

FINANCIAL STATEMENTS

CITY OF ISANTI
ISANTI, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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City of Isanti, Minnesota
Annual Financial Report
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For the Year Ended December 31, 2025

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INTRODUCTORY SECTION

CITY OF ISANTI
ISANTI, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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City of Isanti, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2025

ELECTED

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

APPOINTED

Josi Wood	Administrator
Nick Solberg	Finance Director

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FINANCIAL SECTION

CITY OF ISANTI
ISANTI, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Isanti, Minnesota

Report on the Financial Statements

Opinions

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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 and for 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.

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, the Schedule of Changes in the City's OPEB Liability and Related Ratios, and the respective budgetary comparison schedule and related note disclosure, on page 74 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, 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 an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial statements and schedule 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 statements 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 March 25, 2026 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
March 25, 2026



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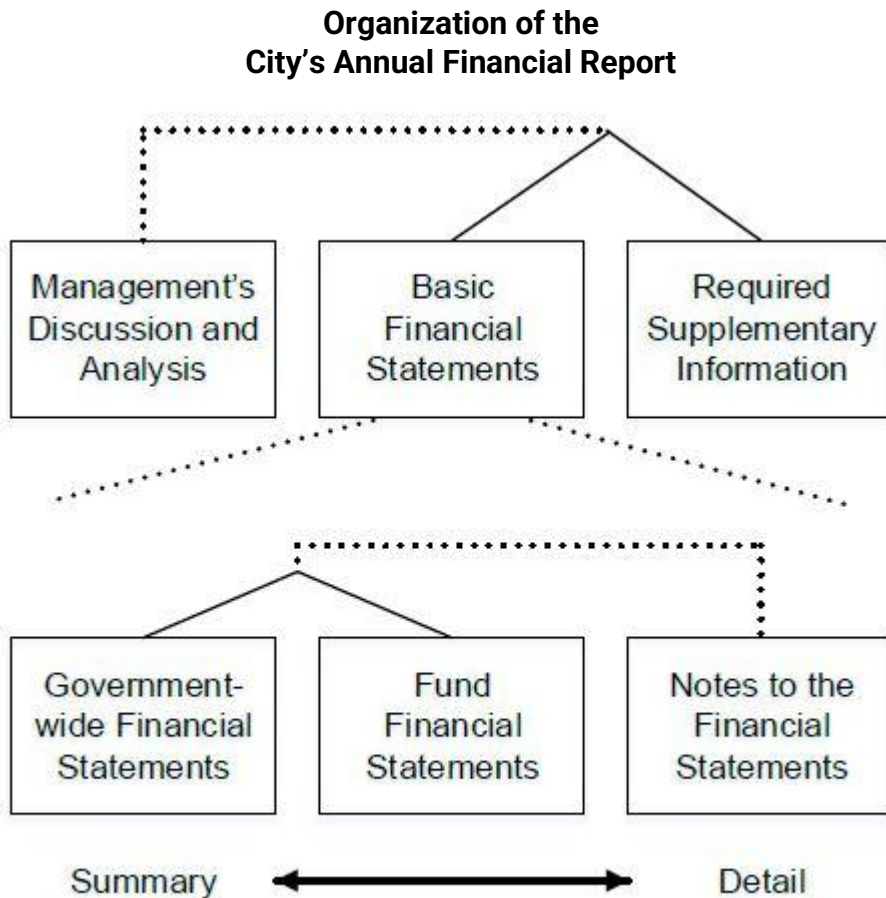
Management's Discussion and Analysis

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, 2025.

Overview of the Financial Statements

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

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



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

Major Features of the Government-wide and Fund Financial Statements

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

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

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

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

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 29 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, 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 and Street Construction fund, both 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 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 38 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 41 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 General Fund budgetary schedule and related notes, and progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found starting on page 74 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		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
Assets						
Current and other assets	\$ 10,517,157	\$ 8,982,571	\$ 1,534,586	\$ 14,508,770	\$ 12,772,198	\$ 1,736,572
Capital assets, net of depreciation	20,881,738	20,482,220	399,518	29,952,047	31,069,957	(1,117,910)
Total Assets	31,398,895	29,464,791	1,934,104	44,460,817	43,842,155	618,662
Deferred Outflows of Resources						
Deferred pension resources	1,313,921	1,657,483	(343,562)	82,365	72,738	9,627
Deferred other post employment benefits	459,466	530,882	(71,416)	263,713	331,950	(68,237)
Total Deferred Outflows of Resources	1,773,387	2,188,365	(414,978)	346,078	404,688	(58,610)
Liabilities						
Noncurrent liabilities outstanding	3,182,829	3,608,303	(425,474)	5,808,682	6,927,581	(1,118,899)
Other liabilities	288,928	226,215	62,713	314,448	291,265	23,183
Total Liabilities	3,471,757	3,834,518	(362,761)	6,123,130	7,218,846	(1,095,716)
Deferred Inflows of Resources						
Deferred intergovernmental resources	602,742	359,442	243,300	-	-	-
Deferred pension resources	1,779,725	2,042,670	(262,945)	241,412	265,746	(24,334)
Deferred OPEB resources	83,194	79,494	3,700	47,749	49,706	(1,957)
Deferred lease resources	2,045,372	2,115,700	(70,328)	-	-	-
Total Deferred Inflows of Resources	4,511,033	4,597,306	(86,273)	289,161	315,452	(26,291)
Net Position						
Net investment in capital assets	19,909,456	19,328,347	581,109	25,050,737	25,152,798	(102,061)
Restricted	833,006	988,623	(155,617)	-	-	-
Unrestricted	4,447,030	2,904,362	1,542,668	13,343,867	11,559,747	1,784,120
Total Net Position	\$ 25,189,492	\$ 23,221,332	\$ 1,968,160	\$ 38,394,604	\$ 36,712,545	\$ 1,682,059
Net Position as a Percent of Total						
Net investment in capital assets	79.0 %	83.2 %		65.2 %	68.5 %	
Restricted	3.3	4.3		-	-	
Unrestricted	17.7	12.5		34.8	31.5	
	<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.

City of Isanti's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 776,668	\$ 704,694	\$ 71,974	\$ 4,885,070	\$ 4,456,619	\$ 428,451
Operating grants and contributions	584,266	556,913	27,353	3,000	25,372	(22,372)
Capital grants and contributions	1,442,044	293,391	1,148,653	824,644	932,754	(108,110)
General Revenues						
Taxes						
Property taxes	3,626,501	3,533,081	93,420	-	-	-
Tax increment	23,806	29,317	(5,511)	-	-	-
Other taxes	379,704	373,153	6,551	-	-	-
Grants and contributions not restricted to specific programs	1,038,926	1,072,667	(33,741)	-	6,591	(6,591)
Unrestricted investment earnings	222,812	289,075	(66,263)	446,950	547,646	(100,696)
Gain on sale of capital assets	15,200	18,277	(3,077)	-	14,086	(14,086)
Total Revenues	<u>8,109,927</u>	<u>6,870,568</u>	<u>1,239,359</u>	<u>6,159,664</u>	<u>5,983,068</u>	<u>176,596</u>
Expenses						
General government	1,001,879	1,128,519	(126,640)	-	-	-
Public safety	3,154,908	3,001,923	152,985	-	-	-
Public works	3,106,607	1,764,082	1,342,525	-	-	-
Parks and recreation	718,630	967,892	(249,262)	-	-	-
Economic development	125,056	111,376	13,680	-	-	-
Interest on long-term debt	7,887	12,439	(4,552)	-	-	-
Water	-	-	-	1,278,405	1,355,479	(77,074)
Sewer	-	-	-	1,573,906	1,680,148	(106,242)
Storm Water	-	-	-	189,943	224,830	(34,887)
Liquor store	-	-	-	968,851	982,291	(13,440)
Total Expenses	<u>8,114,967</u>	<u>6,986,231</u>	<u>1,128,736</u>	<u>4,011,105</u>	<u>4,242,748</u>	<u>(231,643)</u>
Changes in Net Position Before Transfers	(5,040)	(115,663)	110,623	2,148,559	1,740,320	408,239
Transfers - Internal Activities	<u>466,500</u>	<u>798,247</u>	<u>(331,747)</u>	<u>(466,500)</u>	<u>(798,247)</u>	<u>331,747</u>
Change in Net Position	<u>461,460</u>	<u>682,584</u>	<u>(221,124)</u>	<u>1,682,059</u>	<u>942,073</u>	<u>739,986</u>
Net Position, January 1, as Previously Reported	23,221,332	22,538,748	682,584	36,712,545	35,770,472	942,073
Error Correction (Note 9)	<u>1,506,700</u>	-	<u>1,506,700</u>	-	-	-
Fund Balances, January 1, as Restated	<u>24,728,032</u>	<u>22,538,748</u>	<u>2,189,284</u>	<u>36,712,545</u>	<u>35,770,472</u>	<u>942,073</u>
Net Position, December 31	<u>\$ 25,189,492</u>	<u>\$ 23,221,332</u>	<u>\$ 1,968,160</u>	<u>\$ 38,394,604</u>	<u>\$ 36,712,545</u>	<u>\$ 1,682,059</u>

Key elements of this increase are as follows:

- Increases in capital grants and contributions and public works expenses, mainly related to the Heritage Boulevard project.
- Decreases in parks and recreation expenses related to capitalization of ongoing project expenses.

Heritage Boulevard Project

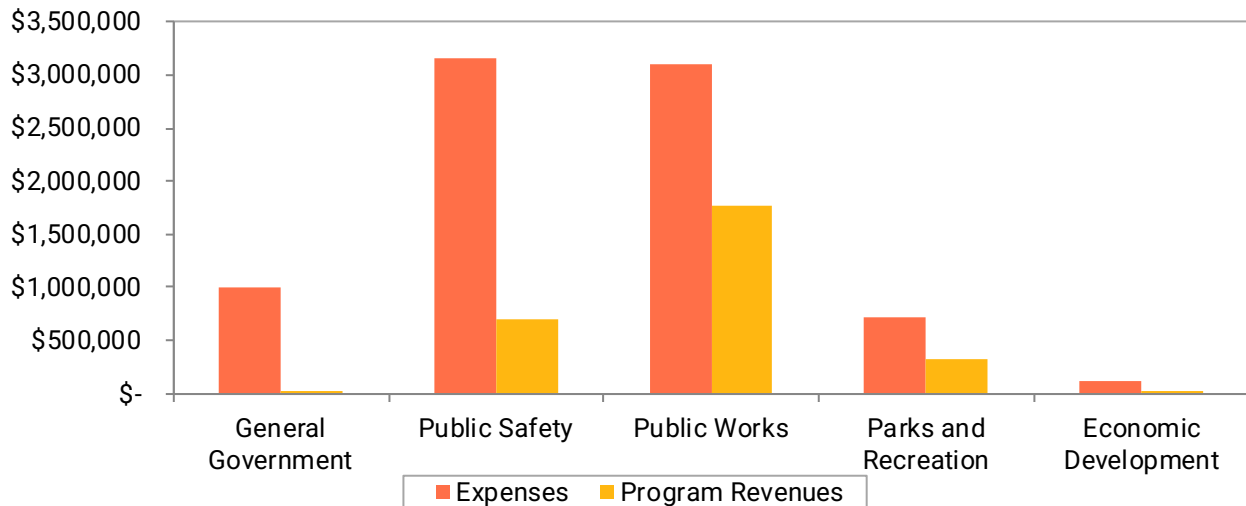
The City has an ongoing project on Heritage Boulevard to build a roundabout. The County owns a portion of the road and therefore contributed \$964,415 to the City for their portion of the project.

