



# Annual Financial Report

City of Isanti  
Isanti, Minnesota

For the year ended December 31, 2022



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INTRODUCTORY SECTION

CITY OF ISANTI  
ISANTI, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2022

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City of Isanti, Minnesota  
Elected and Appointed Officials  
For the Year Ended December 31, 2022

**ELECTED**

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

**APPOINTED**

Josi Wood	Administrator
Mike Betker	Finance Director

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FINANCIAL SECTION

CITY OF ISANTI  
ISANTI, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2022

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Isanti, Minnesota

### Report on the Financial Statements

#### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Isanti, Minnesota (the City), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### Basis for Opinions

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

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

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

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

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

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

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

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

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

### ***Change in Accounting Principle***

As described in Note 7 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 87, Leases, for the year ended December 31, 2022. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements. Our opinion is not modified with respect to this matter.



## Other Matters

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability and the Schedules of Employer's Contributions, the related note disclosures, and the Schedule of Changes in the City's OPEB Liability and Related Ratios starting on page 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

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

## Other Information

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

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

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2023 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



**Abdo**  
Minneapolis, Minnesota  
April 17, 2023



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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, 2022.

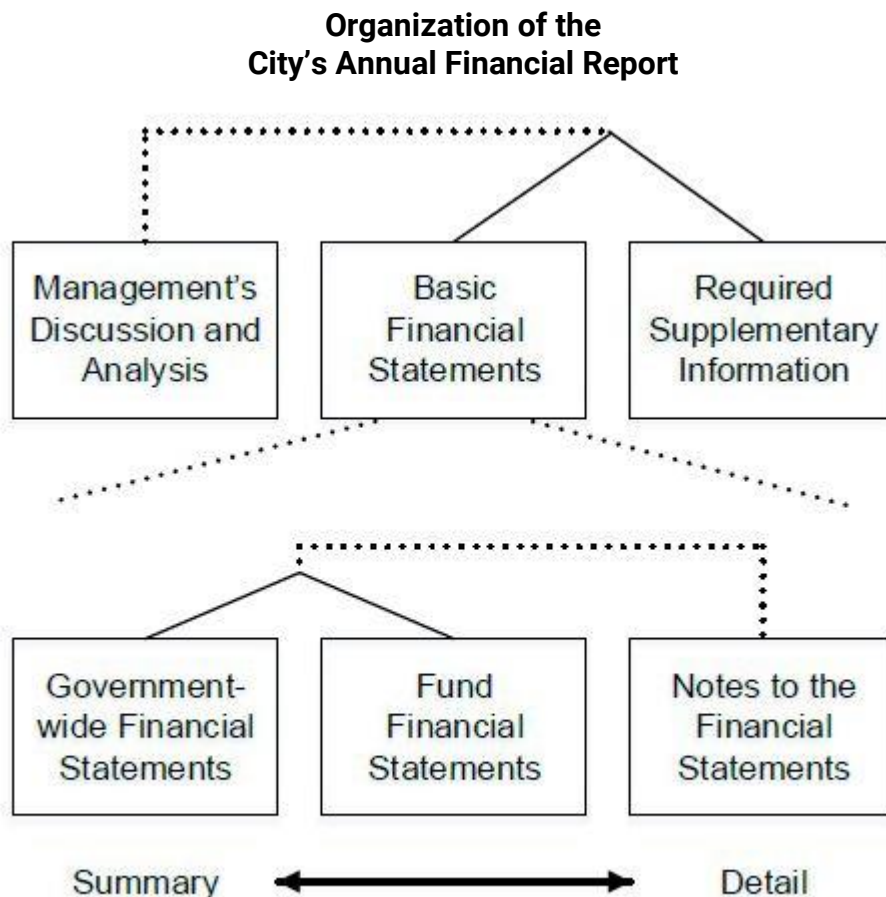
### **Financial Highlights**

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$54,582,832. Of this amount, \$11,874,267 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1,752,253. This was largely a result of an increase in operating income within business-type activities of \$1,255,536.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,100,180, a decrease of \$1,135,246, in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$1,955,039, or 42 percent of 2023 budgeted expenditures and transfers out.

## Overview of the Financial Statements

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

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



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

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

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

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

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

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

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

The government-wide financial statements start on page 31 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, five of which are Debt Service funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, Debt Service fund, Street Construction fund and Capital Replacement fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

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

The basic governmental fund financial statements start on page 36 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 41 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 45 of this report.

**Required Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found starting on page 76 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 84 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 exceeded liabilities and deferred inflows of resources by \$54,582,832 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (78.0 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is 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		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 7,685,225	\$ 7,014,456	\$ 670,769	\$ 11,860,175	\$ 11,660,628	\$ 199,547
Capital assets, net of depreciation	20,159,857	20,352,735	(192,878)	31,567,579	30,991,667	575,912
Total Assets	27,845,082	27,367,191	477,891	43,427,754	42,652,295	775,459
<b>Deferred Outflows of Resources</b>						
Deferred pension resource	2,655,732	1,551,938	1,103,794	252,957	283,144	(30,187)
<b>Liabilities</b>						
Noncurrent liabilities outstanding	6,292,488	4,828,506	1,463,982	8,920,451	9,528,579	(608,128)
Other liabilities	535,752	391,919	143,833	694,803	844,136	(149,333)
Total Liabilities	6,828,240	5,220,425	1,607,815	9,615,254	10,372,715	(757,461)
<b>Deferred Inflows of Resources</b>						
Resources received in advance	640,812	888,503	(247,691)	-	-	-
Deferred pension resource	73,748	1,993,409	(1,919,661)	19,532	351,239	(331,707)
Deferred OPEB resources	107,637	131,160	(23,523)	57,114	66,538	(9,424)
Deferred lease resource	2,256,356	-	2,256,356	-	-	-
Total Deferred Inflows of Resources	3,078,553	3,013,072	65,481	76,646	417,777	(341,131)
<b>Net Position</b>						
Net investment in capital assets	18,552,802	16,959,089	1,593,713	23,805,714	22,674,497	1,131,217
Restricted	350,049	2,500,663	(2,150,614)	-	424,347	(424,347)
Unrestricted	1,691,170	1,225,880	465,290	10,183,097	9,046,103	1,136,994
Total Net Position	\$ 20,594,021	\$ 20,685,632	\$ (91,611)	\$ 33,988,811	\$ 32,144,947	\$ 1,843,864

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*, \$11,11,874,267, 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.** The City's net position increased \$1,752,253 during the current fiscal year. Governmental activities decreased the City's net position by \$91,611.

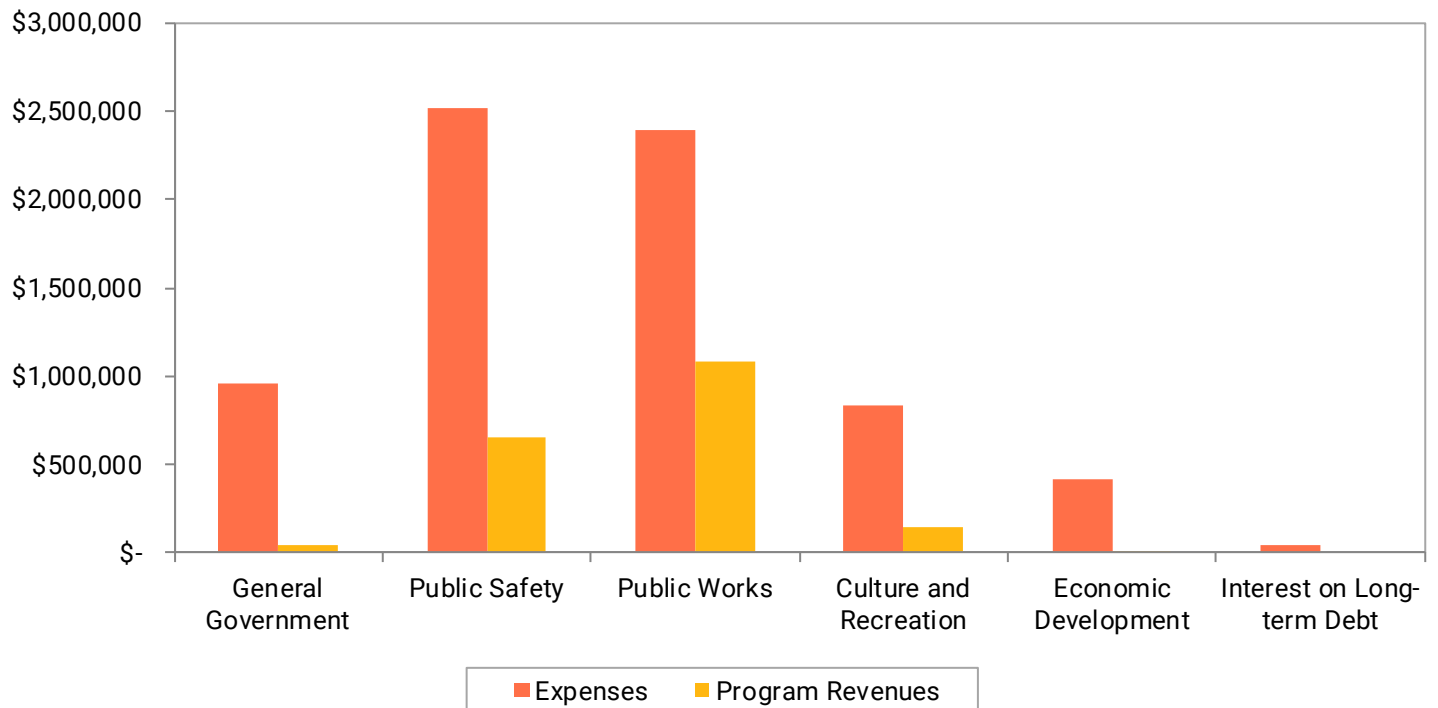
### City of Isanti's Changes in Net Position

