u><u>\$ 1,566,574</u></u>	<u><u>\$ 1,696,971</u></u>

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2024

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

The \$98,701 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2025	\$ (24,052)
2026	242,307
2027	(136,534)
2028	(333,236)
2029	22,417

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 Return on Investment
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>	

F. Actuarial Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7.0%. The 7.0% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7.0% is within that range.

Inflation is assumed to be 2.25% for the General Employees Plan and Police and Fire Plan.

Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan and 1.0% for the Police and Fire Plan.

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

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

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 are 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 General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation. The Police and Fire Plan were reviewed in 2024. PERA anticipates the experience study will be approved by the Legislative Commission on Pensions and Retirement and become effective with the July 1, 2025

The following changes in actuarial assumptions and plan provisions occurred in 2024:

General Employees Fund

Changes in Actuarial Assumptions

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

Police and Fire Fund

Changes in Actuarial Assumptions

- There were no changes in actuarial assumptions since the previous valuation.

Changes in Plan Provisions

- The State contribution of \$9 million per year will continue until the earlier of 1) both the Police and Fire Plan and the State Patrol Retirement Fund attain 90.0 percent funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90.0 percent funded status for one year.
- The additional \$9 million contribution will continue until the Police and Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2024

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

G. Discount Rate

The discount rate used to measure the total pension liability in 2024 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 Plans 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	\$ 1,984,937	\$ 908,787	\$ 23,555
Police and Fire Fund	2,299,007	972,838	(116,224)

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.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2024

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.

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 prefund 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 3.70 percent.

For the year ended December 31, 2024, the City's average contribution rate was 40.38 percent of covered-employee payroll. For the fiscal year 2024, the City contributed \$63,837 to the plan. The General fund is typically used to liquidate the governmental portion of the net OPEB obligation.

C. Actuarial Methods and Assumptions

The City's total OPEB liability of \$1,146,663 was measured as of January 1, 2024, and the OPEB liability was determined by an actuarial valuation as of January 1, 2024.

The total OPEB liability in the January 1, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.70%
20-Year Municipal Bond Yield	3.70%
Inflation Rate	2.50%
Salary Increases	Service Graded Table
Medical Trend Rate	6.5% as of January 1, 2024 grading 5.00%, than 4.00%

The discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds. The overall single discount rate is 3.70 percent. Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2021 Generational Improvement Scale. 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
December 31, 2024

Note 5: Postemployment Benefits Other Than Pensions (Continued)

D. Changes in the Total OPEB Liability

	Total OPEB Liability
Balances at December 31, 2023	\$ 966,509
Changes for the Year	
Service Costs	14,107
Interest Costs	38,051
Assumption Changes	53,991
Differences between expected and actual experience	133,240
Benefit Payment	(59,235)
Net Changes	<u>180,154</u>
Balances at December 31, 2024	<u>\$ 1,146,663</u>

E. Sensitivity of the Net OPEB Liability

The following presents the net OPEB liability of the City, as well as what the City's net OPEB 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:

1 Percent Decrease 2.7%	Discount Rate Current 3.7%	1 Percent Increase 4.7%
\$ 1,257,118	\$ 1,146,663	\$ 1,049,974

The following presents the City's net OPEB liability, as well as what the City's net OPEB liability would be if it were calculated using a healthcare cost trend rate one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

1 Percent Decrease 5.5% Decreasing to 4.00% then 3.00%	Healthcare Cost Trend Rates 6.5% Decreasing to 5.00% then 4.00%	1 Percent Increase 7.5% Decreasing to 6.00% then 5.00%
\$ 1,052,154	\$ 1,146,663	\$ 1,252,863

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2024

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, 2024, the City Recognized OPEB expense of \$147,664. At December 31, 2024, 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 Economic Experience	\$ 750,315	\$ 97,842
Changes in Actuarial Assumptions	48,680	31,358
Contributions Paid to OPEB Subsequent to the Measurement Date	63,837	-
Total	<u>\$ 862,832</u>	<u>\$ 129,200</u>

Deferred outflows of resources totaling \$63,837 related to pensions resulting from the City's contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the OPEB liability as of December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

2025	\$ 95,506
2026	95,506
2027	95,509
2028	128,456
2029	127,869
Thereafter	126,949

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2024

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, 2024, 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.