Parks and Recreation Projects

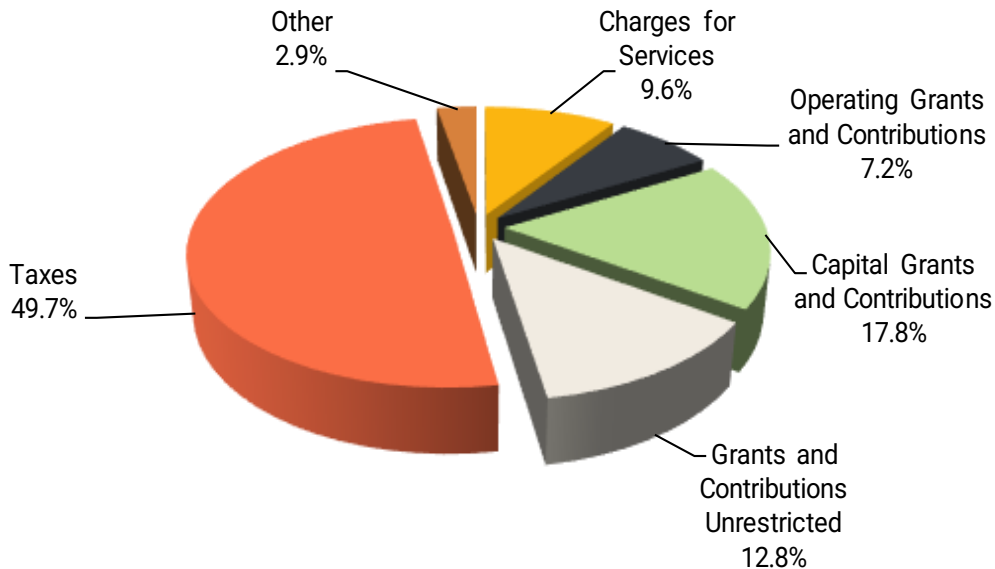
The City has several ongoing parks and recreation projects related to the skate park redesign, community center siding, and woodland park improvements.

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

Expenses and Program Revenues - Governmental Activities



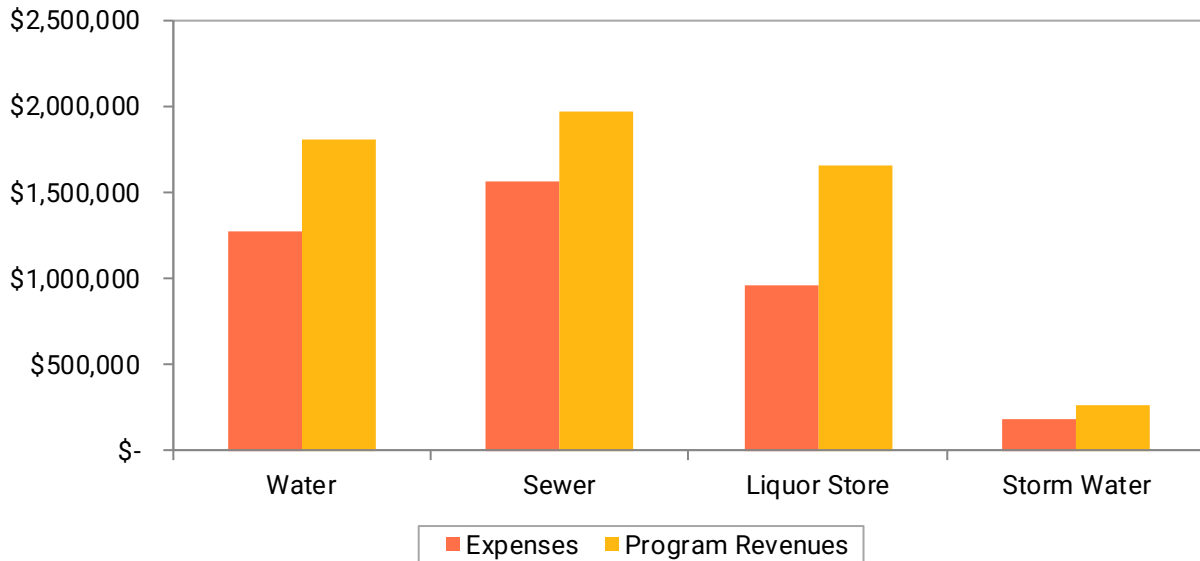
Revenues by Sources - Governmental Activities



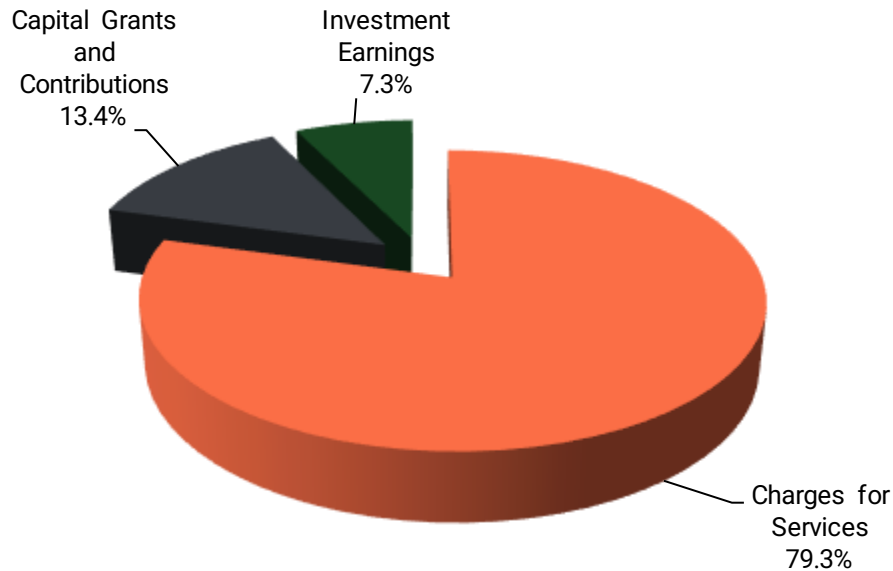
Business-type Activities. Business-type activities increased the City’s net position, as shown in the changes in net position table.

- Total revenues for business-type activities increased due to an increase in charges for services. This increase can be attributed to increases in utility rates.
- Total expenses for business-type activities decreased due to a decrease in pension expenses recognized in the current year.

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, 2025.

Fund Balances	General	Street Construction	Other Governmental Funds	Total	Prior Year Total	Increase/ (Decrease)
Nonspendable	\$ 13,704	\$ -	\$ 1,285,197	\$ 1,298,901	\$ 20,595	\$ 1,278,306
Restricted	-	-	811,714	811,714	997,831	(186,117)
Committed	-	-	450,794	450,794	438,707	12,087
Assigned	-	550,509	756,042	1,306,551	1,251,715	54,836
Unassigned	3,101,387	-	(256,799)	2,844,588	2,752,795	91,793
Total Fund Balances	\$ 3,115,091	\$ 550,509	\$ 3,046,948	\$ 6,712,548	\$ 5,461,643	\$ 1,250,905

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 48 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.

General Fund Fund Balances	Fund Balance		Increase/ (Decrease)
	2025	2024	
Nonspendable	\$ 13,704	\$ 18,970	\$ (5,266)
Unassigned	3,101,387	3,012,873	88,514
Total General Fund Balances	\$ 3,115,091	\$ 3,031,843	\$ 83,248
General Fund expenditures	4,988,522	4,773,792	214,730
Unassigned as a percent of expenditures	62.2%	63.1%	
Total fund balance as a percent of expenditures	62.4%	63.5%	

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 revenues more than budget for related to investment earnings and charges for services.

Other major governmental fund analysis is shown below:

Street Construction	Fund Balance		Increase/ (Decrease)
	2025	2024	
	\$ 550,509	\$ 706,410	\$ (155,901)

The Street Construction fund fund balance decreased during the year was due to spending down resources on street construction projects during the year in accordance with the City capital improvement plan.

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:

	Net Position		Increase/ (Decrease)
	2025	2024	
Water Utility	\$ 13,904,198	\$ 13,275,798	\$ 628,400
<i>The increase is primarily attributed to the increase in charges for services related to increases in utility rates.</i>			
Sewer Utility	\$ 20,677,576	\$ 20,044,311	\$ 633,265
<i>The increase is primarily attributed to the increase in charges for services and decreases in personnel services</i>			
Liquor Store	\$ 1,969,959	\$ 1,662,312	\$ 307,647
<i>The increase is primarily attributed to financially responsible monitoring of expenses and an increase in gross profit.</i>			
Storm Water Utility	\$ 1,842,871	\$ 1,730,124	\$ 112,747
<i>The increase is primarily attributed to the increase in charges for services and decrease in personnel services</i>			

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, 2025, is shown below in the 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 Completed
- Well #4 Project
- Heritage Roundabout Project
- Isanti Hills Improvement Project

Additional information on the City’s capital assets can be found in Note 3E starting on page 53 of this report.

**City of Isanti’s Capital Assets
(Net of Depreciation)**

	Governmental Activities			Business-type Activities		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
Land	\$ 2,104,720	\$ 2,104,720	\$ -	\$ 37,078	\$ 37,078	\$ -
Construction in Progress	1,602,679	445,906	1,156,773	258,676	62,169	196,507
Improvements other than buildings	-	-	-	(168,219)	(168,219)	-
Buildings	6,432,977	6,641,721	(208,744)	5,395,839	5,552,106	(156,267)
Infrastructure	8,898,708	10,098,168	(1,199,460)	22,523,027	23,541,074	(1,018,047)
Machinery and Equipment	1,296,052	835,033	461,019	1,860,688	1,990,207	(129,519)
Vehicles	546,602	356,672	189,930	44,958	55,542	(10,584)
Total	\$ 20,881,738	\$ 20,482,220	\$ 399,518	\$ 29,952,047	\$ 31,069,957	\$ (1,117,910)
Percent increase/(decrease)			2.0%			-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		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
G.O. Bonds	\$ 935,000	\$ 1,105,000	\$ (170,000)	\$ -	\$ -	\$ -
G.O. Improvement Bonds	-	-	-	120,000	155,000	(35,000)
G.O. Revenue Bonds	-	-	-	4,716,056	5,671,056	(955,000)
Bond Premium	37,282	48,873	(11,591)	99,888	113,182	(13,294)
Total	\$ 972,282	\$ 1,153,873	\$ (181,591)	\$ 4,935,944	\$ 5,939,238	\$ (1,003,294)
Percent increase/(decrease)			-15.7%			-16.9%

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, 2025, the City is under the legal debt margin.

Additional information on the City's long-term debt can be found in Note 3F starting on page 55 of this report.

Economic Factors and Next Year's Budgets and Rates

- The 2026 budget includes a property tax levy of \$3,615,462 which is 0% higher than the 2025 levy and lowered the tax rate by 5.12%.
- The 2026 budget proposed includes an amount for Local Government Aid in the amount of \$1,025,744
- Isanti County had an average unemployment rate for 2024 of 4.0%. This is a bit higher than unemployment rate of 3.0% for the State of Minnesota but comparable to the unemployment rate of 4.0% for the United States.