- Property taxes increased \$397,528 from the prior year in line with the City's budget and capital improvement plan.
- Gain on sale of capital assets decreased by (\$601,255) due to a prior year gain of \$601,350 and a current year loss of \$18,805.

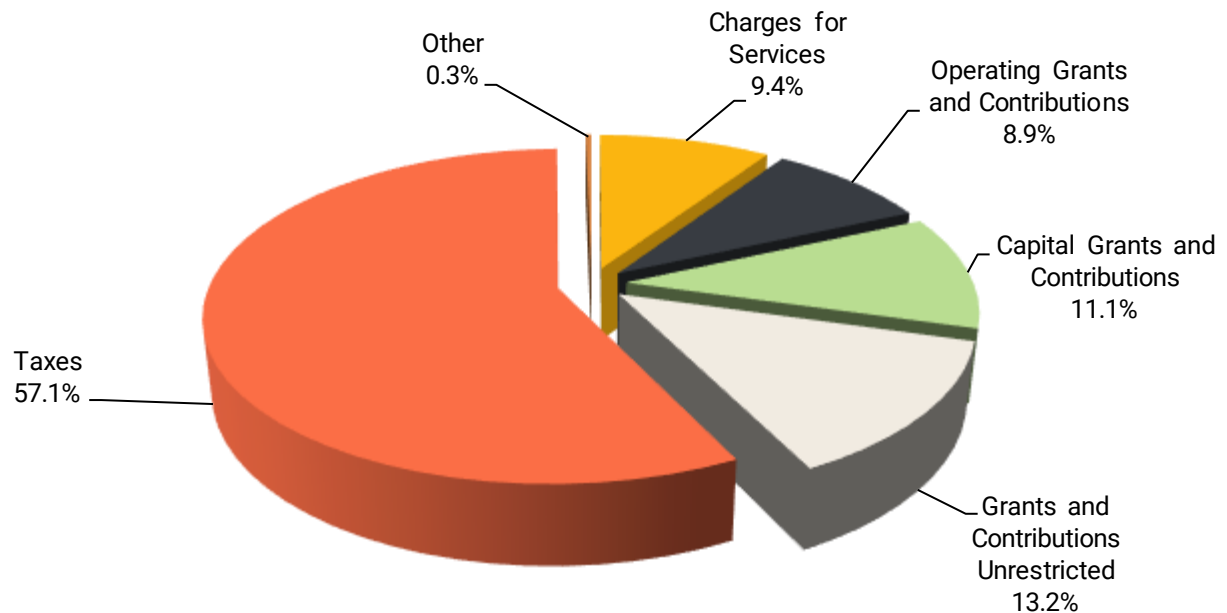
	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 625,270	\$ 599,060	\$ 26,210	\$ 8,246,670	\$ 7,261,474	\$ 985,196
Operating grants and contributions	583,003	416,452	166,551	393,134	13,723	379,411
Capital grants and contributions	729,330	810,911	(81,581)	1,127,720	914,371	213,349
General Revenues						
Taxes						
Property taxes	3,377,264	2,979,736	397,528	-	-	-
Tax increment	20,860	17,443	3,417	-	-	-
Other taxes	363,031	355,322	7,709	-	-	-
Grants and contributions not restricted to specific programs	867,368	805,311	62,057	-	-	-
Unrestricted investment earnings	19,428	1,946	17,482	(118,159)	8,164	(126,323)
Gain on sale of capital assets	95	601,350	(601,255)	-	196,097	(196,097)
Total Revenues	6,585,649	6,587,531	(1,882)	9,649,365	8,393,829	1,255,536
Expenses						
General government	965,131	895,955	69,176	-	-	-
Public safety	2,517,796	2,122,323	395,473	-	-	-
Public works	2,399,409	1,956,627	442,782	-	-	-
Culture and recreation	839,723	537,665	302,058	-	-	-
Economic development	420,531	118,802	301,729	-	-	-
Interest on long-term debt	42,276	97,185	(54,909)	-	-	-
Water	-	-	-	1,077,672	1,040,002	37,670
Sewer	-	-	-	1,498,615	1,401,823	96,792
Storm Water	-	-	-	178,063	145,842	32,221
Liquor store	-	-	-	4,543,545	3,829,049	714,496
Total Expenses	7,184,866	5,728,557	1,456,309	7,297,895	6,416,716	881,179
Changes in Net Position Before Transfers and Special Items	(599,217)	858,974	(1,458,191)	2,351,470	1,977,113	374,357
Transfers - Internal Activities	507,606	787,010	(279,404)	(507,606)	(787,010)	279,404
Change in Net Position	(91,611)	1,645,984	(1,737,595)	1,843,864	1,190,103	653,761
Net Position, January 1	20,685,632	19,039,648	1,645,984	32,144,947	30,954,844	1,190,103
Net Position, December 31	\$ 20,594,021	\$ 20,685,632	\$ (91,611)	\$ 33,988,811	\$ 32,144,947	\$ 1,843,864