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 \$307,502 to the District in 2024. 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, 2023 and 2022.

	2023	2022
Assets	\$ 440,812	\$ 313,201
Capital assets, net	<u>1,514,440</u>	<u>1,631,631</u>
Total Assets	<u><u>\$ 1,955,252</u></u>	<u><u>\$ 1,944,832</u></u>
Liabilities	\$ 900	\$ 6,551
Net Position	<u>1,954,352</u>	<u>1,938,281</u>
Total Liabilities and Net Position	<u><u>\$ 1,955,252</u></u>	<u><u>\$ 1,944,832</u></u>

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2024

Note 7: Joint Venture (Continued)

The following is a summary of Fire District's statements of activities for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Revenues	\$ 836,662	\$ 779,234
Expenses	<u>820,800</u>	<u>783,877</u>
Change in Net Position	15,862	(4,643)
Net Position, January 1	<u>1,938,281</u>	<u>1,942,924</u>
Net Position, December 31	<u><u>\$ 1,954,143</u></u>	<u><u>\$ 1,938,281</u></u>

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, 2024, the balance of the notes outstanding was \$4,606,623. 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, 2024

City of Isanti, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2024

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
6/30/2024	0.0246 %	\$ 908,787	\$ 23,499	\$ 932,286	\$ 2,277,891	39.9 %	86.7 %
6/30/2023	0.0251	1,403,564	38,704	1,442,268	1,999,813	70.2	83.1
6/30/2022	0.0248	1,964,168	57,522	2,021,690	1,781,453	110.3	76.7
6/30/2021	0.0231	986,473	30,118	1,016,591	1,659,494	59.4	87.0
6/30/2020	0.0218	1,307,010	40,174	1,347,184	1,609,429	81.2	79.0
6/30/2019	0.0204	1,127,870	35,165	1,163,035	1,390,803	81.1	80.2
6/30/2018	0.0218	1,209,375	39,643	1,249,018	1,465,877	82.5	79.5
6/30/2017	0.0216	1,378,930	17,319	1,396,249	1,389,926	99.2	75.9
6/30/2016	0.0211	1,713,216	22,401	1,735,616	1,310,966	130.7	68.9
6/30/2015	0.0219	1,134,972	-	1,134,972	1,284,497	88.4	78.2

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)
12/31/2024	\$ 161,942	\$ 161,942	\$ -	\$2,159,227	7.50 %
12/31/2023	153,890	153,890	-	2,051,867	7.50
12/31/2022	137,514	137,514	-	1,833,520	7.50
12/31/2021	133,608	133,608	-	1,781,440	7.50
12/31/2020	118,222	118,222	-	1,576,289	7.50
12/31/2019	112,189	112,189	-	1,495,849	7.50
12/31/2018	108,556	108,556	-	1,447,416	7.50
12/31/2017	104,864	104,864	-	1,398,189	7.50
12/31/2016	105,054	105,054	-	1,400,725	7.50
12/31/2015	97,034	97,034	-	1,293,790	7.50

City of Isanti, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2024

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

2024 - The following changes in assumptions are effective with the July 1, 2024 valuation, as recommended in the most recent experience study (dated June 29, 2023): Rates of merit and seniority were adjusted, resulting in slightly higher rates. Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members. Minor increase in assumed withdrawals for males and females. Lower rates of disability. Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study. Minor changes to form of payment assumptions for male and female retirees. Minor changes to assumptions made with respect to missing participant data.