All of these factors were considered in preparing the City's budget for the 2026 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, Isanti, Minnesota 55040.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF ISANTI
ISANTI, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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City of Isanti, Minnesota
Statement of Net Position
December 31, 2025

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and temporary investments	\$ 5,070,708	\$ 12,238,466	\$ 17,309,174
Restricted cash	-	289,896	289,896
Receivables			
Accrued interest	9,812	21,676	31,488
Taxes	80,167	-	80,167
Accounts	762,146	646,689	1,408,835
Lease	2,296,864	-	2,296,864
Loans	109,167	-	109,167
Special assessments	825,930	117,029	942,959
Internal balances	(103,061)	103,061	-
Due from other governments	166,523	-	166,523
Inventories	-	1,071,272	1,071,272
Prepaid items	15,901	20,681	36,582
Land held for resale	1,283,000	-	1,283,000
Capital assets			
Land and construction in progress	3,707,399	295,754	4,003,153
Depreciable assets (net of accumulated depreciation)	17,174,339	29,656,293	46,830,632
Total Assets	31,398,895	44,460,817	75,859,712
Deferred Outflows of Resources			
Deferred pension resources	1,313,921	82,365	1,396,286
Deferred other post employment benefits	459,466	263,713	723,179
Total Deferred Outflows of Resources	1,773,387	346,078	2,119,465
Liabilities			
Accounts payable	257,977	188,844	446,821
Deposits payable	8,869	-	8,869
Due to other governments	6,796	58,070	64,866
Accrued salaries payable	7,495	51,490	58,985
Accrued interest payable	7,791	16,044	23,835
Noncurrent liabilities			
Due within one year			
Long-term debt	324,801	953,409	1,278,210
Due in more than one year			
Long-term debt	927,124	4,076,637	5,003,761
Net pension liability	1,237,208	380,486	1,617,694
Other postemployment benefits liability	693,696	398,150	1,091,846
Total Liabilities	3,471,757	6,123,130	9,594,887
Deferred Inflows of Resources			
Unavailable intergovernmental resources	602,742	-	602,742
Deferred pension resources	1,779,725	241,412	2,021,137
Deferred other postemployment benefit resources	83,194	47,749	130,943
Deferred lease resources	2,045,372	-	2,045,372
Total Deferred Inflows of Resources	4,511,033	289,161	4,800,194
Net Position			
Net investment in capital assets	19,909,456	25,050,737	44,960,193
Restricted for			
Debt service	319,954	-	319,954
Streets and highways	140,902	-	140,902
Park improvements	307,694	-	307,694
Public safety	19,400	-	19,400
Economic development	45,056	-	45,056
Unrestricted	4,447,030	13,343,867	17,790,897
Total Net Position	\$ 25,189,492	\$ 38,394,604	\$ 63,584,096

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, 2025

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 1,001,879	\$ 10,934	\$ -	\$ -
Public safety	3,154,908	545,767	145,280	-
Public works	3,106,607	38,874	410,236	1,317,844
Parks and recreation	718,630	175,033	28,750	124,200
Economic development	125,056	6,060	-	-
Interest on long-term debt	7,887	-	-	-
Total Governmental Activities	<u>8,114,967</u>	<u>776,668</u>	<u>584,266</u>	<u>1,442,044</u>
Business-type Activities				
Water	1,278,405	1,466,311	3,000	339,724
Sewer	1,573,906	1,494,732	-	484,920
Liquor store	968,851	1,655,936	-	-
Stormwater	189,943	268,091	-	-
Total Business-type Activities	<u>4,011,105</u>	<u>4,885,070</u>	<u>3,000</u>	<u>824,644</u>
Total	<u>\$ 12,126,072</u>	<u>\$ 5,661,738</u>	<u>\$ 587,266</u>	<u>\$ 2,266,688</u>

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Tax increments

Franchise taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on sale of capital assets

Transfers - Internal Activities

Total General Revenues and Transfers

Change in Net Position

Net Position, January 1, as Previously Reported

Error Correction (Note 9)

Fund Balances, January 1, as Restated

Net Position, December 31

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

Net (Expenses) Revenues
and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (990,945)	\$ -	\$ (990,945)
(2,463,861)	-	(2,463,861)
(1,339,653)	-	(1,339,653)
(390,647)	-	(390,647)
(118,996)	-	(118,996)
(7,887)	-	(7,887)
<u>(5,311,989)</u>	<u>-</u>	<u>(5,311,989)</u>
-	530,630	530,630
-	405,746	405,746
-	687,085	687,085
-	78,148	78,148
<u>-</u>	<u>1,701,609</u>	<u>1,701,609</u>
<u>(5,311,989)</u>	<u>1,701,609</u>	<u>(3,610,380)</u>
3,423,116	-	3,423,116
203,385	-	203,385
23,806	-	23,806
379,704	-	379,704
1,038,926	-	1,038,926
222,812	446,950	669,762
15,200	-	15,200
466,500	(466,500)	-
<u>5,773,449</u>	<u>(19,550)</u>	<u>5,753,899</u>
<u>461,460</u>	<u>1,682,059</u>	<u>2,143,519</u>
23,221,332	36,712,545	59,933,877
<u>1,506,700</u>	<u>-</u>	<u>1,506,700</u>
<u>24,728,032</u>	<u>36,712,545</u>	<u>61,440,577</u>
<u>\$ 25,189,492</u>	<u>\$ 38,394,604</u>	<u>\$ 63,584,096</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, 2025

City of Isanti, Minnesota

Balance Sheet

Governmental Funds

December 31, 2025

	101	425	Other	Total
	General	Street Construction	Governmental Funds	Governmental Funds
Assets				
Cash and temporary investments	\$ 3,028,590	\$ 477,906	\$ 1,564,212	\$ 5,070,708
Receivables				
Accrued interest	5,721	951	3,140	9,812
Taxes	80,167	-	-	80,167
Accounts	24,784	637,549	99,813	762,146
Leases	2,296,864	-	-	2,296,864
Loans	-	-	109,167	109,167
Special assessments	-	348,159	477,771	825,930
Due from other governments	25,621	140,902	-	166,523
Prepaid items	13,704	-	2,197	15,901
Land held for resale	-	-	1,283,000	1,283,000
Total Assets	<u>\$ 5,475,451</u>	<u>\$ 1,605,467</u>	<u>\$ 3,539,300</u>	<u>\$ 10,620,218</u>
Liabilities				
Accounts payable	\$ 141,001	\$ 104,876	\$ 12,100	\$ 257,977
Deposits payable	8,869	-	-	8,869
Due to other governments	6,796	-	-	6,796
Accrued salaries payable	5,014	-	2,481	7,495
Due to other funds	25,765	-	-	25,765
Advances from other funds	77,296	-	-	77,296
Total Liabilities	<u>264,741</u>	<u>104,876</u>	<u>14,581</u>	<u>384,198</u>
Deferred Inflows of Resources				
Unavailable revenue - taxes	50,247	-	-	50,247
Unavailable revenue - special assessments	-	347,340	477,771	825,111
Deferred intergovernmental resources	-	602,742	-	602,742
Deferred lease resources	2,045,372	-	-	2,045,372
Total Deferred Inflows of Resources	<u>2,095,619</u>	<u>950,082</u>	<u>477,771</u>	<u>3,523,472</u>
Fund Balances				
Nonspendable	13,704	-	1,285,197	1,298,901
Restricted	-	-	811,714	811,714
Committed	-	-	450,794	450,794
Assigned	-	550,509	756,042	1,306,551
Unassigned	3,101,387	-	(256,799)	2,844,588
Total Fund Balances	<u>3,115,091</u>	<u>550,509</u>	<u>3,046,948</u>	<u>6,712,548</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,475,451</u>	<u>\$ 1,605,467</u>	<u>\$ 3,539,300</u>	<u>\$ 10,620,218</u>

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, 2025

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

Total Fund Balances - Governmental Funds	\$ 6,712,548
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	46,918,520
Less: accumulated depreciation	(26,036,782)
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	(935,000)
Plus bond premium	(37,282)
Compensated absences payable	(279,643)
Other postemployment benefits payable	(693,696)
Net pension liability	(1,237,208)
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	50,247
Special assessments receivable	825,111
Governmental funds do not report long-term amounts related to pensions and other post employment benefits.	
Deferred outflows of pension resources	1,313,921
Deferred inflows of pension resources	(1,779,725)
Deferred outflows of other post employment benefits	459,466
Deferred inflows of other post employment benefits	(83,194)
Governmental funds do not report a liability for accrued interest until due and payable.	(7,791)
Total Net Position - Governmental Activities	\$ 25,189,492

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, 2025

	101	425	Formerly Major Fund 920	Other	Total
	General	Street Construction	Capital Replacement	Governmental Funds	Governmental Funds
Revenues					
Taxes	\$ 2,468,057	\$ 409,000	\$ -	\$ 754,682	\$ 3,631,739
Franchise taxes	-	357,362	-	22,342	379,704
Licenses and permits	465,198	-	-	-	465,198
Intergovernmental	1,285,283	1,406,940	-	-	2,692,223
Charges for services	244,746	-	-	295,688	540,434
Fines and forfeitures	22,136	-	-	-	22,136
Special assessments	-	56,389	-	1,234	57,623
Investment earnings	122,997	39,258	-	60,557	222,812
Miscellaneous	5,092	-	-	19,150	24,242
Total Revenues	<u>4,613,509</u>	<u>2,268,949</u>	<u>-</u>	<u>1,153,653</u>	<u>8,036,111</u>
Expenditures					
Current					
General government	1,021,379	-	-	-	1,021,379
Public safety	2,926,471	-	-	-	2,926,471
Public works	575,565	-	-	-	575,565
Parks and recreation	448,904	-	-	61,829	510,733
Economic development	16,203	-	-	108,830	125,033
Capital outlay					
General government	-	-	-	24,282	24,282
Public safety	-	-	-	124,862	124,862
Public works	-	2,432,350	-	240,765	2,673,115
Parks and recreation	-	-	-	377,571	377,571
Debt service					
Principal	-	-	-	170,000	170,000
Interest and other	-	-	-	20,895	20,895
Total Expenditures	<u>4,988,522</u>	<u>2,432,350</u>	<u>-</u>	<u>1,129,034</u>	<u>8,549,906</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(375,013)</u>	<u>(163,401)</u>	<u>-</u>	<u>24,619</u>	<u>(513,795)</u>
Other Financing Sources (Uses)					
Sale of capital assets	-	-	-	15,200	15,200
Transfers in	465,761	7,500	-	46,500	519,761
Transfers out	(7,500)	-	-	(45,761)	(53,261)
Total Other Financing Sources (Uses)	<u>458,261</u>	<u>7,500</u>	<u>-</u>	<u>15,939</u>	<u>481,700</u>
Net Change in Fund Balances	<u>83,248</u>	<u>(155,901)</u>	<u>-</u>	<u>40,558</u>	<u>(32,095)</u>
Fund Balances, January 1, as Previously Presented	3,031,843	706,410	(631,594)	1,091,796	4,198,455
Change within financial reporting entity					
Major to nonmajor fund	-	-	631,594	631,594	1,263,188
Error correction (note 9)	-	-	-	1,283,000	1,283,000
Fund Balances, January 1, as Restated	<u>3,031,843</u>	<u>706,410</u>	<u>-</u>	<u>3,006,390</u>	<u>6,744,643</u>
Fund Balances, December 31	<u>\$ 3,115,091</u>	<u>\$ 550,509</u>	<u>\$ -</u>	<u>\$ 3,046,948</u>	<u>\$ 6,712,548</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, 2025

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

Total Net Change in Fund Balances - Governmental Funds	\$ (32,095)
<p>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.</p>	
Capital outlays	1,780,405
Depreciation expense	(1,604,587)
<p>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.</p>	
Principal repayments	170,000
Amortization of bond premium	11,591
<p>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.</p>	
	1,417
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	133,493
Pension revenue	12,039
<p>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.</p>	
Property taxes	18,568
Special assessments	148,009
Notes	(120,000)
<p>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.</p>	
Other post employment benefit expense	(63,292)
Compensated absences	5,912
	5,912
Change in Net Position - Governmental Activities	\$ 461,460