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

### Expenses and Program Revenues - Governmental Activities

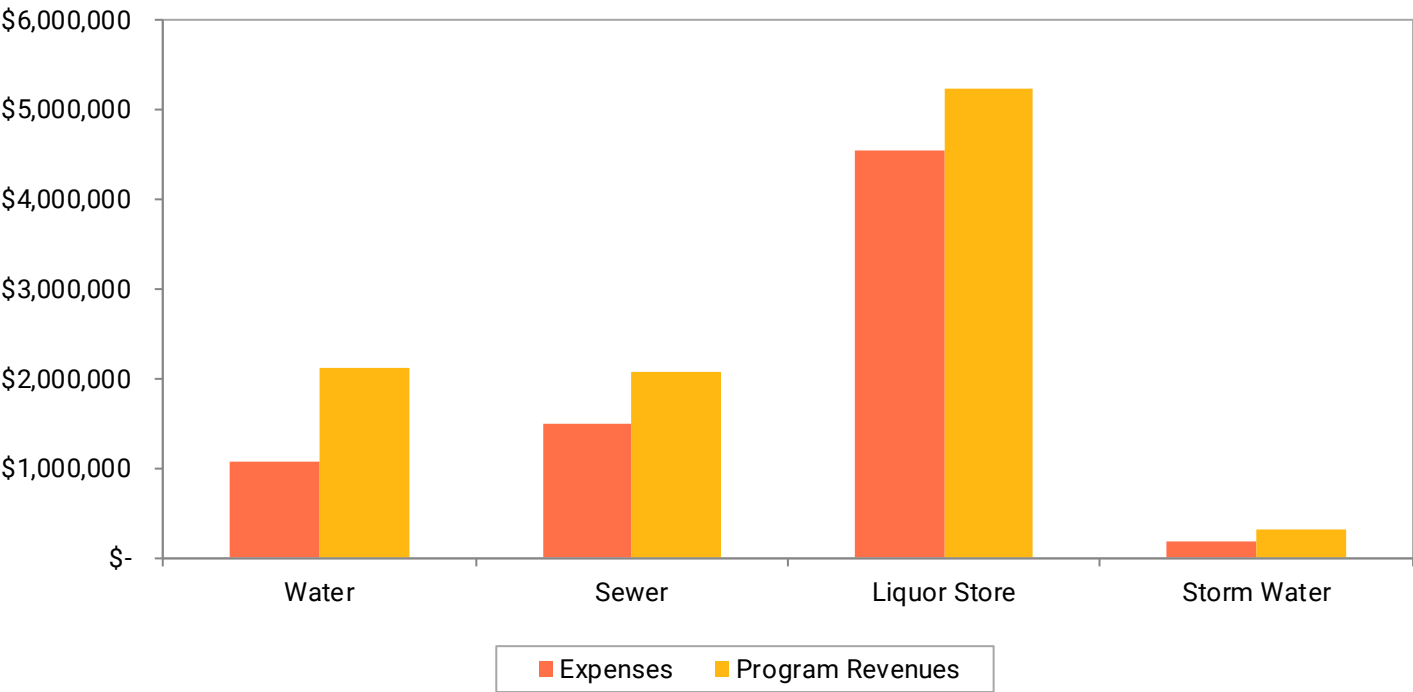


### Revenues by Sources - Governmental Activities

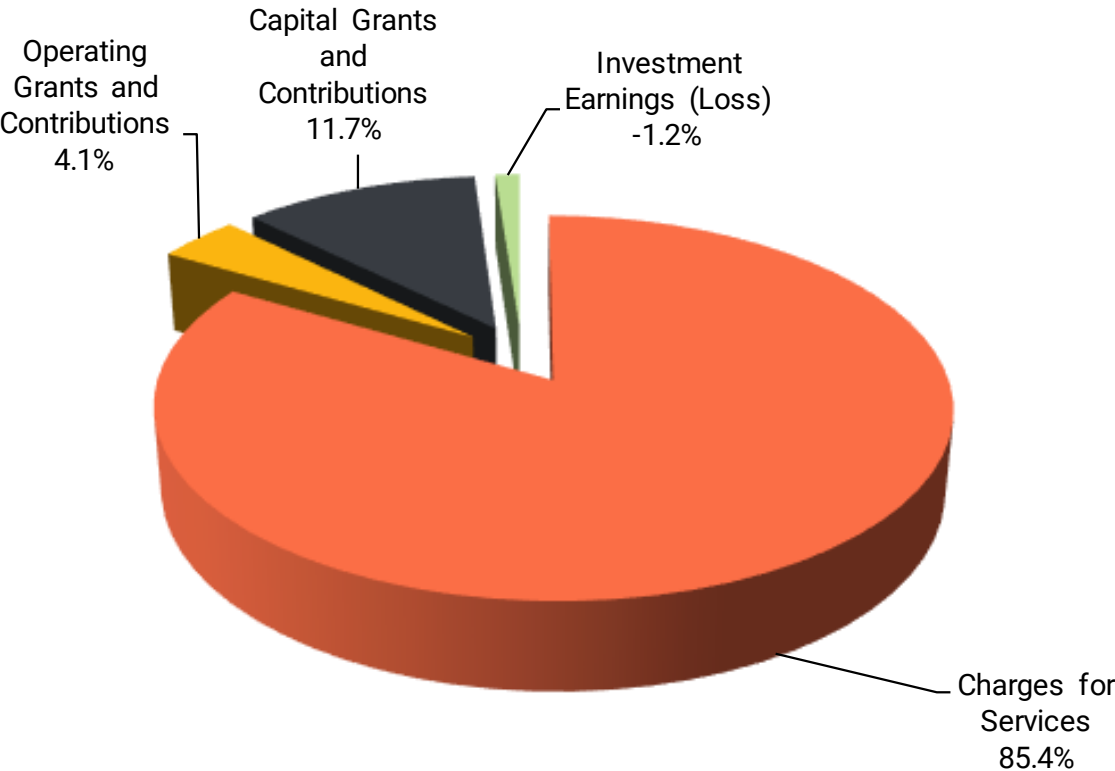


**Business-type Activities.** Business activities increased the City’s net position by \$1,843,864. The main reason for the increase was charges for services increased \$985,196 due to the opening of a new liquor store in the current year

**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.

**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.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,100,180, a decrease of \$1,135,246 in comparison with the prior year. Of this total amount, 41.0 percent, or \$1,95,403 constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance of \$1,804,777 is not available for new spending because it is either 1) nonspendable (\$19,145), 2) restricted (\$362,915), 3) committed (\$709,353) or 4) assigned (\$713,364). For further classification, refer to Note 3F on page 57 of this report.

The General fund is the chief operating fund of the City. As a measure of the General fund's liquidity, it may be useful to compare fund balance to total fund expenditures and transfers out. Fund balance represents 42 percent of budgeted 2023 expenditures and transfers out. Of the total fund balance, \$1,955,039 unassigned and will be used for cash flow for general operations and will be used to support operations until funds are received in June from the first tax settlement.

The Street Construction fund had a decrease in fund balance of \$47,337 during the year. The decrease is mainly due to expenditures exceeding revenues during the year. MSA funding will be recognized in future years when available as funding for the deficit.

The Capital Replacement fund had an increase in fund balance of \$675,166. The increase can be attributed large purchases made in the prior year and planned taxes and other charges in the current year to fund future capital replacement.

**Proprietary Funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the enterprise funds at the end of the year amounted to \$10,183,097. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

## General Fund Budgetary Highlights

The City's original General fund budget was not amended during the year. Revenues were \$16,950 over budget. This is primarily due property revenue being more than budgeted by \$73,598. Expenditures were under budget by \$197,465. The largest variance in the General fund expenditures is due to public safety which was \$144,275 under budget.

## 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, 2022, amounts to \$51,727,436 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, and streets.

Major capital asset events during the current fiscal year included the following: -

- Air Release Valves and Lift Station Pumps
- Liquor Store Improvements
- Water Meter Replacement
- New Police Building
- Bluebird Park Amphitheater
- South Brookview Street Improvements

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

	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Land	\$ 2,104,720	\$ 2,402,686	\$ (297,966)	\$ 37,078	\$ 37,078	\$ -
Construction in Progress	1,526,286	2,530,876	(1,004,590)	844,657	2,940,109	(2,095,452)
Land Improvements	-	-	-	13,288	13,288	-
Buildings	3,387,156	3,224,678	162,478	5,864,637	3,123,280	2,741,357
Infrastructure	12,337,141	11,371,152	965,989	23,870,432	24,003,167	(132,735)
Machinery and Equipment	554,526	570,037	(15,511)	899,252	828,220	71,032
Vehicles	250,028	253,306	(3,278)	38,235	46,525	(8,290)
Total	<u>\$ 20,159,857</u>	<u>\$ 20,352,735</u>	<u>\$ (192,878)</u>	<u>\$ 31,567,579</u>	<u>\$ 30,991,667</u>	<u>\$ 575,912</u>

Additional information on the City's capital assets can be found in Note 3F starting on page 57 of this report.

**Long-term Debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$9,621,885. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City. Total outstanding debt decreased \$2,763,886 during the year due to the repayment of tax abatement bonds in the current year.

**City of Isanti's Outstanding Debt**

	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
G.O. Bonds	\$ 1,535,000	\$ 3,220,000	\$ (1,685,000)	\$ -	\$ -	\$ -
G.O. Improvement Bonds	-	90,000	(90,000)	230,000	265,000	(35,000)
G.O. Revenue Bonds	-	-	-	7,645,056	8,574,056	(929,000)
Bond Premium	72,055	83,646	(11,591)	139,774	153,069	(13,295)
Total	<u>\$ 1,607,055</u>	<u>\$ 3,393,646</u>	<u>\$ (1,786,591)</u>	<u>\$ 8,014,830</u>	<u>\$ 8,992,125</u>	<u>\$ (977,295)</u>

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, 2022, the City is under the legal debt margin.

Additional information on the City's long-term debt can be found in Note 3E starting on page 58 of this report.

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

- Property tax valuations within the City increased in 2022 by 12.27% and have continued to increase for 2023 by 27.83%.
- The 2023 budget includes a property tax levy of \$3,684,954 which is 12.28% higher than the 2022 levy but lowered the tax rate by 10.73%.
- The 2023 budget includes an amount for Local Government Aid in the amount of \$829,918.
- Isanti County had an average unemployment rate for 2022 of 2.8%. This compares with unemployment rates of 2.7% for the State of Minnesota and 3.6% for the United States.

All of these factors were considered in preparing the City's budget for the 2023 fiscal year.