2023 - The investment return and single discount rates were changed from 6.5 percent to 7.0 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, 2024

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

Changes in Plan Provisions

2024 - The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

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 4.0 percent to 3.0 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.0 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 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90.0 percent funding ratio to 50.0 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 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, 2024

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
6/30/2024	0.0739 %	\$ 972,838	\$ 37,084	\$ 1,009,922	\$ 1,023,960	95.0 %	87.0 %
6/30/2023	0.0677	1,169,091	47,074	1,216,165	888,955	131.5	86.5
6/30/2022	0.0719	3,128,804	136,609	3,265,413	873,520	402.8	70.5
6/30/2021	0.0671	517,941	23,280	541,221	776,773	66.7	93.7
6/30/2020	0.0646	851,497	20,053	871,550	713,030	119.6	87.2
6/30/2019	0.0656	698,378	-	698,378	668,403	104.5	89.3
6/30/2018	0.0617	657,658	-	657,658	649,935	101.2	88.8
6/30/2017	0.0700	945,083	-	945,083	723,699	130.6	85.4
6/30/2016	0.0660	2,648,695	-	2,648,695	637,473	415.5	63.9
6/30/2015	0.0620	704,465	-	704,465	563,393	125.0	86.6

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)
12/31/2024	\$ 187,550	\$ 187,550	\$ -	\$1,059,604	17.70 %
12/31/2023	174,190	174,190	-	984,124	17.70
12/31/2022	147,520	147,520	-	833,446	17.70
12/31/2021	150,552	150,552	-	850,576	17.70
12/31/2020	128,590	128,590	-	726,497	17.70
12/31/2019	113,940	113,940	-	672,213	16.95
12/31/2018	104,266	104,266	-	643,617	16.20
12/31/2017	113,975	113,975	-	703,552	16.20
12/31/2016	110,692	110,692	-	683,285	16.20
12/31/2015	98,214	98,214	-	606,260	16.20

City of Isanti, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2024

Notes to the Required Supplementary Information - Police and Fire Fund

Changes in Actuarial Assumptions

2024 - There were no changes in actuarial assumptions since the previous valuation.

2023 - 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.

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 7.5 percent to 6.5 percent, for financial reporting purposes. The inflation assumption was changed from 2.5 percent to 2.25 percent. The payroll growth assumption was changed from 3.25 percent to 3.0 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 60.0 percent to 70.0 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 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 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 2.5 percent for inflation.

City of Isanti, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2024

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

Changes in Plan Provisions

2024 - The State contribution of \$9.0 million per year will continue until the earlier of 1) both the Police and Fire Plan and the State Patrol Retirement Fund attain 90.0 percent funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90.0 percent funded status for one year. The additional \$9.0 million contribution will continue until the Police and Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

2023 - 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 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 million state contribution. New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier. Member contributions were changed from 10.8 percent to 11.3 percent of pay, effective January 1, 2019 and 11.8 percent of pay, effective January 1, 2020. Employer contributions were changed from 16.2 percent to 16.95 percent of pay, effective January 1, 2019 and 17.7 percent of pay, effective January 1, 2020. Interest credited on member contributions decreased from 4.0 percent to 3.0 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.0 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 30.0 percent for vested and non-vested, deferred members. The CSA has been changed to 33.0 percent for vested members and 2.0 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 65.0 percent to 60.0 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 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter. The single discount rate was changed from 5.6 percent per annum to 7.5 percent per annum.

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

City of Isanti, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2024

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

	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability							
Service Costs	\$ 14,107	\$ 9,799	\$ 13,023	\$ 12,993	\$ 11,217	\$ 28,959	\$ 28,116
Interest Costs	38,051	3,433	3,374	2,295	10,677	10,024	8,792
Assumption Changes	53,991	(40,468)	154	4,608	(2,693)	-	-
Plan Changes	-	-	-	80,559	-	-	-
Differences between expected and actual experience	133,240	842,108	7,241	-	(260,904)	-	-
Benefit Payment	(59,235)	(20,368)	(14,869)	(6,959)	(2,063)	(850)	-
Net Change in Total OPEB Liability	180,154	794,504	8,923	93,496	(243,766)	38,133	36,908
Total OPEB Liability - Beginning	966,509	172,005	163,082	69,586	313,352	275,219	238,311
Total OPEB Liability - Ending	<u>\$ 1,146,663</u>	<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	\$ 2,839,891	\$ 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	40.38 %	37.73 %	6.92 %	8.04 %	3.53 %	15.21 %	13.76

Changes in assumptions:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The discount rate was changed from 4.00% to 3.70%.