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, 2025

	Business-type Activities - Enterprise Funds				Total
	601	602	609	Nonmajor	
				603	
	Water	Sewer	Liquor Store	Storm Water	
Assets					
Current Assets					
Cash and temporary investments	\$ 3,245,187	\$ 6,706,482	\$ 893,057	\$ 1,393,740	\$ 12,238,466
Restricted cash	-	-	289,896	-	289,896
Receivables					
Accrued interest	5,745	11,854	1,574	2,503	21,676
Accounts	263,527	357,403	-	25,759	646,689
Special assessments	31,528	35,018	-	10,978	77,524
Due from other funds	-	-	25,765	-	25,765
Inventories	-	-	1,071,272	-	1,071,272
Prepaid items	6,580	6,307	7,018	776	20,681
Total Current Assets	3,552,567	7,117,064	2,288,582	1,433,756	14,391,969
Noncurrent Assets					
Special assessments receivable	1,176	37,875	-	454	39,505
Advances to other funds	-	-	77,296	-	77,296
Capital assets					
Land	11,078	5,000	-	21,000	37,078
Construction in progress	258,676	-	-	-	258,676
Buildings	37,156	3,349,406	2,826,950	-	6,213,512
Improvements other than buildings	-	-	176,663	-	176,663
Machinery and equipment	1,935,499	957,130	74,142	307,635	3,274,406
Vehicles	79,605	55,267	-	6,258	141,130
Infrastructure	17,084,438	21,304,384	-	769,766	39,158,588
Less accumulated depreciation	(7,403,687)	(10,831,893)	(429,614)	(642,812)	(19,308,006)
Total Capital Assets (Net of Accumulated Depreciation)	12,002,765	14,839,294	2,648,141	461,847	29,952,047
Total Noncurrent Assets	12,003,941	14,877,169	2,725,437	462,301	30,068,848
Total Assets	15,556,508	21,994,233	5,014,019	1,896,057	44,460,817
Deferred Outflows of Resources					
Deferred pension resources	18,404	23,282	35,569	5,110	82,365
Deferred other postemployment benefit resources	71,719	85,451	91,107	15,436	263,713
Total Deferred Outflows of Resources	90,123	108,733	126,676	20,546	346,078
Liabilities					
Current Liabilities					
Accounts payable	40,836	27,198	117,240	3,570	188,844
Due to other governments	2,160	-	55,910	-	58,070
Accrued salaries payable	12,267	14,857	22,151	2,215	51,490
Accrued interest payable	12,195	1,684	2,165	-	16,044
Compensated absences payable - current	12,508	14,811	21,524	1,566	50,409
Bonds payable - current	458,000	245,000	200,000	-	903,000
Total Current Liabilities	537,966	303,550	418,990	7,351	1,267,857
Noncurrent Liabilities					
Compensated absences payable	10,841	12,837	18,657	1,358	43,693
Other postemployment benefits payable	108,281	129,013	137,551	23,305	398,150
Net pension liability	85,418	107,929	163,138	24,001	380,486
Bonds payable	933,056	788,403	2,311,485	-	4,032,944
Total Noncurrent Liabilities	1,137,596	1,038,182	2,630,831	48,664	4,855,273
Total Liabilities	1,675,562	1,341,732	3,049,821	56,015	6,123,130
Deferred Inflows of Resources					
Deferred pension resources	53,885	68,186	104,419	14,922	241,412
Deferred other postemployment benefit resources	12,986	15,472	16,496	2,795	47,749
Total Deferred Inflows of Resources	66,871	83,658	120,915	17,717	289,161
Net Position					
Net investment in capital assets	10,611,709	13,805,891	171,290	461,847	25,050,737
Unrestricted	3,292,489	6,871,685	1,798,669	1,381,024	13,343,867
Total Net Position	\$ 13,904,198	\$ 20,677,576	\$ 1,969,959	\$ 1,842,871	\$ 38,394,604

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

City of Isanti, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2025

	Business-type Activities - Enterprise Funds				Total
	601	602	609	Nonmajor 603	
	Water	Sewer	Liquor Store	Storm Water	
Operating Revenues					
Sales	\$ -	\$ -	\$ 5,694,018	\$ -	\$ 5,694,018
Cost of sales	-	-	(4,038,323)	-	(4,038,323)
Gross Profit	-	-	1,655,695	-	1,655,695
Charges for services	1,466,311	1,494,732	-	268,091	3,229,134
Total Operating Revenues	<u>1,466,311</u>	<u>1,494,732</u>	<u>1,655,695</u>	<u>268,091</u>	<u>4,884,829</u>
Operating Expenses					
Personnel services	384,320	461,009	642,182	73,996	1,561,507
Supplies	97,880	90,287	11,133	3,975	203,275
Professional services	52,298	50,649	726	9,775	113,448
Communications	4,060	3,380	4,744	1,316	13,500
Insurance	20,466	31,379	15,494	278	67,617
Utilities	64,300	240,533	23,584	2,982	331,399
Repairs and maintenance	46,791	39,417	9,458	22,438	118,104
Depreciation	561,525	637,935	70,909	75,183	1,345,552
Other services and charges	-	-	143,472	-	143,472
Total Operating Expenses	<u>1,231,640</u>	<u>1,554,589</u>	<u>921,702</u>	<u>189,943</u>	<u>3,897,874</u>
Operating Income (Loss)	<u>234,671</u>	<u>(59,857)</u>	<u>733,993</u>	<u>78,148</u>	<u>986,955</u>
Nonoperating Revenues (Expenses)					
Other revenues	-	-	241	-	241
Intergovernmental	3,000	-	-	-	3,000
Investment earnings	113,270	243,019	40,562	50,099	446,950
Interest expense and other	(46,765)	(19,317)	(47,149)	-	(113,231)
Total Nonoperating Revenues (Expenses)	<u>69,505</u>	<u>223,702</u>	<u>(6,346)</u>	<u>50,099</u>	<u>336,960</u>
Income Before Contributions and Transfers	304,176	163,845	727,647	128,247	1,323,915
Capital Contributions - Connections	339,724	484,920	-	-	824,644
Transfers Out	(15,500)	(15,500)	(420,000)	(15,500)	(466,500)
Change in Net Position	628,400	633,265	307,647	112,747	1,682,059
Net Position, January 1	<u>13,275,798</u>	<u>20,044,311</u>	<u>1,662,312</u>	<u>1,730,124</u>	<u>36,712,545</u>
Net Position, December 31	<u>\$ 13,904,198</u>	<u>\$ 20,677,576</u>	<u>\$ 1,969,959</u>	<u>\$ 1,842,871</u>	<u>\$ 38,394,604</u>

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, 2025

	Business-type Activities - Enterprise Funds				Total
	601 Water	602 Sewer	609 Liquor Store	Nonmajor 603 Storm Water	
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 1,436,481	\$ 1,465,084	\$ 5,694,018	\$ 263,184	\$ 8,858,767
Other receipts	-	-	241	-	241
Payments to suppliers	(260,911)	(436,997)	(4,285,419)	(34,134)	(5,017,461)
Payments to employees	(422,668)	(504,114)	(656,034)	(86,979)	(1,669,795)
Net Cash Provided by Operating Activities	<u>752,902</u>	<u>523,973</u>	<u>752,806</u>	<u>142,071</u>	<u>2,171,752</u>
Cash Flows from Noncapital Financing Activities					
Receipt on advance to other funds	-	-	25,765	-	25,765
Intergovernmental	3,000	-	-	-	3,000
Transfers to other funds	(15,500)	(15,500)	(420,000)	(15,500)	(466,500)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(12,500)</u>	<u>(15,500)</u>	<u>(394,235)</u>	<u>(15,500)</u>	<u>(437,735)</u>
Cash Flows from Capital and Related Financing Activities					
Connection fees received	211,239	284,686	-	-	495,925
Acquisition of capital assets	(196,507)	-	(31,135)	-	(227,642)
Interest paid on bonds	(50,713)	(26,931)	(54,601)	-	(132,245)
Principal paid on bonds	(440,000)	(355,001)	(194,999)	-	(990,000)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(475,981)</u>	<u>(97,246)</u>	<u>(280,735)</u>	<u>-</u>	<u>(853,962)</u>
Cash Flows from Investing Activities					
Interest received	111,784	240,154	40,563	49,407	441,908
Net Increase (Decrease) in Cash and Cash Equivalents	376,205	651,381	118,399	175,978	1,321,963
Cash and Cash Equivalents, January 1	<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>
Cash and Cash Equivalents, December 31	<u>\$ 3,245,187</u>	<u>\$ 6,706,482</u>	<u>\$ 1,182,953</u>	<u>\$ 1,393,740</u>	<u>\$ 12,528,362</u>
Reconciliation of Cash and Cash Equivalents					
Cash and Temporary Investments	\$ 3,245,187	\$ 6,706,482	\$ 893,057	\$ 1,393,740	\$ 12,238,466
Restricted Cash	-	-	289,896	-	289,896
Reconciliation of Cash and Cash Equivalents, December 31	<u>\$ 3,245,187</u>	<u>\$ 6,706,482</u>	<u>\$ 1,182,953</u>	<u>\$ 1,393,740</u>	<u>\$ 12,528,362</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities					
Operating income (loss)	\$ 234,671	\$ (59,857)	\$ 733,993	\$ 78,148	\$ 986,955
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation	561,525	637,935	70,909	75,183	1,345,552
Other receipts	-	-	241	-	241
(Increase) decrease in assets					
Accounts receivable	(17,561)	(16,747)	-	1,544	(32,764)
Special assessments	(12,269)	(12,901)	-	(6,451)	(31,621)
Inventories	-	-	(36,844)	-	(36,844)
Prepaid items	(1,811)	(1,538)	(1,308)	(727)	(5,384)
(Increase) in deferred outflows of resources					
Deferred pension resources	(1,468)	(2,032)	(5,972)	(155)	(9,627)
Deferred other post employment benefit resources	20,512	23,033	20,525	4,167	68,237
Increase (decrease) in liabilities					
Accounts payable	12,198	(2,847)	(21,163)	3,190	(8,622)
Due to other governments	(6,015)	-	305	-	(5,710)
Accrued salaries payable	10,189	12,368	18,947	1,731	43,235
Compensated absences payable	(11,898)	(13,716)	(5,332)	(3,882)	(34,828)
Other postemployment benefits payable	(14,290)	(15,157)	(10,802)	(2,746)	(42,995)
Net pension liability	(12,134)	(14,408)	(6,543)	(4,697)	(37,782)
Increase (decrease) in deferred inflows of resources					
Deferred pension resources	(7,922)	(9,388)	(3,930)	(3,094)	(24,334)
Deferred other post employment benefit resources	(825)	(772)	(220)	(140)	(1,957)
Net Cash Provided by Operating Activities	<u>\$ 752,902</u>	<u>\$ 523,973</u>	<u>\$ 752,806</u>	<u>\$ 142,071</u>	<u>\$ 2,171,752</u>
Schedule of Noncash Capital and Related Financing Activities					
Amortization of bond premium	\$ -	\$ 6,016	\$ 7,278	\$ -	\$ 13,294

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

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2025

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, 2025

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 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.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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 51.

The City has the following recurring fair value measurements as of December 31, 2025:

- US Government Agency securities of \$1,140,583 are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposit of \$4,142,646 are valued using a matrix pricing model (Level 2 inputs)

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.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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 not have any 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.

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 2025. 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.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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, is reported only in the statement of net position. These items result from actuarial calculations and current year pension contributions and other postemployment benefit 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.

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.

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.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

The total pension expense for the City was as follows:

	GERP	PEPFP	Total Pension Expense
City's Proportionate Share	\$ (36,768)	\$ 184,098	\$ 147,330
Proportionate Share of State's Contribution	(2,957)	13,729	10,772
 Total Pension Expense	 \$ (39,725)	 \$ 197,827	 \$ 158,102

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, 2025. 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.
- *Deferred intergovernmental resources* are reported in the governmental funds balance sheet and are recognized as an inflow of resources in the period they become available. 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 other postemployment 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.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 1: Summary of Significant Accounting Policies (Continued)

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 30 percent of the following year's budgeted expenditures with a maximum of 70 percent.