## **Requests for Information**

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

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF ISANTI  
ISANTI, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2022

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City of Isanti, Minnesota  
Statement of Net Position  
December 31, 2022

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and temporary investments	\$ 3,961,789	\$ 10,114,619	\$ 14,076,408
Restricted cash	-	252,965	252,965
Receivables			
Accrued interest	6,212	15,259	21,471
Taxes	62,222	-	62,222
Accounts	161,142	285,590	446,732
Lease	2,317,569	-	2,317,569
Loans	139,167	-	139,167
Notes	360,000	-	360,000
Special assessments	775,335	55,422	830,757
Internal balances	(180,356)	180,356	-
Due from other governments	58,000	-	58,000
Inventories	-	949,558	949,558
Prepaid items	19,145	6,406	25,551
Land held for resale	5,000	-	5,000
Capital assets			
Land and construction in progress	3,631,006	881,735	4,512,741
Depreciable assets (net of accumulated depreciation)	16,528,851	30,685,844	47,214,695
<b>Total Assets</b>	<b>27,845,082</b>	<b>43,427,754</b>	<b>71,272,836</b>
<b>Deferred Outflows of Resources</b>			
Deferred pension resources	2,638,365	243,742	2,882,107
Deferred other post employment benefits	17,367	9,215	26,582
<b>Total Deferred Outflows of Resources</b>	<b>2,655,732</b>	<b>252,957</b>	<b>2,908,689</b>
<b>Liabilities</b>			
Accounts payable	207,012	269,517	476,529
Deposits payable	214,385	-	214,385
Due to other governments	12,414	62,653	75,067
Accrued salaries payable	89,075	35,086	124,161
Accrued interest payable	12,866	32,892	45,758
Unearned revenue	-	294,655	294,655
Noncurrent liabilities			
Due within one year			
Long-term debt	377,127	1,085,342	1,462,469
Due in more than one year			
Long-term debt	1,463,348	7,022,145	8,485,493
Net pension liability	4,339,634	753,338	5,092,972
Other postemployment benefits liability	112,379	59,626	172,005
<b>Total Liabilities</b>	<b>6,828,240</b>	<b>9,615,254</b>	<b>16,443,494</b>
<b>Deferred Inflows of Resources</b>			
Resources received in advance	640,812	-	640,812
Deferred pension resources	73,748	19,532	93,280
Deferred OPEB resources	107,637	57,114	164,751
Deferred inflow of lease resources	2,256,356	-	2,256,356
<b>Total Deferred Inflows of Resources</b>	<b>3,078,553</b>	<b>76,646</b>	<b>3,155,199</b>
<b>Net Position</b>			
Net investment in capital assets	18,552,802	23,805,714	42,358,516
Restricted for			
Debt service	318,319	-	318,319
Public safety	21,730	-	21,730
Community center improvements	10,000	-	10,000
Unrestricted	1,691,170	10,183,097	11,874,267
<b>Total Net Position</b>	<b>\$ 20,594,021</b>	<b>\$ 33,988,811</b>	<b>\$ 54,582,832</b>

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

City of Isanti, Minnesota  
Statement of Activities  
For the Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General government	\$ 965,131	\$ 40,318	\$ -	\$ -
Public safety	2,517,796	423,831	226,399	-
Public works	2,399,409	23,831	332,978	729,330
Culture and recreation	839,723	129,408	22,200	-
Economic development	420,531	7,882	1,426	-
Interest on long-term debt	42,276	-	-	-
Total Governmental Activities	<u>7,184,866</u>	<u>625,270</u>	<u>583,003</u>	<u>729,330</u>
<b>Business-type Activities</b>				
Water	1,077,672	1,289,558	230,754	607,285
Sewer	1,498,615	1,408,780	155,306	520,435
Liquor store	4,543,545	5,227,136	6,927	-
Stormwater	178,063	321,196	147	-
Total Business-type Activities	<u>7,297,895</u>	<u>8,246,670</u>	<u>393,134</u>	<u>1,127,720</u>
<b>Total</b>	<u>\$ 14,482,761</u>	<u>\$ 8,871,940</u>	<u>\$ 976,137</u>	<u>\$ 1,857,050</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 (loss)

Gain on sale of capital assets

Transfers - Internal Activities

Total General Revenues and Transfers

Change in Net Position

Net Position, January 1

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
\$ (924,813)	\$ -	\$ (924,813)
(1,867,566)	-	(1,867,566)
(1,313,270)	-	(1,313,270)
(688,115)	-	(688,115)
(411,223)	-	(411,223)
(42,276)	-	(42,276)
<u>(5,247,263)</u>	<u>-</u>	<u>(5,247,263)</u>
-	1,049,925	1,049,925
-	585,906	585,906
-	690,518	690,518
-	143,280	143,280
<u>-</u>	<u>2,469,629</u>	<u>2,469,629</u>
<u>(5,247,263)</u>	<u>2,469,629</u>	<u>(2,777,634)</u>
3,104,114	-	3,104,114
273,150	-	273,150
20,860	-	20,860
363,031	-	363,031
867,368	-	867,368
19,428	(118,159)	(98,731)
95	-	95
507,606	(507,606)	-
<u>5,155,652</u>	<u>(625,765)</u>	<u>4,529,887</u>
(91,611)	1,843,864	1,752,253
<u>20,685,632</u>	<u>32,144,947</u>	<u>52,830,579</u>
<u>\$ 20,594,021</u>	<u>\$ 33,988,811</u>	<u>\$ 54,582,832</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, 2022

City of Isanti, Minnesota  
Balance Sheet  
Governmental Funds  
December 31, 2022

	<b>101</b>	<b>425</b>	<b>920</b>	Other	Total
	General	Street Construction	Capital Replacement	Governmental Funds	Governmental Funds
<b>Assets</b>					
Cash and temporary investments	\$ 2,327,332	\$ 309,291	\$ 500,384	\$ 824,782	\$ 3,961,789
Receivables					
Accrued interest	3,205	543	778	1,686	6,212
Taxes	61,656	-	-	566	62,222
Accounts	62,484	83,799	-	14,859	161,142
Leases	2,317,569	-	-	-	2,317,569
Loans	-	-	-	139,167	139,167
Notes	-	-	360,000	-	360,000
Special assessments	144	271,678	503,513	-	775,335
Due from other governments	-	-	58,000	-	58,000
Advances to other funds	25,060	-	-	-	25,060
Prepaid items	17,323	-	-	1,822	19,145
Land held for resale	5,000	-	-	-	5,000
<b>Total Assets</b>	<b>\$ 4,819,773</b>	<b>\$ 665,311</b>	<b>\$ 1,422,675</b>	<b>\$ 982,882</b>	<b>\$ 7,890,641</b>
<b>Liabilities</b>					
Accounts payable	\$ 66,112	\$ 68,829	\$ 58,036	\$ 14,035	\$ 207,012
Deposits payable	214,385	-	-	-	214,385
Due to other governments	12,414	-	-	-	12,414
Accrued salaries payable	87,506	-	-	1,569	89,075
Due to other funds	25,765	-	-	-	25,765
Advances from other funds	154,591	-	-	25,060	179,651
<b>Total Liabilities</b>	<b>560,773</b>	<b>68,829</b>	<b>58,036</b>	<b>40,664</b>	<b>728,302</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - taxes	30,138	-	-	-	30,138
Unavailable revenue - special assessments	144	271,678	503,031	-	774,853
Unavailable revenue - intergovernmental	-	640,812	-	-	640,812
Unavailable revenue - note receivable	-	-	360,000	-	360,000
Unavailable revenue - leases	2,256,356	-	-	-	2,256,356
<b>Total Deferred Inflows of Resources</b>	<b>2,286,638</b>	<b>912,490</b>	<b>863,031</b>	<b>-</b>	<b>4,062,159</b>
<b>Fund Balances</b>					
Nonspendable	17,323	-	-	1,822	19,145
Restricted	-	-	10,000	352,915	362,915
Committed	-	-	-	709,353	709,353
Assigned	-	-	491,608	221,756	713,364
Unassigned	1,955,039	(316,008)	-	(343,628)	1,295,403
<b>Total Fund Balances</b>	<b>1,972,362</b>	<b>(316,008)</b>	<b>501,608</b>	<b>942,218</b>	<b>3,100,180</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 4,819,773</b>	<b>\$ 665,311</b>	<b>\$ 1,422,675</b>	<b>\$ 982,882</b>	<b>\$ 7,890,641</b>

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

City of Isanti, Minnesota  
Reconciliation of the Balance Sheet  
to the Statement of Net Position  
Governmental Funds  
December 31, 2022

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

Total Fund Balances - Governmental Funds	\$ 3,100,180
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	41,529,408
Less: accumulated depreciation	(21,369,551)
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of	
Bond principal payable	(1,535,000)
Plus bond premium	(72,055)
Compensated absences payable	(233,420)
Other postemployment benefits payable	(112,379)
Net pension liability	(4,339,634)
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	30,138
Special assessments receivable	774,853
Note receivable	360,000
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	2,638,365
Deferred inflows of pension resources	(73,748)
Deferred outflows of other post employment retirement benefits	17,367
Deferred inflows of other post employment retirement benefits	(107,637)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(12,866)</u>
Total Net Position - Governmental Activities	<u>\$ 20,594,021</u>