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF ISANTI
ISANTI, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2024

City of Isanti, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2024

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
Assets			
Cash and temporary investments	\$ 658,805	\$ 308,676	\$ 967,481
Receivables			
Accrued interest	1,317	458	1,775
Taxes	337	-	337
Accounts	8,836	-	8,836
Loans	119,167	-	119,167
Prepaid items	1,625	-	1,625
	<u>1,625</u>	<u>-</u>	<u>1,625</u>
Total Assets	<u><u>\$ 790,087</u></u>	<u><u>\$ 309,134</u></u>	<u><u>\$ 1,099,221</u></u>
Liabilities			
Accounts payable	\$ 6,091	\$ 976	\$ 7,067
Accrued salaries payable	358	-	358
Total Liabilities	<u>6,449</u>	<u>976</u>	<u>7,425</u>
Fund Balances			
Nonspendable	1,625	-	1,625
Restricted	560,481	308,158	868,639
Committed	438,707	-	438,707
Assigned	42,903	-	42,903
Unassigned	(260,078)	-	(260,078)
Total Fund Balances	<u>783,638</u>	<u>308,158</u>	<u>1,091,796</u>
Total Liabilities and Fund Balances	<u><u>\$ 790,087</u></u>	<u><u>\$ 309,134</u></u>	<u><u>\$ 1,099,221</u></u>

City of Isanti, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2024

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
Revenues			
Taxes			
Property taxes	\$ 137,491	\$ 201,705	\$ 339,196
Tax increments	29,317	-	29,317
Franchise taxes	25,592	-	25,592
Charges for services	339,017	-	339,017
Investment earnings	42,520	8,909	51,429
Miscellaneous	7,803	-	7,803
Total Revenues	<u>581,740</u>	<u>210,614</u>	<u>792,354</u>
Expenditures			
Current			
Public safety	2,399	-	2,399
Parks and recreation	55,076	-	55,076
Economic development	99,745	-	99,745
Capital outlay			
General government	15,273	-	15,273
Public safety	1,531	-	1,531
Parks and recreation	231,249	-	231,249
Debt service			
Principal	-	220,000	220,000
Interest and other	-	25,919	25,919
Total Expenditures	<u>405,273</u>	<u>245,919</u>	<u>651,192</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>176,467</u>	<u>(35,305)</u>	<u>141,162</u>
Other Financing Sources (Uses)			
Transfers in	8,300	-	8,300
Transfers out	<u>(35,536)</u>	<u>(15,896)</u>	<u>(51,432)</u>
Total Other Financing Sources (Uses)	<u>(27,236)</u>	<u>(15,896)</u>	<u>(43,132)</u>
Net Change in Fund Balances	149,231	(51,201)	98,030
Fund Balances, January 1	<u>634,407</u>	<u>359,359</u>	<u>993,766</u>
Fund Balances, December 31	<u><u>\$ 783,638</u></u>	<u><u>\$ 308,158</u></u>	<u><u>\$ 1,091,796</u></u>

City of Isanti, Minnesota
Nonmajor Special Revenue Funds
Combining Balance Sheet
December 31, 2024

	104	108	214	219	220
	Redbirds Maintenance	Economic Development Authority	Park	Revolving Loan	Forfeiture
Assets					
Cash and temporary investments	\$ 2,951	\$ 92,743	\$ 561,579	\$ 178,085	\$ 18,643
Receivables					
Accrued interest	4	145	834	264	28
Taxes	-	-	-	-	-
Accounts	-	7,207	-	-	-
Loans	-	-	-	119,167	-
Prepaid items	-	825	-	-	-
	<u>-</u>	<u>825</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 2,955</u>	<u>\$ 100,920</u>	<u>\$ 562,413</u>	<u>\$ 297,516</u>	<u>\$ 18,671</u>
Liabilities					
Accounts payable	\$ -	\$ 203	\$ -	\$ -	\$ -
Accrued salaries payable	-	358	-	-	-
Total Liabilities	<u>-</u>	<u>561</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances					
Nonspendable	-	825	-	-	-
Restricted	-	-	519,510	-	18,671
Committed	2,955	99,534	-	297,516	-
Assigned	-	-	42,903	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	<u>2,955</u>	<u>100,359</u>	<u>562,413</u>	<u>297,516</u>	<u>18,671</u>
Total Liabilities and Fund Balances	<u>\$ 2,955</u>	<u>\$ 100,920</u>	<u>\$ 562,413</u>	<u>\$ 297,516</u>	<u>\$ 18,671</u>