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.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2025

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 Balance

The following funds had deficit fund balances at December 31, 2025:

Fund	Amount
Nonmajor	
Isanti Indoor Arena	\$ 97,091
Illuminate Isanti	159,708

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

C. Excess Expenditures Over Appropriations

The following fund had expenditures in excess of appropriations at December 31, 2025:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
General	\$ 4,852,070	\$ 4,988,522	\$ 136,452

These excess was funded with revenues in excess of budget.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

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

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

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

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

At year end, the City's carrying amount of deposits was \$11,783,788 and the bank balance was \$12,077,516. Of the bank balance, \$6,769,545 was covered by Federal depository insurance and the remaining balance was collateral held in the City's name.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on All Funds (Continued)

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

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Cost						
Broker Money Markets	N/A	Less than 1 year	\$ 526,607	\$ -	\$ -	\$ -
Non-pooled Investments at Fair Value						
U.S. Government Agency Securities	AAA	1 to 5 years	1,140,583	1,140,583	-	-
Negotiable CDs	N/A	Less than 1 year	878,043	-	878,043	-
Negotiable CDs	N/A	1 to 5 years	2,772,252	-	2,772,252	-
Negotiable CDs	N/A	More than 5 years	492,351	-	492,351	-
Total Investments			<u>\$ 5,809,836</u>	<u>\$ 1,140,583</u>	<u>\$ 4,142,646</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	\$ 11,783,788
Investments	5,809,836
Cash on Hand	<u>5,446</u>
Total	<u>\$ 17,599,070</u>
Cash and Temporary Investments	
Unrestricted	\$ 17,309,174
Cash with fiscal agent	<u>289,896</u>
Total	<u>\$ 17,599,070</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, 2025, the loan receivable was \$109,167.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on All Funds (Continued)

C. Interfund Receivables, Payables and Transfers

Receivable Fund	Payable Fund	Purpose	Amount
Due from/to other Funds			
Business-type Liquor store	Governmental General fund	Finance project costs	\$ 25,765
Advances to/from other Funds			
Business-type Liquor store	Governmental General fund	Finance project costs	<u>77,296</u>
Total Internal Balances Government-wide Statements			<u>\$ 103,061</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, 2025 is noted above.

Interfund Transfers

The following interfund transfers were made during 2025:

Fund	Transfer in			Total
	General	Street Construction	Nonmajor Governmental	
Transfer Out				
General	\$ -	\$ 7,500	\$ -	\$ 7,500
Nonmajor Governmental	45,761	-	-	45,761
Water	-	-	15,500	15,500
Sewer	-	-	15,500	15,500
Liquor Store	420,000	-	-	420,000
Nonmajor - Storm Water	-	-	15,500	15,500
Total	<u>\$ 465,761</u>	<u>\$ 7,500</u>	<u>\$ 46,500</u>	<u>\$ 519,761</u>

During the year ended December 31, 2025, all of the City's transfers were budgeted for.

D. 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>\$ 2,296,864</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, 2025

Note 3: Detailed Notes on All Funds (Continued)

E. Capital Assets

Capital asset activity for the year ended December 31, 2025 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	445,906	1,873,301	(716,528)	1,602,679
Total Capital Assets not Being Depreciated	<u>2,550,626</u>	<u>1,873,301</u>	<u>(716,528)</u>	<u>3,707,399</u>
Capital Assets Being Depreciated				
Land improvements	440,300	-	-	440,300
Buildings	8,822,274	-	-	8,822,274
Infrastructure	29,991,867	-	-	29,991,867
Machinery and equipment	2,201,449	565,004	(88,975)	2,677,478
Vehicles	996,874	282,328	-	1,279,202
Total Capital Assets Being Depreciated	<u>42,452,764</u>	<u>847,332</u>	<u>(88,975)</u>	<u>43,211,121</u>
Less Accumulated Depreciation for				
Land improvements	(440,300)	-	-	(440,300)
Buildings	(2,180,553)	(208,744)	-	(2,389,297)
Infrastructure	(19,893,699)	(1,199,460)	-	(21,093,159)
Machinery and equipment	(1,366,416)	(103,985)	88,975	(1,381,426)
Vehicles	(640,202)	(92,398)	-	(732,600)
Total Accumulated Depreciation	<u>(24,521,170)</u>	<u>(1,604,587)</u>	<u>88,975</u>	<u>(26,036,782)</u>
Total Capital Assets Being Depreciated, Net	<u>17,931,594</u>	<u>(757,255)</u>	<u>-</u>	<u>17,174,339</u>
Governmental Activities Capital Assets, Net	<u>\$ 20,482,220</u>	<u>\$ 1,116,046</u>	<u>\$ (716,528)</u>	<u>\$ 20,881,738</u>

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

General Government	\$ 70,944
Public Safety	192,911
Public Works	1,139,736
Parks and Recreation	200,996
Total Depreciation Expense - Governmental Activities	<u>\$ 1,604,587</u>

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated				
Land	\$ 37,078	\$ -	\$ -	\$ 37,078
Construction in progress	62,169	196,507	-	258,676
Total Capital Assets not Being Depreciated	<u>99,247</u>	<u>196,507</u>	<u>-</u>	<u>295,754</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	3,285,851	31,135	(42,580)	3,274,406
Vehicles	141,130	-	-	141,130
Total Capital Assets Being Depreciated	<u>48,975,744</u>	<u>31,135</u>	<u>(42,580)</u>	<u>48,964,299</u>
Less Accumulated Depreciation for				
Improvements other than buildings	(344,882)	-	-	(344,882)
Buildings	(661,406)	(156,267)	-	(817,673)
Infrastructure	(15,617,514)	(1,018,047)	-	(16,635,561)
Machinery and equipment	(1,295,644)	(160,654)	42,580	(1,413,718)
Vehicles	(85,588)	(10,584)	-	(96,172)
Total Accumulated Depreciation	<u>(18,005,034)</u>	<u>(1,345,552)</u>	<u>42,580</u>	<u>(19,308,006)</u>
Total Capital Assets Being Depreciated, Net	<u>30,970,710</u>	<u>(1,314,417)</u>	<u>-</u>	<u>29,656,293</u>
Business-type Activities Capital Assets, Net	<u>\$ 31,069,957</u>	<u>\$ (1,117,910)</u>	<u>\$ -</u>	<u>\$ 29,952,047</u>

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

Water	\$ 561,525
Sewer	637,935
Stormwater	75,183
Liquor Store	70,909
Total Depreciation Expense - Business-type Activities	<u>\$ 1,345,552</u>

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on All Funds (Continued)

F. 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 general government 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	<u>\$ 935,000</u>

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
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>\$ 935,000</u>	<u>\$ 47,650</u>	<u>\$ 982,650</u>

G.O. Improvement (Special Assessment) Bonds

The following bond was 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>\$ 120,000</u>

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on All Funds (Continued)

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

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2026	\$ 40,000	\$ 3,000	\$ 43,000
2027	40,000	2,000	42,000
2028	40,000	1,000	41,000
Total	<u>\$ 120,000</u>	<u>\$ 6,000</u>	<u>\$ 126,000</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	\$ 64,000
MPFA - Water Revenue Bonds, Series 2008	5,064,256	3.04	10/07/08	08/20/28	979,056
MPFA - Water Revenue Bonds, Series 2011	479,047	1.533	11/23/11	08/20/31	228,000
MPFA - Sewer Revenue Bonds, Series 2016A	2,525,000	1.53	07/15/16	12/01/29	1,010,000
Lease Revenue Bonds, Series 2021A	3,165,000	2.00	06/16/21	12/15/36	<u>2,435,000</u>
Total G.O. Revenue Bonds					<u>\$ 4,716,056</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	\$ 1,466,311	\$ 1,494,732	\$ 268,091
Principal and Interest	490,713	381,932	249,600
Percentage of Revenues	33%	26%	93%

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2025

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
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	254,000	33,396	287,396
2031 - 2035	1,189,000	95,098	1,284,098
2036	245,000	4,900	249,900
Total	\$ 4,716,056	\$ 427,185	\$ 5,143,241

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	\$ 1,105,000	\$ -	\$ (170,000)	\$ 935,000	\$ 175,000
Premium on bonds	48,873	-	(11,591)	37,282	-
Total Bonds Payable	1,153,873	-	(181,591)	972,282	175,000
Compensated Absences Payable*	285,555	-	(5,912)	279,643	149,801
Governmental Activities Long-term Liabilities	\$ 1,439,428	\$ -	\$ (187,503)	\$ 1,251,925	\$ 324,801
Business-type Activities					
Bonds Payable					
G.O. revenue bonds	\$ 5,671,056	\$ -	\$ (955,000)	\$ 4,716,056	\$ 863,000
G.O. improvement bonds	155,000	-	(35,000)	120,000	40,000
Premium on bonds	113,182	-	(13,294)	99,888	-
Total Bonds Payable	5,939,238	-	(1,003,294)	4,935,944	903,000
Compensated Absences Payable*	128,930	-	(34,828)	94,102	50,409
Business-type Activities Long-term Liabilities	\$ 6,068,168	\$ -	\$ (1,038,122)	\$ 5,030,046	\$ 953,409

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

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 3: Detailed Notes on All Funds (Continued)

G. Components of Fund Balance

At December 31, 2025, 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	Other Governmental Funds	Total Governmental Funds
Nonspendable				
Prepaid items	\$ 13,704	\$ -	\$ 2,197	\$ 15,901
Land held for resale	-	-	1,283,000	1,283,000
Total nonspendable	\$ 13,704	\$ -	\$ 1,285,197	\$ 1,298,901
Restricted for				
Debt service	\$ -	\$ -	\$ 327,745	\$ 327,745
Park improvements	-	-	307,694	307,694
Capital replacement	-	-	131,219	131,219
Economic development	-	-	45,056	45,056
Total Restricted	\$ -	\$ -	\$ 811,714	\$ 811,714
Committed to				
Culture and recreation	\$ -	\$ -	\$ 3,353	\$ 3,353
Economic development	-	-	414,769	414,769
City technology improvements	-	-	32,672	32,672
Total Committed	\$ -	\$ -	\$ 450,794	\$ 450,794
Assigned to				
Capital projects	\$ -	\$ 550,509	\$ -	\$ 550,509
Capital equipment	-	-	695,064	695,064
Park improvements	-	-	60,978	60,978
Total assigned	\$ -	\$ 550,509	\$ 756,042	\$ 1,306,551
Unassigned	\$ 3,101,387	\$ -	\$ (256,799)	\$ 2,844,588

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2025

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% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% 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% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% 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, 2025

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. The 2025 annual increase was 1.25%. 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% vested after five years of service and 100% vested after ten years. After five years, vesting increase by 10% each full year of service until members are 100% vested after ten years. Police and Fire Plan members receive 3% 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% each month members are younger than age 55.

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1%. 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 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% of their annual covered salary in fiscal year 2025 and the City was required to contribute 7.50% for General Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2025, were \$162,674. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2025 and the City was required to contribute 17.70% for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the year ended December 31, 2025, were \$201,931. The City's contributions were equal to the required contributions as set by state statute.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2025

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

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2025, the City reported a liability of \$799,166 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 \$19,278.

City's proportionate share of the net pension liability	\$	799,166
State of Minnesota's proportionate share of the net pension liability associated with the City		19,278
Total	\$	818,444

The net pension liability was measured as of June 30, 2025, 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, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0241% at the end of the measurement period and 0.0246% for the beginning of the period.

For the year ended December 31, 2025, the City recognized pension expense of negative \$36,768 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional negative \$2,957 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2025, 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	\$ 76,143	\$ -
Changes in actuarial assumptions	19,255	183,885
Net difference between projected and actual investment earnings	-	317,996
Changes in proportion	5,944	38,343
Employer contributions subsequent to the measurement date	80,905	-
Total	\$ 182,247	\$ 540,224

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2025

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

The \$80,905 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, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2026		\$	(99,517)
2027			(166,199)
2028			(116,361)
2029			(56,805)

Police and Fire Fund Pension Costs

At December 31, 2025, the City reported a liability of \$818,528 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2025, 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, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0699% at the end of the measurement period and 0.0739% for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2025. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state aid was paid on October 1, 2024. The direct state aid payment will increase by \$17.7 million which was paid on October 1, 2025. Thereafter, by October 1 of each year, the state will pay \$26.7 million to the Police and Fire Fund until the fund is 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis). The \$9 million in supplemental state aid will continue until the fund and the State Patrol Plan (administered by the Minnesota State Retirement System) are 100% funded for three consecutive years (on an actuarial value of assets basis). The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$28,374.