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

**City of Isanti, Minnesota**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2022**

	<b>101</b>	<b>425</b>	<b>920</b>	<b>Other</b>	<b>Total</b>
	<b>General</b>	<b>Street Construction</b>	<b>Capital Replacement</b>	<b>Governmental Funds</b>	<b>Governmental Funds</b>
<b>Revenues</b>					
Taxes	\$ 2,261,261	\$ 295,000	\$ 451,900	\$ 392,048	\$ 3,400,209
Franchise taxes	-	331,745	-	31,286	363,031
Licenses and permits	314,370	-	-	-	314,370
Intergovernmental	1,012,833	247,691	58,000	-	1,318,524
Charges for services	196,341	-	134,000	55,476	385,817
Fines and forfeitures	22,912	-	-	-	22,912
Special assessments	-	33,744	6,624	706	41,074
Investment earnings (loss)	42,049	(8,471)	1,811	(15,961)	19,428
Miscellaneous	36,590	-	31,583	49,822	117,995
<b>Total Revenues</b>	<b>3,886,356</b>	<b>899,709</b>	<b>683,918</b>	<b>513,377</b>	<b>5,983,360</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	817,253	-	-	1,560	818,813
Public safety	2,276,393	-	-	3,026	2,279,419
Public works	535,127	-	-	-	535,127
Culture and recreation	380,725	-	-	168,192	548,917
Economic development	42,161	-	-	353,278	395,439
<b>Capital outlay</b>					
General government	-	-	25,675	46,394	72,069
Public safety	-	-	83,376	659	84,035
Public works	-	947,046	38,529	-	985,575
Culture and recreation	-	-	66,568	-	66,568
Economic development	-	-	-	19,425	19,425
<b>Debt service</b>					
Principal	-	-	-	300,000	300,000
Interest and other	-	-	-	45,920	45,920
<b>Total Expenditures</b>	<b>4,051,659</b>	<b>947,046</b>	<b>214,148</b>	<b>938,454</b>	<b>6,151,307</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(165,303)</b>	<b>(47,337)</b>	<b>469,770</b>	<b>(425,077)</b>	<b>(167,947)</b>
<b>Other Financing Sources (Uses)</b>					
Sale of capital assets	95	-	-	-	95
Payment on refunding bonds	-	-	-	(1,475,000)	(1,475,000)
Transfers in	409,152	-	195,598	41,050	645,800
Transfers out	-	-	-	(138,194)	(138,194)
<b>Total Other Financing Sources (Uses)</b>	<b>409,247</b>	<b>-</b>	<b>195,598</b>	<b>(1,572,144)</b>	<b>(967,299)</b>
<b>Net Change in Fund Balances</b>	<b>243,944</b>	<b>(47,337)</b>	<b>665,368</b>	<b>(1,997,221)</b>	<b>(1,135,246)</b>
<b>Fund Balances, January 1</b>	<b>1,728,418</b>	<b>(268,671)</b>	<b>(163,760)</b>	<b>2,939,439</b>	<b>4,235,426</b>
<b>Fund Balances, December 31</b>	<b>\$ 1,972,362</b>	<b>\$ (316,008)</b>	<b>\$ 501,608</b>	<b>\$ 942,218</b>	<b>\$ 3,100,180</b>

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, 2022

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

Total Net Change in Fund Balances - Governmental Funds	\$ (1,135,246)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	742,527
Depreciation expense	(1,539,740)
Governmental funds report a gain (loss) on sale of capital assets to the extent of cash exchanged, whereas the disposition of the assets book value is included in the total gain (loss) in the statement of activities.	
Loss on disposal of capital assets	(297,966)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Contributed capital assets	902,300
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
Principal repayments	300,000
Principal payments of refunded bonds	1,475,000
Amortization of bond premium	11,591
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(7,947)
Long-term pension activity is not reported in governmental funds.	
Pension expense	(263,862)
Pension revenue	38,429
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Property taxes	(2,085)
Special assessments	(216,450)
Notes	(120,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Other post employment benefit expense	34,031
Compensated absences	(12,193)
Change in Net Position - Governmental Activities	<u>\$ (91,611)</u>

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

City of Isanti, Minnesota  
Statement of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual  
General Fund  
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 2,187,663	\$ 2,187,663	\$ 2,261,261	\$ 73,598
Licenses and permits	385,500	385,500	314,370	(71,130)
Intergovernmental	1,003,593	1,003,593	1,012,833	9,240
Charges for services	202,400	202,400	196,341	(6,059)
Fines and forfeitures	39,000	39,000	22,912	(16,088)
Investment earnings	30,000	30,000	42,049	12,049
Miscellaneous	21,250	21,250	36,590	15,340
Total Revenues	<u>3,869,406</u>	<u>3,869,406</u>	<u>3,886,356</u>	<u>16,950</u>
Expenditures				
Current				
General government	841,652	841,652	817,253	24,399
Public safety	2,420,668	2,420,668	2,276,393	144,275
Public works	564,999	564,999	535,127	29,872
Culture and recreation	406,920	406,920	380,725	26,195
Economic development	14,885	14,885	42,161	(27,276)
Total Expenditures	<u>4,249,124</u>	<u>4,249,124</u>	<u>4,051,659</u>	<u>197,465</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(379,718)</u>	<u>(379,718)</u>	<u>(165,303)</u>	<u>214,415</u>
Other Financing Sources (Uses)				
Sale of assets	-	-	95	95
Transfers in	360,481	360,481	409,152	48,671
Transfers out	(25,765)	(25,765)	-	25,765
Total Other Financing Sources (Uses)	<u>334,716</u>	<u>334,716</u>	<u>409,247</u>	<u>74,531</u>
Net Change in Fund Balances	(45,002)	(45,002)	243,944	288,946
Fund Balances, January 1	<u>1,728,418</u>	<u>1,728,418</u>	<u>1,728,418</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 1,683,416</u>	<u>\$ 1,683,416</u>	<u>\$ 1,972,362</u>	<u>\$ 288,946</u>

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



City of Isanti, Minnesota  
Statement of Net Position  
Proprietary Funds  
December 31, 2022

	Business-type Activities - Enterprise Funds				Total
	601 Water	602 Sewer	609 Liquor Store	Nonmajor 603 Storm Water	
<b>Assets</b>					
<b>Current Assets</b>					
Cash and temporary investments	\$ 3,078,887	\$ 5,296,754	\$ 880,790	\$ 858,188	\$ 10,114,619
Restricted cash	-	-	252,965	-	252,965
Receivables					
Accrued interest	4,525	7,784	1,683	1,267	15,259
Accounts	113,595	138,911	-	33,084	285,590
Special assessments	3,491	42,665	-	6,093	52,249
Due from other funds	-	-	25,765	-	25,765
Inventories	-	-	949,558	-	949,558
Prepaid items	1,031	1,652	3,708	15	6,406
<b>Total Current Assets</b>	<b>3,201,529</b>	<b>5,487,766</b>	<b>2,114,469</b>	<b>898,647</b>	<b>11,702,411</b>
<b>Noncurrent Assets</b>					
Special assessments receivable	3,173	-	-	-	3,173
Advances to other funds	-	-	154,591	-	154,591
<b>Capital assets</b>					
Land	11,078	5,000	-	21,000	37,078
Construction in progress	844,657	-	-	-	844,657
Buildings	37,156	3,349,403	2,826,950	-	6,213,509
Improvements other than buildings	-	-	176,663	-	176,663
Machinery and equipment	774,062	884,243	41,357	311,393	2,011,055
Infrastructure	16,130,094	20,812,597	-	769,766	37,712,457
Less accumulated depreciation	(5,872,995)	(8,942,576)	(217,356)	(394,913)	(15,427,840)
<b>Total Capital Assets</b>	<b>11,924,052</b>	<b>16,108,667</b>	<b>2,827,614</b>	<b>707,246</b>	<b>31,567,579</b>
(Net of Accumulated Depreciation)					
<b>Total Noncurrent Assets</b>	<b>11,927,225</b>	<b>16,108,667</b>	<b>2,982,205</b>	<b>707,246</b>	<b>31,725,343</b>
<b>Total Assets</b>	<b>15,128,754</b>	<b>21,596,433</b>	<b>5,096,674</b>	<b>1,605,893</b>	<b>43,427,754</b>
<b>Deferred Outflows of Resources</b>					
Deferred pension resources	53,486	69,138	109,581	11,537	243,742
Deferred other postemployment benefit resources	2,403	2,968	3,474	370	9,215
<b>Total Deferred Outflows of Resources</b>	<b>55,889</b>	<b>72,106</b>	<b>113,055</b>	<b>11,907</b>	<b>252,957</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts payable	25,858.00	19,855.00	222,441.00	1,363.00	269,517.00
Due to other governments	7,973	-	54,680	-	62,653
Accrued salaries payable	8,160	9,885	15,805	1,236	35,086
Accrued interest payable	23,896	6,320	2,676	-	32,892
Unearned revenue	-	294,655	-	-	294,655
Compensated absences payable - current	19,589	24,310	19,060	3,383	66,342
Bonds payable - current	449,000	380,000	190,000	-	1,019,000
<b>Total Current Liabilities</b>	<b>534,476</b>	<b>735,025</b>	<b>504,662</b>	<b>5,982</b>	<b>1,780,145</b>
<b>Noncurrent Liabilities</b>					
Compensated absences payable	7,770	9,643	7,560	1,342	26,315
Other postemployment benefits payable	15,548	19,203	22,481	2,394	59,626
Net pension liability	165,937	214,153	336,703	36,545	753,338
Bonds payable	2,286,056	1,791,456	2,918,318	-	6,995,830
<b>Total Noncurrent Liabilities</b>	<b>2,475,311</b>	<b>2,034,455</b>	<b>3,285,062</b>	<b>40,281</b>	<b>7,835,109</b>
<b>Total Liabilities</b>	<b>3,009,787</b>	<b>2,769,480</b>	<b>3,789,724</b>	<b>46,263</b>	<b>9,615,254</b>
<b>Deferred Inflows of Resources</b>					
Deferred pension resources	4,527	5,720	8,020	1,265	19,532
Deferred other postemployment benefit resources	14,894	18,392	21,532	2,296	57,114
<b>Total Deferred Inflows of Resources</b>	<b>19,421</b>	<b>24,112</b>	<b>29,552</b>	<b>3,561</b>	<b>76,646</b>
<b>Net Position</b>					
Net investment in capital assets	9,188,996	13,937,211	(27,739)	707,246	23,805,714
Unrestricted	2,966,439	4,937,736	1,418,192	860,730	10,183,097
<b>Total Net Position</b>	<b>\$ 12,155,435</b>	<b>\$ 18,874,947</b>	<b>\$ 1,390,453</b>	<b>\$ 1,567,976</b>	<b>\$ 33,988,811</b>