226	227	228	409	614	
Isanti Indoor Arena	Special Response Team	Illuminate Isanti	TIF 9	City Technology Improvement	Total
\$ (93,003)	\$ 14,937	\$ (163,740)	\$ 24,516	\$ 22,094	\$ 658,805
-	22	-	-	20	1,317
-	-	-	337	-	337
-	-	-	-	1,629	8,836
-	-	-	-	-	119,167
-	-	800	-	-	1,625
<u>\$ (93,003)</u>	<u>\$ 14,959</u>	<u>\$ (162,940)</u>	<u>\$ 24,853</u>	<u>\$ 23,743</u>	<u>\$ 790,087</u>
\$ 1,352	\$ -	\$ 1,983	\$ 2,553	\$ -	\$ 6,091
-	-	-	-	-	358
<u>1,352</u>	<u>-</u>	<u>1,983</u>	<u>2,553</u>	<u>-</u>	<u>6,449</u>
-	-	800	-	-	1,625
-	-	-	22,300	-	560,481
-	14,959	-	-	23,743	438,707
-	-	-	-	-	42,903
(94,355)	-	(165,723)	-	-	(260,078)
<u>(94,355)</u>	<u>14,959</u>	<u>(164,923)</u>	<u>22,300</u>	<u>23,743</u>	<u>783,638</u>
<u>\$ (93,003)</u>	<u>\$ 14,959</u>	<u>\$ (162,940)</u>	<u>\$ 24,853</u>	<u>\$ 23,743</u>	<u>\$ 790,087</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, 2024

	104	108	214	219	220
	Redbirds Maintenance	Economic Development Authority	Park	Revolving Loan	Forfeiture
Revenues					
Taxes					
Property taxes	\$ -	\$ 137,491	\$ -	\$ -	\$ -
Tax increments	-	-	-	-	-
Franchise taxes	-	6,341	-	-	-
Charges for services	-	4,300	290,400	-	-
Investment earnings	140	2,293	29,013	8,552	1,293
Miscellaneous	1,500	8	-	-	1,873
Total Revenues	<u>1,640</u>	<u>150,433</u>	<u>319,413</u>	<u>8,552</u>	<u>3,166</u>
Expenditures					
Current					
Public safety	-	-	-	-	2,399
Parks and recreation	996	-	160	-	-
Economic development	-	83,889	-	10,000	-
Capital outlay					
General government	-	-	-	-	-
Public safety	-	-	-	-	1,531
Parks and recreation	-	-	226,249	-	-
Total Expenditures	<u>996</u>	<u>83,889</u>	<u>226,409</u>	<u>10,000</u>	<u>3,930</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>644</u>	<u>66,544</u>	<u>93,004</u>	<u>(1,448)</u>	<u>(764)</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	-	(35,536)	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(35,536)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	644	31,008	93,004	(1,448)	(764)
Fund Balances, January 1	<u>2,311</u>	<u>69,351</u>	<u>469,409</u>	<u>298,964</u>	<u>19,435</u>
Fund Balances, December 31	<u>\$ 2,955</u>	<u>\$ 100,359</u>	<u>\$ 562,413</u>	<u>\$ 297,516</u>	<u>\$ 18,671</u>