City's proportionate share of the net pension liability	\$	818,528
State of Minnesota's proportionate share of the net pension liability associated with the City		28,374
Total	\$	846,902

For the year ended December 31, 2025, the City recognized pension expense of \$184,098 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$13,729 as grant revenue and pension expense for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire special funding situation.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$6,287 for the year ended December 31, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2025

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

At December 31, 2025, 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	\$ 378,186	\$ -
Changes in actuarial assumptions	620,707	1,025,581
Net difference between projected and actual earnings on investments	-	365,320
Changes in proportion	102,179	90,012
Employer contributions subsequent to the measurement date	112,967	-
Total	\$ 1,214,039	\$ 1,480,913

The \$112,967 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2026	\$ 205,686
2027	(174,781)
2028	(404,592)
2029	(15,862)
2030	9,708

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	100.0 %	

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2025

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

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, 2025, 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%. The 7% 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% is within that range.

- Inflation is assumed to be 2.25% for the General Employees Plan, and Police & Fire Plan.
- Benefit increases after retirement are assumed to be 1.50% for the General Employees Plan and 1% for the Police & Fire Plan

Salary growth assumptions in the General Employees Plan range in annual increments from 11.5% after one year of service to 3% after 27 years of service. In the Police & Fire Plan, salary growth assumptions range in annual increments from 10.75% after one year of service to 3% after 23 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police & 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 & Fire Plan was reviewed in 2024. The assumption changes were adopted by the board and became effective with the July 1, 2025 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2025:

General Employees Fund

Changes in Actuarial Assumptions:

- The combined service annuity loading factors increased from 15% to 19% for vested, terminated members and from 3% to 44% for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

Changes in Plan Provisions:

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.
- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2025

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

Police and Fire Fund

Changes in Actuarial Assumptions:

- Assumed rates of salary increases were reduced slightly.
- Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements.
- Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment.
- Assumed rates of disabled retirement were significantly increased, especially for ages over age 30.
- Continued use of Pub-2010 Public Safety Mortality Table with rates adjusted to better fit observed experience.
- Percent married assumption for female retirees lowered from 70% to 65%.
- Minor changes were made to form of payment assumptions for retirees.
- Minor changes were made to assumptions made with respect to missing participant data.
- The combined service annuity load changed from 33% to 13% for vested, terminated members and from 2% to 38% for non-vested, terminated members.

Changes in Plan Provisions:

- The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase).
- The January 1, 2026 benefit increase changed from 1% to 3%; subsequent January 1 increases will be 1%.
- The threshold to end the \$9 million annual state aid contribution changed from the earlier of July 1, 2048 or 90% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years to 100% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years (on an actuarial value of assets basis).
- The threshold to end the additional \$9 million annual state aid contribution changed from the earlier of July 1, 2024 or 100% funded for a minimum of three consecutive years to 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis).
- An additional \$17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025 through June 30, 2048.
- Joint and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

G. Discount Rate

The discount rate used to measure the total pension liability in 2025 was 7.00%. 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. 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.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2025

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

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 (6.00%)</u>	<u>Current (7.00%)</u>	<u>1 Percent Increase (8.00%)</u>
General Employees Fund	\$ 1,941,048	\$ 799,166	\$ (127,158)
Police and Fire Fund	2,144,716	818,528	(270,482)

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, 2025

Note 5: Postemployment Benefits Other Than Pensions

A. Plan Description

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

At December 31, 2025, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	4
Active Plan Members	36
	36
Total Plan Members	40
	40

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 4.20 percent.

For the year ended December 31, 2025, the City's average contribution rate was 37.33 percent of covered-employee payroll. For the fiscal year 2025, 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 \$1,091,846 was measured as of January 1, 2025, and the OPEB liability was determined by an actuarial valuation as of January 1, 2025. Roll forward procedures were used to roll forward the total OPEB liability to the measurement date.

The total OPEB liability in the January 1, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	4.20%
20-Year Municipal Bond Yield	4.20%
Inflation Rate	2.50%
Salary Increases	Service Graded Table
Medical Trend Rate	6.5% as of January 1, 2025 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 4.20 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, 2025

Note 5: Postemployment Benefits Other Than Pensions (Continued)

D. Changes in the Total OPEB Liability

	Total OPEB Liability
Balances at December 31, 2024	\$ 1,146,663
Changes for the Year	
Service Costs	13,640
Interest Costs	41,761
Assumption Changes	(46,381)
Benefit Payment	(63,837)
Net Changes	(54,817)
 Balances at December 31, 2025	 \$ 1,091,846

Since the prior measurement date, the following assumptions changed:

- The discount rate was changed from 3.70% to 4.20%.

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 3.2%	Discount Rate Current 4.2%	1 Percent Increase 5.2%
\$ 1,189,549	\$ 1,091,846	\$ 1,005,625

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%
\$ 997,256	\$ 1,091,846	\$ 1,198,179

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2025

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, 2025, the City Recognized OPEB expense of \$144,281. At December 31, 2025, 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	\$ 625,103	\$ 65,226
Changes in Actuarial Assumptions	40,370	65,717
Contributions Paid to OPEB Subsequent to the Measurement Date	57,706	-
Total	\$ 723,179	\$ 130,943

Deferred outflows of resources totaling \$57,706 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

2026	\$ 88,880
2027	88,883
2028	121,830
2029	121,243
2030	120,319
Thereafter	(6,625)

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2025

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, 2025, 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 \$297,257 to the District in 2025. 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, 2024 and 2023.

	2024	2023
Assets	\$ 557,592	\$ 440,812
Capital assets, net	1,389,255	1,514,440
Total Assets	\$ 1,946,847	\$ 1,955,252
Liabilities	\$ 900	\$ 900
Net Position	1,945,947	1,954,352
Total Liabilities and Net Position	\$ 1,946,847	\$ 1,955,252

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2025

Note 7: Joint Venture (Continued)

The following is a summary of Fire District's statements of activities for the years ended December 31, 2024 and 2023:

	2024	2023
Revenues	\$ 807,370	\$ 836,622
Expenses	815,526	820,800
Change in Net Position	(8,156)	15,822
Net Position, January 1	1,954,103	1,938,281
Net Position, December 31	\$ 1,945,947	\$ 1,954,103

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, 2025, the balance of the notes outstanding was \$4,398,535. 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.

Note 9: Adjustments to and Restatements of Beginning Balances

During fiscal year 2025, changes to or within the financial reporting entity and an error correction resulted in adjustments to and restatements of beginning net position and fund net position, as follows:

	Reporting Units Affected by Adjustments to and Restatements of Beginning Balances		
	Funds		Government-Wide
	Capital Replacement	Nonmajor Governmental	Governmental Activities
December 31, 2024, as Previously Reported	\$ (631,594)	\$ 1,091,796	\$ 23,221,332
Change in reporting entity			
Change from major to nonmajor fund	631,594	631,594	-
Error correction	-	1,283,000	1,506,700
December 31, 2025, as Restated	\$ -	\$ 3,006,390	\$ 24,728,032

During fiscal year 2025, it was determined that certain land owned by the City, including parcels held by the Economic Development Authority (EDA) for resale, had not been fully recorded in the general ledger or reported in the financial statements. Therefore, land held for resale assets were understated by \$1,506,700. It was also determined that the capital replacement fund was no longer a major fund. The effects of the changes within the financial reporting entity are shown above.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ISANTI
ISANTI, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

City of Isanti, Minnesota
Required Supplementary Information
December 31, 2025

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
6/30/2025	0.0241 %	\$ 799,166	\$ 19,278	\$ 818,444	\$ 1,986,943	40.2 %	90.8 %
6/30/2024	0.0246	908,787	23,499	932,286	2,277,891	39.9	89.1
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	79.1
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	1,713,215	22,401	1,735,616	1,310,966	130.7	68.9

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)
12/31/2025	\$ 162,674	\$ 162,674	\$ -	\$ 2,168,988	7.50 %
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

City of Isanti, Minnesota
Required Supplementary Information (Continued)
December 31, 2025

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

2025 - The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members. The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

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.

City of Isanti, Minnesota
Required Supplementary Information (Continued)
December 31, 2025

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

Changes in Plan Provisions

2025 - The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75% , beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%. The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

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.

City of Isanti, Minnesota
Required Supplementary Information (Continued)
December 31, 2025

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
6/30/2025	0.0699 %	\$ 818,528	\$ 28,374	\$ 846,902	\$ 1,060,251	77.2 %	91.8 %
6/30/2024	0.0739	972,838	37,084	1,009,922	1,023,960	95.0	90.2
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	358.2	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	681,177	125.0	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

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)
12/31/2025	\$ 201,931	\$ 201,931	\$ -	\$ 1,140,852	17.70 %
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

City of Isanti, Minnesota
Required Supplementary Information (Continued)
December 31, 2025

Notes to the Required Supplementary Information - Police and Fire Fund

Changes in Actuarial Assumptions

2025 - Assumed rates of salary increases were reduced slightly. Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements. Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment. Assumed rates of disabled retirement were significantly increased, especially for ages over age 30. Continued use of Pub-2010 Public Safety Mortality Table with rates adjusted to better fit observed experience. Percent married assumption for female retirees lowered from 70% to 65%. Minor changes were made to form of payment assumptions for retirees. Minor changes were made to assumptions made with respect to missing participant data. The combined service annuity load changed from 33% to 13% for vested, terminated members and from 2% to 38% for non-vested, terminated members.

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)
December 31, 2025

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

Changes in Plan Provisions

2025 - The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase). The January 1, 2026 benefit increase changed from 1% to 3%; subsequent January 1 increases will be 1%. The threshold to end the \$9 million annual state aid contribution changed from the earlier of July 1, 2048 or 90% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years to 100% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years (on an actuarial value of assets basis). The threshold to end the additional \$9 million annual state aid contribution changed from the earlier of July 1, 20248 or 100% funded for a minimum of three consecutive years to 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis). An additional \$17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025 through June 30, 2048. Join and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

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, 2025

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

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service Costs	\$ 13,640	\$ 14,107	\$ 9,799	\$ 13,023	\$ 12,993	\$ 11,217	\$ 28,959	\$ 28,116
Interest Costs	41,761	38,051	3,433	3,374	2,295	10,677	10,024	8,792
Assumption Changes	(46,381)	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	(63,837)	(59,235)	(20,368)	(14,869)	(6,959)	(2,063)	(850)	-
Net Change in Total OPEB Liability	(54,817)	180,154	794,504	8,923	93,496	(243,766)	38,133	36,908
Total OPEB Liability - Beginning	1,146,663	966,509	172,005	163,082	69,586	313,352	275,219	238,311
Total OPEB Liability - Ending	<u>\$ 1,091,846</u>	<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	\$ 2,925,088	\$ 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	37.33 %	40.38 %	37.73 %	6.92 %	8.04 %	3.53 %	15.21 %	13.76 %

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

City of Isanti, Minnesota
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended December 31, 2025

	Budgeted Amounts		Budget Amendments	Actual Amounts	Variance with Final Budget
	Original	Final			
Revenues					
Taxes	\$ 2,494,986	\$ 2,494,986	\$ -	\$ 2,468,057	\$ (26,929)
Licenses and permits	145,700	145,700	-	465,198	319,498
Intergovernmental	1,215,789	1,215,789	-	1,285,283	69,494
Charges for services	159,800	159,800	-	244,746	84,946
Fines and forfeitures	28,400	28,400	-	22,136	(6,264)
Investment earnings	60,800	60,800	-	122,997	62,197
Miscellaneous	18,000	18,000	-	5,092	(12,908)
Total Revenues	<u>4,123,475</u>	<u>4,123,475</u>	<u>-</u>	<u>4,613,509</u>	<u>490,034</u>
Expenditures					
Current					
General government	991,570	1,005,838	14,268	1,021,379	(15,541)
Public safety	2,694,125	2,695,469	1,344	2,926,471	(231,002)
Public works	641,170	651,170	10,000	575,565	75,605
Parks and recreation	478,005	484,093	6,088	448,904	35,189
Economic development	15,500	15,500	-	16,203	(703)
Total Expenditures	<u>4,820,370</u>	<u>4,852,070</u>	<u>31,700</u>	<u>4,988,522</u>	<u>(136,452)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(696,895)</u>	<u>(728,595)</u>	<u>(31,700)</u>	<u>(375,013)</u>	<u>353,582</u>
Other Financing Sources (Uses)					
Transfers in	465,761	465,761	-	465,761	-
Transfers out	<u>(33,265)</u>	<u>(33,265)</u>	<u>-</u>	<u>(7,500)</u>	<u>25,765</u>
Total Other Financing Sources (Uses)	<u>432,496</u>	<u>432,496</u>	<u>-</u>	<u>458,261</u>	<u>25,765</u>
Net Change in Fund Balances	(264,399)	(296,099)	(31,700)	83,248	379,347
Fund Balances, January 1	<u>3,031,843</u>	<u>3,031,843</u>	<u>-</u>	<u>3,031,843</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 2,767,444</u>	<u>\$ 2,735,744</u>	<u>\$ (31,700)</u>	<u>\$ 3,115,091</u>	<u>\$ 379,347</u>

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

City of Isanti, Minnesota
 Required Supplementary Information
 For the Year Ended December 31, 2025

Notes to the Required Supplemental Information - Budgetary Reporting

A. Budgetary Comparison Schedule

The budgetary comparison schedule presents the comparison of the original and legally amended budget with actual amounts on a departmental level for the General and Special Revenue funds. The departmental level budgets are adopted on a basis consistent with generally accepted accounting principles. The fund balance reports revenue in the period in which they become measurable and available.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2025, expenditures exceeded appropriations in the following funds:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
General	\$ 4,852,070	\$ 4,988,522	\$ 136,452

These excess expenditures were funded by excess fund balance and greater than anticipated revenues.