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, 2022**

	Business-type Activities - Enterprise Funds				
	601	602	609	Nonmajor 603	Total
	Water	Sewer	Liquor Store	Storm Water	
Operating Revenues					
Sales	\$ -	\$ -	\$ 5,226,928	\$ -	\$ 5,226,928
Cost of sales	-	-	(3,737,028)	-	(3,737,028)
Gross Profit	-	-	1,489,900	-	1,489,900
Charges for services	1,289,558	1,408,780	-	321,156	3,019,494
Total Operating Revenues	1,289,558	1,408,780	1,489,900	321,156	4,509,394
Operating Expenses					
Personnel services	320,243	393,713	574,351	50,919	1,339,226
Supplies	98,983	83,709	9,404	5,983	198,079
Professional services	47,818	42,877	5,297	24,403	120,395
Communications	3,461	3,077	2,277	756	9,571
Insurance	16,544	36,011	12,015	318	64,888
Utilities	64,260	259,337	25,019	3,845	352,461
Repairs and maintenance	18,529	26,679	9,508	18,970	73,686
Depreciation	423,030	604,661	583	72,869	1,101,143
Other services and charges	-	-	110,424	-	110,424
Total Operating Expenses	992,868	1,450,064	748,878	178,063	3,369,873
Operating Income (Loss)	296,690	(41,284)	741,022	143,093	1,139,521
Nonoperating Revenues (Expenses)					
Other revenues	7,841	4,067	7,135	187	19,230
Intergovernmental	222,913	151,239	-	-	374,152
Investment earnings (loss)	(37,442)	(64,185)	(8,062)	(8,470)	(118,159)
Interest expense and other	(84,804)	(48,551)	(57,639)	-	(190,994)
Total Nonoperating Revenues (Expenses)	108,508	42,570	(58,566)	(8,283)	84,229
Income Before Contributions and Transfers	405,198	1,286	682,456	134,810	1,223,750
Capital Contributions - Connections	219,185	262,435	-	-	481,620
Capital Contributions - Developer	388,100	258,000	-	-	646,100
Transfers Out	(62,842)	(94,764)	(350,000)	-	(507,606)
Change in Net Position	949,641	426,957	332,456	134,810	1,843,864
Net Position, January 1	11,205,794	18,447,990	1,057,997	1,433,166	32,144,947
Net Position, December 31	\$ 12,155,435	\$ 18,874,947	\$ 1,390,453	\$ 1,567,976	\$ 33,988,811

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, 2022

	Business-type Activities - Enterprise Funds				
	601	602	609	Nonmajor 603	Total
	Water	Sewer	Liquor Store	Storm Water	
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 1,279,959	\$ 1,404,085	\$ 5,227,020	\$ 323,768	\$ 8,234,832
Other receipts	7,841	4,067	7,135	187	19,230
Payments to suppliers	(231,197)	(458,876)	(4,244,157)	(63,488)	(4,997,718)
Payments to employees	(311,941)	(380,561)	(531,131)	(47,750)	(1,271,383)
Net Cash Provided by Operating Activities	744,662	568,715	458,867	212,717	1,984,961
Cash Flows from Noncapital Financing Activities					
Receipt on advance to other funds	-	-	25,765	-	25,765
Intergovernmental	111,456	222,947	-	-	334,403
Transfers to other funds	(62,842)	(94,764)	(350,000)	-	(507,606)
Net Cash Provided (Used) by Noncapital Financing Activities	48,614	128,183	(324,235)	-	(147,438)
Cash Flows from Capital and Related Financing Activities					
Connection fees received	219,185	262,435	-	-	481,620
Acquisition of capital assets	(851,467)	(147,243)	(12,226)	(20,019)	(1,030,955)
Interest paid on bonds	(88,505)	(52,663)	(96,578)	-	(237,746)
Principal paid on bonds	(434,000)	(375,000)	(155,000)	-	(964,000)
Net Cash Used by Capital and Related Financing Activities	(1,154,787)	(312,471)	(263,804)	(20,019)	(1,751,081)
Cash Flows from Investing Activities					
Interest received	(39,670)	(68,763)	(8,907)	(9,284)	(126,624)
Net Increase (Decrease) in Cash and Cash Equivalents	(401,181)	315,664	(138,079)	183,414	(40,182)
Cash and Cash Equivalents, January 1	3,480,068	4,981,090	1,271,834	674,774	10,407,766
Cash and Cash Equivalents, December 31	<u>\$ 3,078,887</u>	<u>\$ 5,296,754</u>	<u>\$ 1,133,755</u>	<u>\$ 858,188</u>	<u>\$ 10,367,584</u>

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

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City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2022

## 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, 2022

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

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

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

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2022

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

The City reports the following major proprietary funds:

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

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

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

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

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

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

***Deposits and Investments***

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

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

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

The City has the following recurring fair value measurements as of December 31, 2022:

- US Government Agency securities of \$979,357 are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposit of \$3,780,655 are valued using a matrix pricing model (Level 2 inputs)

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2022

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

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

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

***Investment Policy***

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

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



City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2022

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

***Property Taxes***

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

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

***Accounts Receivable***

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2022. The City annually certifies delinquent water and sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

***Lease Receivable***

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

***Special Assessments***

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

***Interfund Receivables and Payables***

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

***Inventories and Prepaid Items***

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

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

***Land Held for Resale***

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

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2022

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

***Capital Assets***

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

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

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

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

***Deferred Outflows of Resources***

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

***Long-term Obligations***

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

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

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2022

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

***Compensated Absences***

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

***Pensions***

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

The total pension expense for the City was as follows:

	<u>GERP</u>	<u>PEPFP</u>	<u>Total Pension Expense</u>
Pension Expense	\$ 318,305	\$ 294,416	\$ 612,721

***Postemployment Benefits other than Pensions***

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

***Deferred Inflows of Resources***

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position 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 four types of items, *resources received in advance*, *deferred pension resources*, *deferred lease resources* and *deferred inflow of lease resources*, and *deferred OPEB resources*.

- *Resources received in advance* is reported in both the governmental fund financial statements and within the government-wide financial statements. This item is reported for amounts that have been received before time requirements are met, but after all other eligibility requirements have been met.
- *Deferred pension resources* is reported only in the statements of net position and results from actuarial calculations.
- *Deferred lease resources* are reported in the General fund and are deferred to the period the amounts become available.

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2022

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

- *Deferred OPEB resources* is reported only in the statements of net position and results from actuarial calculations.

Furthermore, the City has additional items which qualify for reporting in this category on the statement of net position. The items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position and results from actuarial calculations involving net differences between projected and actual earnings on plan investments and changes in proportions.

***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 Committee.

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

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

***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, 2022

## 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 original budget was amended during the year but the net change in fund balance was unchanged.

### B. Deficit Fund Equity

The following funds had deficit fund equity at December 31, 2022:

Fund	Amount
Major	
Street Construction	\$ 316,008
Nonmajor	
Isanti Indoor Arena	129,136
Illuminate Isanti	107,733
TIF 9	24,503
City Technology Improvement	7,569
City Parking Improvements	74,687

These deficits will be eliminated with future state aid, charges for services and transfers from other funds.