226	227	228	409	614	
Isanti Indoor Arena	Special Response Team	Illuminate Isanti	TIF 9	City Technology Improvement	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 137,491
-	-	-	29,317	-	29,317
-	-	-	-	19,251	25,592
44,317	-	-	-	-	339,017
-	719	-	-	510	42,520
91	-	4,331	-	-	7,803
<u>44,408</u>	<u>719</u>	<u>4,331</u>	<u>29,317</u>	<u>19,761</u>	<u>581,740</u>
-	-	-	-	-	2,399
31,762	-	22,158	-	-	55,076
-	-	-	5,856	-	99,745
-	-	-	-	15,273	15,273
-	-	-	-	-	1,531
2,500	-	2,500	-	-	231,249
<u>34,262</u>	<u>-</u>	<u>24,658</u>	<u>5,856</u>	<u>15,273</u>	<u>405,273</u>
<u>10,146</u>	<u>719</u>	<u>(20,327)</u>	<u>23,461</u>	<u>4,488</u>	<u>176,467</u>
-	-	-	-	8,300	8,300
-	-	-	-	-	(35,536)
-	-	-	-	8,300	(27,236)
10,146	719	(20,327)	23,461	12,788	149,231
<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>\$ (94,355)</u>	<u>\$ 14,959</u>	<u>\$ (164,923)</u>	<u>\$ 22,300</u>	<u>\$ 23,743</u>	<u>\$ 783,638</u>

City of Isanti, Minnesota
Debt Service Funds
Combining Balance Sheet
December 31, 2024

	931 2021A G.O. Tax Abatement Bonds	932 2014B G.O. Improvement Bonds	Total
Assets			
Cash and temporary investments	\$ 308,188	\$ 488	\$ 308,676
Accrued interest	458	-	458
Total Assets	<u>\$ 308,646</u>	<u>\$ 488</u>	<u>\$ 309,134</u>
Liabilities			
Accounts payable	\$ 488	\$ 488	\$ 976
Fund Balances			
Restricted for debt service	<u>308,158</u>	<u>-</u>	<u>308,158</u>
Total Liabilities and Fund Balances	<u>\$ 308,646</u>	<u>\$ 488</u>	<u>\$ 309,134</u>

City of Isanti, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2024

	931 2021A G.O. Tax Abatement Bonds	932 2014B G.O. Improvement Bonds	Total
Revenues			
Property taxes	\$ 201,705	\$ -	\$ 201,705
Investment earnings	8,201	708	8,909
Total Revenues	<u>209,906</u>	<u>708</u>	<u>210,614</u>
Expenditures			
Debt service			
Principal	175,000	45,000	220,000
Interest and other	24,833	1,086	25,919
Total Expenditures	<u>199,833</u>	<u>46,086</u>	<u>245,919</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,073	(45,378)	(35,305)
Other Financing Sources (Uses)			
Transfers out	<u>-</u>	<u>(15,896)</u>	<u>(15,896)</u>
Net Change in Fund Balances	10,073	(61,274)	(51,201)
Fund Balances, January 1	<u>298,085</u>	<u>61,274</u>	<u>359,359</u>
Fund Balances, December 31	<u><u>\$ 308,158</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 308,158</u></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, 2024
(With Comparative Actual Amounts for the Year Ended December 31, 2023)

	2024				2023
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Property taxes	\$ 2,535,167	\$ 2,535,167	\$ 2,515,540	\$ (19,627)	\$ 2,796,109
Licenses and permits					
Business	15,900	15,900	11,420	(4,480)	13,375
Nonbusiness	220,150	220,150	447,469	227,319	385,554
Total licenses and permits	236,050	236,050	458,889	222,839	398,929
Federal					
Other	-	-	6,901	6,901	25,636
State					
Local government aid	1,019,827	1,019,827	1,019,827	-	829,918
Property tax credits	25	25	86	61	72
Police aid	103,500	103,500	132,050	28,550	90,557
MSA maintenance	85,000	85,000	90,919	5,919	81,617
Other	-	-	45,800	45,800	28,223
Total intergovernmental	1,208,352	1,208,352	1,295,583	87,231	1,056,023
Charges for services					
General government	10,733	10,733	11,998	1,266	22,177
Public safety	85,300	85,300	81,966	(3,334)	80,057
Public works	6,050	6,050	10,318	4,268	5,855
Culture and recreation	63,668	63,668	61,119	(2,549)	57,248
Total charges for services	165,750	165,750	165,401	(349)	165,337
Fines and forfeitures	28,500	28,500	34,018	5,518	32,402
Investment earnings	30,000	30,000	168,945	138,945	141,807
Miscellaneous					
Refunds and reimbursements	12,500	12,500	17,067	4,567	13,601
Other	2,000	2,000	3,168	1,168	7,742
Total miscellaneous	14,500	14,500	20,235	5,735	21,343
Total Revenues	4,218,319	4,218,319	4,658,611	440,292	4,611,950