C. Budget Amendments

In accordance with state statutes governing municipal financial management and compliance with GASB Statement No. 103, the City's budget amendments were processed and approved through established legal and procedural frameworks. The City Council exercised its authority as delineated in Minnesota Statutes Section 471.6965, ensuring that all modifications to the budget were deliberated and approved in public meetings, adhering to principles of transparency and accountability. Each amendment or group of amendments were documented and justified based on emergent fiscal requirements or reallocation of resources, following criteria that align with GASB 103 guidelines. This process underscores the City's commitment to maintaining financial integrity and regulatory compliance, providing a clear audit trail for citizens and auditors alike.

D. Summary of Significant Budget Amendments

There was no significant budget amendments made. Total budget amendments increased expenditures by \$31,700.

E. Summary of Significant Budget Variances

The General fund revenues and expenditures varied significantly from final budget amounts as noted below:

Revenues

- Licenses and permits revenue exceeded final budgeted amounts due to more residential development occurring than originally anticipated.
- Charges for services exceeded final budgeted amounts due to interest earned on the City's leases.
- Interest earnings exceeded final budgeted amounts due to an increase in the interest rates on investments held by the city.

City of Isanti, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2025

Notes to the Required Supplemental Information (Continued)

Expenditures

- Public safety expenditures exceeded final budget amounts due to an increase in outsourced building official fees with higher than projected building, mechanical, and plumbing permits.
- Public works expenditures came in under final budgeted amounts due to less street and highway supplies needed with during milder winters.

F. Budgetary Compliance

There were no budgetary compliance violations for the fiscal year ending December 31, 2025.

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COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULE

CITY OF ISANTI
ISANTI, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

City of Isanti, Minnesota
 Nonmajor Governmental Funds
 Combining Balance Sheet
 December 31, 2025

	Special Revenue	Capital Projects Replacement	Debt Service 2021A G.O. Tax Abatement Bonds	Total Nonmajor Governmental Funds
Assets				
Cash and temporary investments	\$ 420,639	\$ 816,407	\$ 327,166	\$ 1,564,212
Receivables				
Accrued interest	1,198	1,363	579	3,140
Accounts	99,813	-	-	99,813
Loans	109,167	-	-	109,167
Special assessments	-	477,771	-	477,771
Prepaid items	2,197	-	-	2,197
Land held for resale	1,283,000	-	-	1,283,000
	<u>\$ 1,916,014</u>	<u>\$ 1,295,541</u>	<u>\$ 327,745</u>	<u>\$ 3,539,300</u>
Liabilities				
Accounts payable	\$ 1,213	\$ 10,887	\$ -	\$ 12,100
Accrued salaries payable	2,481	-	-	2,481
Total Liabilities	<u>3,694</u>	<u>10,887</u>	<u>-</u>	<u>14,581</u>
Deferred Inflows of Resources				
Unavailable revenue - special assessments	-	477,771	-	477,771
Fund Balances				
Nonspendable	1,285,197	-	-	1,285,197
Restricted	372,150	111,819	327,745	811,714
Committed	450,794	-	-	450,794
Assigned	60,978	695,064	-	756,042
Unassigned	(256,799)	-	-	(256,799)
Total Fund Balances	<u>1,912,320</u>	<u>806,883</u>	<u>327,745</u>	<u>3,046,948</u>
	<u>\$ 1,916,014</u>	<u>\$ 1,295,541</u>	<u>\$ 327,745</u>	<u>\$ 3,539,300</u>
Total Liabilities and Fund Balances	<u>\$ 1,916,014</u>	<u>\$ 1,295,541</u>	<u>\$ 327,745</u>	<u>\$ 3,539,300</u>

City of Isanti, Minnesota
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balances
 For the Year Ended December 31, 2025

	Special Revenue	<i>Formerly Major</i> Capital Projects Capital Replacement	Debt Service 2021A G.O. Tax Abatement Bonds	Total Nonmajor Governmental Funds
Revenues				
Taxes				
Property taxes	\$ 137,491	\$ 390,000	\$ 203,385	\$ 730,876
Tax increments	23,806	-	-	23,806
Franchise taxes	22,342	-	-	22,342
Charges for services	175,688	120,000	-	295,688
Special assessments	-	1,234	-	1,234
Investment earnings	29,849	23,611	7,097	60,557
Miscellaneous	19,150	-	-	19,150
Total Revenues	<u>408,326</u>	<u>534,845</u>	<u>210,482</u>	<u>1,153,653</u>
Expenditures				
Current				
Parks and recreation	61,829	-	-	61,829
Economic development	108,830	-	-	108,830
Capital outlay				
General government	10,208	14,074	-	24,282
Public safety	-	124,862	-	124,862
Public works	-	240,765	-	240,765
Parks and recreation	336,016	41,555	-	377,571
Debt service				
Principal	-	-	170,000	170,000
Interest and other	-	-	20,895	20,895
Total Expenditures	<u>516,883</u>	<u>421,256</u>	<u>190,895</u>	<u>1,129,034</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(108,557)</u>	<u>113,589</u>	<u>19,587</u>	<u>24,619</u>
Other Financing Sources (Uses)				
Sale of assets	-	15,200	-	15,200
Transfers in	-	46,500	-	46,500
Transfers out	(45,761)	-	-	(45,761)
Total Other Financing Sources (Uses)	<u>(45,761)</u>	<u>61,700</u>	<u>-</u>	<u>15,939</u>
Net Change in Fund Balances	<u>(154,318)</u>	<u>175,289</u>	<u>19,587</u>	<u>40,558</u>
Fund Balances, January 1, as Previously Presented	783,638	-	308,158	1,091,796
Change within financial reporting entity				
Major to nonmajor fund	-	631,594	-	631,594
Error correction (Note 9)	1,283,000	-	-	1,283,000
Fund Balances, January 1, as Restated	<u>2,066,638</u>	<u>631,594</u>	<u>308,158</u>	<u>3,006,390</u>
Fund Balances, December 31	<u>\$ 1,912,320</u>	<u>\$ 806,883</u>	<u>\$ 327,745</u>	<u>\$ 3,046,948</u>

City of Isanti, Minnesota
Nonmajor Special Revenue Funds
Combining Balance Sheet
December 31, 2025

	104	108	214	219	220
	Redbirds Maintenance	Economic Development Authority	Park	Revolving Loan	Forfeiture
Assets					
Cash and temporary investments	\$ 3,347	\$ 98,017	\$ 279,895	\$ 184,127	\$ 19,366
Receivables					
Accrued interest	6	173	577	326	34
Accounts	-	10,187	88,200	-	-
Loans	-	-	-	109,167	-
Prepaid items	-	2,197	-	-	-
Land held for resale	-	1,283,000	-	-	-
	<u>3,353</u>	<u>1,393,574</u>	<u>368,672</u>	<u>293,620</u>	<u>19,400</u>
Total Assets	\$ 3,353	\$ 1,393,574	\$ 368,672	\$ 293,620	\$ 19,400
Liabilities					
Accounts payable	\$ -	\$ 290	\$ -	\$ -	\$ -
Accrued salaries payable	-	2,481	-	-	-
Total Liabilities	-	2,771	-	-	-
Fund Balances					
Nonspendable	-	1,285,197	-	-	-
Restricted	-	-	307,694	-	19,400
Committed	3,353	105,606	-	293,620	-
Assigned	-	-	60,978	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	3,353	1,390,803	368,672	293,620	19,400
Total Liabilities and Fund Balances	\$ 3,353	\$ 1,393,574	\$ 368,672	\$ 293,620	\$ 19,400

226	227	228	409	614	
Isanti Indoor Arena	Special Response Team	Illuminate Isanti	TIF 9	City Technology Improvement	Total
\$ (96,939)	\$ 15,516	\$ (158,937)	\$ 45,056	\$ 31,191	\$ 420,639
-	27	-	-	55	1,198
-	-	-	-	1,426	99,813
-	-	-	-	-	109,167
-	-	-	-	-	2,197
-	-	-	-	-	1,283,000
<u>\$ (96,939)</u>	<u>\$ 15,543</u>	<u>\$ (158,937)</u>	<u>\$ 45,056</u>	<u>\$ 32,672</u>	<u>\$ 1,916,014</u>
\$ 152	\$ -	\$ 771	\$ -	\$ -	\$ 1,213
-	-	-	-	-	2,481
<u>152</u>	<u>-</u>	<u>771</u>	<u>-</u>	<u>-</u>	<u>3,694</u>
-	-	-	-	-	1,285,197
-	-	-	45,056	-	372,150
-	15,543	-	-	32,672	450,794
-	-	-	-	-	60,978
(97,091)	-	(159,708)	-	-	(256,799)
<u>(97,091)</u>	<u>15,543</u>	<u>(159,708)</u>	<u>45,056</u>	<u>32,672</u>	<u>1,912,320</u>
<u>\$ (96,939)</u>	<u>\$ 15,543</u>	<u>\$ (158,937)</u>	<u>\$ 45,056</u>	<u>\$ 32,672</u>	<u>\$ 1,916,014</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, 2025

	104	108	214	219	220
	Redbirds Maintenance	Economic Development Authority	Park	Revolving Loan	Forfeiture
Revenues					
Taxes					
Property taxes	\$ -	\$ 137,491	\$ -	\$ -	\$ -
Tax increments	-	-	-	-	-
Franchise taxes	-	4,156	-	-	-
Charges for services	-	6,060	124,200	-	-
Investment earnings	128	2,445	18,075	6,937	729
Miscellaneous	1,500	-	-	-	-
Total Revenues	<u>1,628</u>	<u>150,152</u>	<u>142,275</u>	<u>6,937</u>	<u>729</u>
Expenditures					
Current					
Parks and recreation	1,230	-	-	-	-
Economic development	-	96,947	-	10,833	-
Capital outlay					
General government	-	-	-	-	-
Parks and recreation	-	-	336,016	-	-
Total Expenditures	<u>1,230</u>	<u>96,947</u>	<u>336,016</u>	<u>10,833</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	398	53,205	(193,741)	(3,896)	729
Other Financing Sources (Uses)					
Transfers out	-	(45,761)	-	-	-
Net Change in Fund Balances	<u>398</u>	<u>7,444</u>	<u>(193,741)</u>	<u>(3,896)</u>	<u>729</u>
Fund Balances, January 1, as Previously Presented	2,955	100,359	562,413	297,516	18,671
Error correction (Note 9)	-	1,283,000	-	-	-
Fund Balances, January 1, as Restated	<u>2,955</u>	<u>1,383,359</u>	<u>562,413</u>	<u>297,516</u>	<u>18,671</u>
Fund Balances, December 31	<u>\$ 3,353</u>	<u>\$ 1,390,803</u>	<u>\$ 368,672</u>	<u>\$ 293,620</u>	<u>\$ 19,400</u>