## 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;

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2022

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

- 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 \$9,532,118 and the bank balance was \$9,618,562. Of the bank balance, \$500,000 was covered by Federal depository insurance and the remaining balance was collateral held in the City's name.

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

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Cost						
Broker Money Markets	N/A	Less than 1 year	\$ 33,409	\$ -	\$ -	\$ -
Non-pooled Investments at Fair Value						
U.S. Government Agency Securities	AAA	Under 6 months	979,357	979,357	-	-
Negotiable CDs	N/A	Less than 1 year	854,054	-	854,054	-
Negotiable CDs	N/A	1 to 5 years	2,720,095	-	2,720,095	-
Negotiable CDs	N/A	More than 5 years	206,506	-	206,506	-
Total Investments			<u>\$ 4,793,421</u>	<u>\$ 979,357</u>	<u>\$ 3,780,655</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.

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2022

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

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

Carrying Amount of Deposits	\$ 9,532,727
Investments	4,793,421
Cash on Hand	<u>3,225</u>
<b>Total</b>	<b><u>\$ 14,329,373</u></b>
 Cash and Temporary Investments	
Unrestricted	\$ 14,076,408
Cash with fiscal agent	<u>252,965</u>
<b>Total</b>	<b><u>\$ 14,329,373</u></b>

**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. The monthly payment is \$833. As of December 31, 2022, the loan receivable was \$139,167.

**C. Notes Receivable**

On March 2, 2021 the City of Isanti and the Isanti Area Joint Operating Fire District entered into a lease purchase agreement for the Isanti Fire Hall. The City is to receive yearly payments in the amount of \$120,000 for the next 5 years starting on January 1, 2022 and commencing on January 1, 2025. As of December 31, 2022, the note receivable balance was \$360,000.

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

Receivable Fund	Payable Fund	Purpose	Amount
<b>Due from/to other Funds</b>			
Business-type	Governmental		
Liquor store	General fund	Finance project costs	<u>\$ 25,765</u>
<b>Advances to/from other Funds</b>			
Governmental	Governmental		
General fund	Nonmajor governmental	Demolition costs	25,060
Business-type	Governmental		
Liquor store	General fund	Finance project costs	<u>154,591</u>
Total Advances to/from Other Funds			179,651
Interfund Activity Eliminated from Government-wide Statements			<u>(25,060)</u>
Total Internal Balances Government-wide Statements			<b><u>\$ 180,356</u></b>

In 2016, the General fund loaned \$25,060 to the TIF 9 nonmajor governmental fund to cover demolition costs. Future tax increment or land sale proceeds will be utilized to repay these advances. Repayments are interest free. The outstanding balance at December 31, 2022 is \$25,060.

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, 2022 is \$180,356.

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2022

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

**Interfund Transfers**

The following interfund transfers were made during 2022:

Fund	Transfer in			Total
	General	Capital Replacement	Nonmajor Governmental	
Transfer Out				
Nonmajor Governmental	\$ 59,152	\$ 79,042	\$ -	\$ 138,194
Water	-	58,278	4,564	62,842
Sewer	-	58,278	36,486	94,764
Liquor Store	350,000	-	-	350,000
Total	<u>\$ 409,152</u>	<u>\$ 195,598</u>	<u>\$ 41,050</u>	<u>\$ 645,800</u>

During the year ended December 31, 2022, the City made the following transfers.

- The Water and Sewer funds transferred \$4,564 and \$36,486, to the Debt Service fund respectively for portion of City bond payments.
- The Liquor Store transferred \$350,000 to the General fund in line with the City's adopted budget.
- The nonmajor governmental funds (EDA) made a budgeted transfer of \$10,481 to the General fund for administrative.
- The Nonmajor 2010B G.O. Improvement Fund transferred its fund balance to the General fund as it was closed out in 2021.
- The Water and Sewer fund each made a budgeted transfer of \$58,278 to the Capital Replacement Fund to support future capital projects.

**E. Lease Receivable**

Description	Total Lease Receivable	Interest Rate	Issue Date	Payment Terms	Payment Amount	Balance at Year End
Isanti Indoor Arena	\$ 2,326,684	3.54 %	2/1/2015	397 Months	\$ 6,958	<u>\$ 2,317,569</u>

The City entered into an agreement with Rum River BMX Association for the building constructed at 101 Isanti Parkway NW, Isanti, Minnesota. The lease began on February 1st, 2015 and goes for a remaining 397 months. The City will be paid \$6,958 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, 2022

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

**F. Capital Assets**

Capital asset activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 2,402,686	\$ -	\$ (297,966)	\$ 2,104,720
Construction in progress	2,530,876	12,347	(1,016,937)	1,526,286
Total Capital Assets not Being Depreciated	4,933,562	12,347	(1,314,903)	3,631,006
Capital Assets Being Depreciated				
Land improvements	440,300	-	-	440,300
Buildings	4,949,639	286,893	-	5,236,532
Infrastructure	27,365,477	2,251,660	-	29,617,137
Machinery and equipment	1,797,255	52,206	-	1,849,461
Vehicles	696,313	58,659	-	754,972
Total Capital Assets Being Depreciated	35,248,984	2,649,418	-	37,898,402
Less Accumulated Depreciation for				
Land improvements	(440,300)	-	-	(440,300)
Buildings	(1,724,961)	(124,415)	-	(1,849,376)
Infrastructure	(15,994,325)	(1,285,671)	-	(17,279,996)
Machinery and equipment	(1,227,218)	(67,717)	-	(1,294,935)
Vehicles	(443,007)	(61,937)	-	(504,944)
Total Accumulated Depreciation	(19,829,811)	(1,539,740)	-	(21,369,551)
Total Capital Assets Being Depreciated, Net	15,419,173	1,109,678	-	16,528,851
Governmental Activities Capital Assets, Net	<u>\$ 20,352,735</u>	<u>\$ 1,122,025</u>	<u>\$ (1,314,903)</u>	<u>\$ 20,159,857</u>

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

General Government	\$ 54,181
Public Safety	71,057
Public Works	1,179,339
Culture and Recreation	235,163
Total Depreciation Expense - Governmental Activities	<u>\$ 1,539,740</u>

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2022

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 37,078	\$ -	\$ -	\$ 37,078
Construction in progress	2,940,109	839,971	(2,935,423)	844,657
Total Capital Assets not Being Depreciated	<u>2,977,187</u>	<u>839,971</u>	<u>(2,935,423)</u>	<u>881,735</u>
Capital Assets Being Depreciated				
Land improvements	176,663	-	-	176,663
Buildings	3,386,559	2,826,950	-	6,213,509
Infrastructure	36,935,077	777,380	-	37,712,457
Machinery and equipment	1,735,635	168,177	-	1,903,812
Vehicles	107,243	-	-	107,243
Total Capital Assets Being Depreciated	<u>42,341,177</u>	<u>3,772,507</u>	<u>-</u>	<u>46,113,684</u>
Less Accumulated Depreciation for				
Land improvements	(163,375)	-	-	(163,375)
Buildings	(263,279)	(85,593)	-	(348,872)
Infrastructure	(12,931,910)	(910,115)	-	(13,842,025)
Machinery and equipment	(907,415)	(97,145)	-	(1,004,560)
Vehicles	(60,718)	(8,290)	-	(69,008)
Total Accumulated Depreciation	<u>(14,326,697)</u>	<u>(1,101,143)</u>	<u>-</u>	<u>(15,427,840)</u>
Total Capital Assets Being Depreciated, Net	<u>28,014,480</u>	<u>2,671,364</u>	<u>-</u>	<u>30,685,844</u>
Business-type Activities Capital Assets, Net	<u>\$ 30,991,667</u>	<u>\$ 3,511,335</u>	<u>\$ (2,935,423)</u>	<u>\$ 31,567,579</u>

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

Water	\$ 423,030
Sewer	604,661
Stormwater	72,869
Liquor Store	<u>583</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 1,101,143</u>

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2022

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

**G. Long-term Debt**

General Obligation (G.O.) Bonds

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

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Bonds, Series 2014B	\$ 1,420,000	0.50 - 2.50	10/01/14	02/01/24	\$ 90,000
G.O. Refunding Bonds, Series 2021A	1,445,000	2.00	11/16/21	02/01/30	1,445,000
Total G.O. Bonds					<u>\$ 1,535,000</u>

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2023	\$ 210,000	\$ 28,757	\$ 238,757
2024	220,000	24,368	244,368
2025	170,000	20,400	190,400
2026	175,000	16,950	191,950
2027	180,000	13,400	193,400
2028 - 2030	580,000	17,300	597,300
Total	<u>\$ 1,535,000</u>	<u>\$ 121,175</u>	<u>\$ 1,656,175</u>

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2022

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

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. Annual principal and interest payments on the bonds and enterprise G.O. improvement bonds are 40.5 and 30.4 percent of net revenues from the Water and Sewer funds, respectively. Principal and interest paid for 2022 and total customer net revenues for the Water fund were \$522,205 and \$1,289,558, respectively. Principal and interest paid for 2022 and total customer net revenues for the Sewer fund were \$427,663 and \$1,408,780, respectively.