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, 2024
(With Comparative Actual Amounts for the Year Ended December 31, 2023)

	2024				2023
	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	\$ 26,619	\$ 181	\$ 27,627
Supplies	1,590	1,590	1,360	230	1,376
Other services and charges	11,390	11,390	11,186	204	16,233
Total mayor and city council	39,780	39,780	39,165	615	45,236
Elections					
Personnel services	8,500	8,500	11,790	(3,290)	-
Supplies	200	200	221	(21)	-
Other services and charges	2,800	2,800	4,459	(1,659)	450
Total elections	11,500	11,500	16,470	(4,970)	450
Financial administration					
Personnel services	573,400	573,400	573,011	389	515,462
Supplies	19,350	19,350	12,447	6,903	29,362
Other services and charges	85,735	85,735	55,331	30,404	51,678
Total financial administration	678,485	678,485	640,789	37,696	596,502
Planning and zoning					
Personnel services	118,900	116,450	119,596	(3,146)	104,900
Supplies	4,700	4,700	2,168	2,532	2,349
Other services and charges	16,300	16,300	14,327	1,973	11,326
Total planning and zoning	139,900	137,450	136,091	1,359	118,575
Municipal building					
Supplies	4,000	4,000	3,971	29	2,020
Other services and charges	54,740	54,740	43,308	11,432	46,438
Total municipal building	58,740	58,740	47,279	11,461	48,458
Total general government	928,405	925,955	879,794	46,161	809,221

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, 2024
(With Comparative Actual Amounts for the Year Ended December 31, 2023)

	2024				2023
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public safety					
Police					
Personnel services	\$ 1,859,550	\$ 1,859,550	\$ 1,820,374	\$ 39,176	\$ 1,721,910
Supplies	24,790	24,790	34,843	(10,053)	21,312
Other services and charges	285,240	286,740	289,662	(2,922)	274,112
Total police	<u>2,169,580</u>	<u>2,171,080</u>	<u>2,144,879</u>	<u>26,201</u>	<u>2,017,334</u>
Fire protection					
Other services and charges	<u>331,900</u>	<u>331,900</u>	<u>308,667</u>	<u>23,233</u>	<u>308,317</u>
Building inspection					
Personnel services	61,420	58,970	63,388	(4,418)	180,404
Supplies	5,200	5,200	1,354	3,846	2,914
Other services and charges	179,360	184,810	410,958	(226,148)	239,153
Total building inspection	<u>245,980</u>	<u>248,980</u>	<u>475,700</u>	<u>(226,720)</u>	<u>422,471</u>
Animal control					
Supplies	100	100	-	100	-
Other services and charges	1,260	1,260	2	1,258	649
Total animal control	<u>1,360</u>	<u>1,360</u>	<u>2</u>	<u>1,358</u>	<u>649</u>
Total public safety	<u>2,748,820</u>	<u>2,753,320</u>	<u>2,929,248</u>	<u>(175,928)</u>	<u>2,748,771</u>
Public works					
Streets and highways					
Personnel services	268,000	268,000	247,120	20,880	241,555
Supplies	133,550	134,250	78,027	56,223	89,420
Other services and charges	67,010	67,010	60,871	6,139	73,416
Total streets and highways	<u>468,560</u>	<u>469,260</u>	<u>386,018</u>	<u>83,242</u>	<u>404,391</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, 2024
(With Comparative Actual Amounts for the Year Ended December 31, 2023)