226	227	228	409	614	
Isanti Indoor Arena	Special Response Team	Illuminate Isanti	TIF 9	City Technology Improvement	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 137,491
-	-	-	23,806	-	23,806
-	-	-	-	18,186	22,342
45,428	-	-	-	-	175,688
-	584	-	-	951	29,849
-	-	17,650	-	-	19,150
<u>45,428</u>	<u>584</u>	<u>17,650</u>	<u>23,806</u>	<u>19,137</u>	<u>408,326</u>
48,164	-	12,435	-	-	61,829
-	-	-	1,050	-	108,830
-	-	-	-	10,208	10,208
-	-	-	-	-	336,016
<u>48,164</u>	<u>-</u>	<u>12,435</u>	<u>1,050</u>	<u>10,208</u>	<u>516,883</u>
(2,736)	584	5,215	22,756	8,929	(108,557)
-	-	-	-	-	(45,761)
<u>(2,736)</u>	<u>584</u>	<u>5,215</u>	<u>22,756</u>	<u>8,929</u>	<u>(154,318)</u>
(94,355)	14,959	(164,923)	22,300	23,743	783,638
-	-	-	-	-	1,283,000
<u>(94,355)</u>	<u>14,959</u>	<u>(164,923)</u>	<u>22,300</u>	<u>23,743</u>	<u>2,066,638</u>
<u>\$ (97,091)</u>	<u>\$ 15,543</u>	<u>\$ (159,708)</u>	<u>\$ 45,056</u>	<u>\$ 32,672</u>	<u>\$ 1,912,320</u>

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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, 2025

	Budget Amounts		Budget Amendments	Actual Amounts	Variance with Final Budget
	Original	Final			
Revenues					
Property taxes	\$ 2,494,986	\$ 2,494,986	\$ -	\$ 2,468,057	\$ (26,929)
Licenses and permits					
Business	15,900	15,900	-	13,820	(2,080)
Nonbusiness	129,800	129,800	-	451,378	321,578
Total licenses and permits	145,700	145,700	-	465,198	319,498
Intergovernmental					
Federal					
Other	-	-	-	3,519	3,519
State					
Local government aid	1,021,789	1,021,789	-	1,021,790	1
Police aid	90,000	90,000	-	132,811	42,811
MSA maintenance	95,000	95,000	-	100,541	5,541
Other	9,000	9,000	-	26,622	17,622
Total intergovernmental	1,215,789	1,215,789	-	1,285,283	69,494
Charges for services					
General government	10,150	10,150	-	10,934	784
Public safety	84,800	84,800	-	90,197	5,397
Public works	6,100	6,100	-	14,010	7,910
Culture and recreation	58,750	58,750	-	129,605	70,855
Total charges for services	159,800	159,800	-	244,746	84,946
Fines and forfeitures	28,400	28,400	-	22,136	(6,264)
Investment earnings	60,800	60,800	-	122,997	62,197
Miscellaneous					
Refunds and reimbursements	14,000	14,000	-	4,489	(9,511)
Other	4,000	4,000	-	603	(3,397)
Total miscellaneous	18,000	18,000	-	5,092	(12,908)
Total Revenues	4,123,475	4,123,475	-	4,613,509	490,034
Expenditures					
Current					
General government					
Mayor and city council					
Personnel services	26,800	26,800	-	26,511	289
Supplies	1,690	1,690	-	579	1,111
Other services and charges	10,960	10,960	-	12,160	(1,200)
Total mayor and city council	39,450	39,450	-	39,250	200
Elections					
Personnel services	19,000	19,000	-	5,585	13,415
Supplies	400	400	-	17	383
Other services and charges	5,600	5,600	-	16,230	(10,630)
Total elections	25,000	25,000	-	21,832	3,168

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, 2025

	Budget Amounts		Budget Amendments	Actual Amounts	Variance with Final Budget
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Financial administration					
Personnel services	\$ 598,300	\$ 598,300	\$ -	\$ 585,992	\$ 12,308
Supplies	19,800	19,800	-	17,454	2,346
Other services and charges	85,920	86,458	(538)	130,015	(43,557)
Total financial administration	<u>704,020</u>	<u>704,558</u>	<u>(538)</u>	<u>733,461</u>	<u>(28,903)</u>
Planning and zoning					
Personnel services	140,600	140,600	-	142,190	(1,590)
Supplies	10,600	10,600	-	7,870	2,730
Other services and charges	15,490	15,490	-	13,214	2,276
Total planning and zoning	<u>166,690</u>	<u>166,690</u>	<u>-</u>	<u>163,274</u>	<u>3,416</u>
Municipal building					
Supplies	4,000	4,000	-	1,938	2,062
Other services and charges	52,410	66,140	(13,730)	61,624	4,516
Total municipal building	<u>56,410</u>	<u>70,140</u>	<u>(13,730)</u>	<u>63,562</u>	<u>6,578</u>
Total general government	<u>991,570</u>	<u>1,005,838</u>	<u>(14,268)</u>	<u>1,021,379</u>	<u>(15,541)</u>
Public safety					
Police					
Personnel services	1,874,850	1,874,850	-	1,902,397	(27,547)
Supplies	24,790	24,790	-	20,167	4,623
Other services and charges	282,790	282,790	-	259,352	23,438
Total police	<u>2,182,430</u>	<u>2,182,430</u>	<u>-</u>	<u>2,181,916</u>	<u>514</u>
Fire protection					
Other services and charges	<u>312,500</u>	<u>312,500</u>	<u>-</u>	<u>297,537</u>	<u>14,963</u>
Building inspection					
Personnel services	77,900	77,900	-	79,366	(1,466)
Supplies	3,300	3,300	-	2,352	948
Other services and charges	116,685	118,029	(1,344)	364,999	(246,970)
Total building inspection	<u>197,885</u>	<u>199,229</u>	<u>(1,344)</u>	<u>446,717</u>	<u>(247,488)</u>
Animal control					
Supplies	50	50	-	-	50
Other services and charges	1,260	1,260	-	301	959
Total animal control	<u>1,310</u>	<u>1,310</u>	<u>-</u>	<u>301</u>	<u>1,009</u>
Total public safety	<u>2,694,125</u>	<u>2,695,469</u>	<u>(1,344)</u>	<u>2,926,471</u>	<u>(231,002)</u>
Public works					
Streets and highways					
Personnel services	273,700	273,700	-	257,002	16,698
Supplies	121,650	121,650	-	80,616	41,034
Other services and charges	76,340	76,340	-	71,414	4,926
Total streets and highways	<u>471,690</u>	<u>471,690</u>	<u>-</u>	<u>409,032</u>	<u>62,658</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, 2025

	Budget Amounts		Budget Amendments	Actual Amounts	Variance with Final Budget
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public works (continued)					
Street lighting					
Other services and charges	\$ 54,720	\$ 54,720	\$ -	\$ 55,588	\$ (868)
Sanitation and waste control					
Personnel services	27,240	27,240	-	23,704	3,536
Supplies	1,400	1,400	-	526	874
Other services and charges	10,050	20,050	(10,000)	16,269	3,781
Total sanitation and waste control	<u>38,690</u>	<u>48,690</u>	<u>(10,000)</u>	<u>40,499</u>	<u>8,191</u>
General city maintenance					
Personnel services	48,140	48,140	-	47,313	827
Supplies	4,250	4,250	-	1,377	2,873
Other services and charges	23,680	23,680	-	21,756	1,924
Total general city maintenance	<u>76,070</u>	<u>76,070</u>	<u>-</u>	<u>70,446</u>	<u>5,624</u>
Total public works	<u>641,170</u>	<u>651,170</u>	<u>(10,000)</u>	<u>575,565</u>	<u>75,605</u>
Parks and recreation					
Parks and recreation					
Personnel services	307,710	307,710	-	288,474	19,236
Supplies	16,100	16,100	-	12,474	3,626
Other services and charges	154,195	160,283	(6,088)	147,956	12,327
Total parks and recreation	<u>478,005</u>	<u>484,093</u>	<u>(6,088)</u>	<u>448,904</u>	<u>35,189</u>
Economic development					
Other services and charges	<u>15,500</u>	<u>15,500</u>	<u>-</u>	<u>16,203</u>	<u>(703)</u>
Total Expenditures	<u>4,820,370</u>	<u>4,852,070</u>	<u>(31,700)</u>	<u>4,988,522</u>	<u>(136,452)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(696,895)</u>	<u>(728,595)</u>	<u>(31,700)</u>	<u>(375,013)</u>	<u>353,582</u>
Other Financing Sources (Uses)					
Transfers in	465,761	465,761	-	465,761	-
Transfers out	(33,265)	(33,265)	-	(7,500)	25,765
Total Other Financing Sources (Uses)	<u>432,496</u>	<u>432,496</u>	<u>-</u>	<u>458,261</u>	<u>25,765</u>
Net Change in Fund Balances	(264,399)	(296,099)	(31,700)	83,248	379,347
Fund Balances, January 1	<u>3,031,843</u>	<u>3,031,843</u>	<u>-</u>	<u>3,031,843</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 2,767,444</u>	<u>\$ 2,735,744</u>	<u>\$ (31,700)</u>	<u>\$ 3,115,091</u>	<u>\$ 379,347</u>

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OTHER REQUIRED REPORTS

CITY OF ISANTI
ISANTI, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2025

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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, 2025, and the related notes to the financial statements, and have issued our report thereon dated March 25, 2026.

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
March 25, 2026

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, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 25, 2026.

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. We consider the deficiency described in the accompanying Schedule of Finding and Response as item 2025-002 to be a material weakness.

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 2025-001 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*.

Responses to Findings

The City's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The City's responses are not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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
March 25, 2026



City of Isanti, Minnesota
Schedule of Findings and Responses
For the Year Ended December 31, 2025

<u>Finding</u>	<u>Description</u>
2025-001	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.

City of Isanti, Minnesota
Schedule of Findings and Responses (Continued)
For the Year Ended December 31, 2025

<u>Finding</u>	<u>Description</u>
2025-002	Material Audit Adjustment of Land and Land Held for Resale
<i>Condition:</i>	During our audit, we identified that certain land owned by the City, including parcels held by the Economic Development Authority (EDA) for resale, had not been fully recorded in the general ledger or reported in the financial statements. As a result, material audit adjustments were required to properly record land held for resale in the EDA fund and to recognize other City-owned parcels as capital assets at the government-wide level.
<i>Criteria:</i>	Management is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles (GAAP). This includes establishing and maintaining internal controls to ensure that all assets, including land, are accurately identified, recorded, and reported in the appropriate funds and at the government-wide level, and that material misstatements are prevented or detected in a timely manner.
<i>Cause:</i>	The City does not have adequate internal controls or formal procedures in place to ensure that all land owned by the City and the Economic Development Authority (EDA) is identified, tracked, and reconciled to the general ledger and financial statements.
<i>Effect:</i>	As a result of these deficiencies, land owned by the City was not completely or accurately recorded in the general ledger or reported in the financial statements, resulting in material audit adjustments. This increases the risk that financial statements could be materially misstated and that management and users of the financial statements may rely on incomplete or inaccurate information. Additionally, the lack of accurate records over City-owned land increases the risk of errors, omissions, or potential misuse of assets going undetected.
<i>Recommendation:</i>	We recommend that management should establish and maintain a centralized, complete listing of all land parcels, and implement procedures to reconcile this listing to the general ledger on a periodic basis. In addition, the City should implement a formal process to track land acquisitions, disposals, and transfers throughout the year, including coordination between departments responsible for property records and financial reporting.
<i>Management Response:</i>	Management understands the finding and concurs that a new process of tracking parcels should be implemented, and that any adjustments reconciling the fund and government wide statements should be completed before the audit.