	2024				2023
	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	\$ 56,980	\$ 56,980	\$ 52,735	\$ 4,245	\$ 52,858
Sanitation and waste control					
Personnel services	24,650	24,650	22,783	1,867	19,726
Supplies	1,700	1,700	435	1,265	1,357
Other services and charges	7,290	7,290	5,563	1,727	7,795
Total sanitation and waste control	33,640	33,640	28,781	4,859	28,878
General city maintenance					
Personnel services	47,000	47,000	46,481	519	42,747
Supplies	4,400	4,400	3,609	791	3,709
Other services and charges	20,835	20,835	21,029	(194)	19,617
Total general city maintenance	72,235	72,235	71,119	1,116	66,073
Total public works	631,415	632,115	538,653	93,462	552,200
Parks and recreation					
Parks and recreation					
Personnel services	274,725	274,725	261,920	12,805	292,732
Supplies	14,450	14,450	5,961	8,489	8,974
Other services and charges	140,010	142,510	144,333	(1,823)	136,680
Total parks and recreation	429,185	431,685	412,214	19,471	438,386
Economic development					
Other services and charges	16,510	16,510	13,883	2,627	14,853
Total Expenditures	4,754,335	4,759,585	3,792	(14,207)	4,563,431
Excess (Deficiency) of Revenues Over (Under) Expenditures	(536,016)	(541,266)	(115,181)	426,085	48,519
Other Financing Sources (Uses)					
Sale of capital assets	-	-	-	-	121,757
Transfers in	569,281	569,281	569,281	-	442,605
Transfers out	(33,265)	(33,265)	(7,500)	25,765	-
Total Other Financing Sources (Uses)	536,016	536,016	561,781	25,765	564,362
Net Change in Fund Balances	-	(5,250)	446,600	451,850	612,881
Fund Balances, January 1	2,585,243	2,585,243	2,585,243	-	1,972,362
Fund Balances, December 31	\$ 2,585,243	\$ 2,579,993	\$ 3,031,843	\$ 451,850	\$ 2,585,243

City of Isanti, Minnesota
Summary Financial Report
Revenues and Expenditures for General Operations
Governmental Funds
For the Years Ended December 31, 2024 and 2023

	Total		Percent Increase (Decrease)
	2024	2023	
Revenues			
Taxes	\$ 3,936,206	\$ 4,058,213	(3.01) %
Licenses and permits	458,889	398,929	15.03
Intergovernmental	1,568,340	1,608,160	(2.48)
Charges for services	624,418	479,410	30.25
Fines and forfeits	34,018	32,402	4.99
Special assessments	41,582	68,138	(38.97)
Investment earnings	289,075	259,188	11.53
Miscellaneous	28,038	72,598	(61.38)
Total Revenues	<u>\$ 6,980,566</u>	<u>\$ 6,977,038</u>	0.05 %
Per Capita	<u>\$ 945</u>	<u>\$ 968</u>	(2.40) %
Expenditures			
Current			
General government	\$ 879,794	\$ 813,531	8.15 %
Public safety	2,931,647	2,752,048	6.53
Public works	538,653	552,200	(2.45)
Parks and recreation	467,290	538,227	(13.18)
Economic development	113,628	113,371	0.23
Capital outlay			
General government	202,177	1,415,975	(85.72)
Public safety	274,507	321,125	(14.52)
Public works	1,143,968	579,656	97.35
Parks and recreation	277,886	130,078	113.63
Economic development	-	525	(100.00)
Debt service			
Principal	220,000	210,000	4.76
Interest and other	25,919	30,328	(14.54)
Total Expenditures	<u>\$ 7,075,469</u>	<u>\$ 7,457,064</u>	(5.12) %
Per Capita	<u>\$ 958</u>	<u>\$ 1,035</u>	(7.44) %
Total Long-term Indebtedness	\$ 1,105,000	\$ 1,325,000	(16.60) %
Per Capita	150	184	(18.69)
General Fund Balance - December 31	\$ 3,031,843	\$ 2,585,243	17.27 %
Per Capita	410	359	14.40

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, 2024

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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, 2024, and the related notes to the financial statements, and have issued our report thereon dated April 4, 2025.

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 4, 2025

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, 2024, 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 4, 2025.

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 2024-001 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 4, 2025



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City of Isanti, Minnesota
Schedule of Finding and Response
For the Year Ended December 31, 2024

<u>Finding</u>	<u>Description</u>
2024-001	Preparation of Financial Statements
<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.