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	\$ 246,000
MPFA - Water Revenue Bonds, Series 2008	5,064,256	3.04	10/07/08	08/20/28	1,874,056
G.O. Utility Revenue Bonds, Series 2010A	835,000	2.00 - 3.70	07/01/10	12/01/24	130,000
MPFA - Water Revenue Bonds, Series 2011	479,047	1.533	11/23/11	08/20/31	335,000
G.O. Utility Revenue Bonds, Series 2014B	1,030,000	0.50 - 2.50	10/01/14	02/01/25	335,000
MPFA - Sewer Revenue Bonds, Series 2016A	2,525,000	1.53	07/15/16	12/01/29	1,715,000
Lease Revenue Bonds, Series 2021A	3,165,000	2.00	06/16/21	12/15/36	<u>3,010,000</u>
Total G.O. Revenue Bonds					<u>\$ 7,645,056</u>

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
2023	\$ 979,000	\$ 174,484	\$ 1,153,484
2024	995,000	150,349	1,145,349
2025	955,000	125,521	1,080,521
2026	863,000	103,861	966,861
2027	818,000	83,068	901,068
2027 - 2031	2,085,056	192,255	2,277,311
2032 - 2036	<u>950,000</u>	<u>48,000</u>	<u>998,000</u>
Total	<u>\$ 7,645,056</u>	<u>\$ 877,538</u>	<u>\$ 8,522,594</u>

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2022

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

G.O. Improvement (Special Assessment) Bonds

The following bonds were issued to finance various improvements and will be repaid from special assessments levied on the properties benefiting from the improvements and/or ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. Each year the combined assessment and tax levy equals 105 percent of the amount required for debt service. The excess of 5 percent is to cover any delinquencies in tax or assessment payments. The business-type bonds will be repaid from special assessments and future net revenues pledged from the Water 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
G.O. Refunding Bonds, Series 2013A	2,160,000	0.35 - 2.50	02/01/13	12/01/28	<u>\$ 230,000</u>

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

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2023	\$ 40,000	\$ 5,310	\$ 45,310
2024	35,000	4,470	39,470
2025	35,000	3,735	38,735
2026	40,000	3,000	43,000
2027	40,000	2,000	42,000
2028	40,000	1,000	41,000
Total	<u>\$ 230,000</u>	<u>\$ 19,515</u>	<u>\$ 249,515</u>

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2022

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

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable					
General obligation bonds	\$ 3,220,000	\$ -	\$ (1,685,000)	\$ 1,535,000	\$ 210,000
G.O. improvement bonds	90,000	-	(90,000)	-	-
Premium on bonds	83,646	-	(11,591)	72,055	-
Total Bonds Payable	3,393,646	-	(1,786,591)	1,607,055	210,000
Compensated Absences Payable	221,227	100,818	(88,625)	233,420	167,127
Governmental Activities Long-term Liabilities	<u>\$ 3,614,873</u>	<u>\$ 100,818</u>	<u>\$ (1,875,216)</u>	<u>\$ 1,840,475</u>	<u>\$ 377,127</u>
<b>Business-type Activities</b>					
Bonds Payable					
G.O. revenue bonds	\$ 8,574,056	\$ -	\$ (929,000)	\$ 7,645,056	\$ 979,000
G.O. improvement bonds	265,000	-	(35,000)	230,000	40,000
Premium on bonds	153,069	-	(13,295)	139,774	-
Total Bonds Payable	8,992,125	-	(977,295)	8,014,830	1,019,000
Compensated Absences Payable	82,590	46,602	(36,535)	92,657	66,342
Business-type Activities Long-term Liabilities	<u>\$ 9,074,715</u>	<u>\$ 46,602</u>	<u>\$ (1,013,830)</u>	<u>\$ 8,107,487</u>	<u>\$ 1,085,342</u>

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2022

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

**H. Components of Fund Balance**

At December 31, 2022, portions of the City's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), City Council action (Committed), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Street Construction	Capital Replacement	Other Governmental Funds	Total Governmental Funds
Nonspendable					
Prepaid items	\$ 17,323	\$ -	\$ -	\$ 1,822	\$ 19,145
Restricted for					
Debt service	\$ -	\$ -	\$ -	\$ 331,185	\$ 331,185
Public safety	-	-	-	21,730	21,730
Community center improvements	-	-	10,000	-	10,000
Total Restricted	\$ -	\$ -	\$ 10,000	\$ 352,915	\$ 362,915
Committed to					
Culture and recreation	\$ -	\$ -	\$ -	\$ 358,229	\$ 358,229
Economic development	-	-	-	351,124	351,124
Total Committed	\$ -	\$ -	\$ -	\$ 709,353	\$ 709,353
Assigned to					
Capital projects	\$ -	\$ -	\$ 491,608	\$ 221,756	\$ 713,364
Unassigned	\$ 1,955,039	\$ (316,008)	\$ -	\$ (343,628)	\$ 1,295,403

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

**A. Plan Description**

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

General Employees Retirement Plan

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

Public Employees Police and Fire Plan

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

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

##### **B. Benefits Provided**

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

##### General Employee Plan Benefits

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

##### Police and Fire Plan Benefits

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

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

##### **C. Contributions**

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

##### General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2022 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the years ending December 31, 2022, 2021 and 2020 were \$137,514, \$133,608 and \$118,222, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.



City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2022

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

Police and Fire Fund Contributions

Police and Fire members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2022 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City's contributions to the Police and Fire Fund for the years ending December 31, 2022, 2021 and 2020 were \$147,520, \$150,552 and \$128,590, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

**D. Pension Costs**

General Employees Fund Pension Costs

At December 31, 2022, the City reported a liability of \$1,964,168 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 \$57,522. The net pension liability was measured as of June 30, 2022, 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, 2021 through June 30, 2022 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0248 percent which was an increase of 0.0017 percent from its proportion measured as of June 30, 2021.

City's proportionate share of the net pension liability	\$1,964,168
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>57,522</u>
Total	<u><u>\$ 2,021,690</u></u>

For the year ended December 31, 2022, the City recognized pension expense of \$309,720 for its proportionate share of General Employees Fund's pension expense. In addition, the City recognized an additional \$8,585 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, 2022, the City reported its proportionate share of General Employees Plan's 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	\$ 16,406	\$ 19,446
Changes in Actuarial Assumptions	414,976	7,022
Net Difference Between Projected and Actual Earnings on Plan Investments	76,433	-
Changes in Proportion	77,498	-
Contributions Paid to PERA Subsequent to the Measurement Date	<u>72,247</u>	<u>-</u>
Total	<u><u>\$ 657,560</u></u>	<u><u>\$ 26,468</u></u>

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2022

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

The \$72,247 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2023	\$ 230,503
2024	196,157
2025	(45,445)
2026	177,630
Thereafter	-

Police and Fire Fund Pension Costs

At December 31, 2022, the City reported a liability of \$3,128,804 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021 through June 30, 2022 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0719 percent which was an increase of 0.0048 percent from its proportionate share measured as of June 30, 2021.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2022. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2021. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2022, the City recognized negative pension expense of \$267,917 for its proportionate share of the Police and Fire Plan's pension expense. In addition, the City recognized an additional \$26,499 as pension expense (grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City recognized \$6,471 or the year ended December 31, 2022 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, 2022

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

At December 31, 2022, the City reported its proportionate share of Police and Fire Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 185,537	\$ 3,937
Changes in Actuarial Assumptions	1,808,976	28,998
Net Difference Between Projected and Actual Earnings on Plan Investments	91,244	-
Changes in Proportion	63,243	33,877
Contributions Paid to PERA Subsequent to the Measurement Date	75,547	-
Total	<u>\$ 2,224,547</u>	<u>\$ 66,812</u>

The \$75,547 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2023	\$ 389,776
2024	420,119
2025	372,805
2026	639,165
2027	260,323

**E. Long-Term Expected Rate of Investment**

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	33.5 %	5.10 %
Alternative Assets (Private Markets)	25.0	5.90
Bonds (Fixed Income)	25.0	0.75
International Equity	16.5	5.30
Total	<u>100.00 %</u>	

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

##### **F. Actuarial Assumptions**

The total pension liability in the June 30, 2022 actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan and 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan. The Police and Fire Plan benefit increase is fixed at 1 percent per year and that increase was used in the valuation. Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service.

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

Actuarial assumptions used in the June 30, 2022 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020 were adopted by the Board and became effective with the July 1, 2022 actuarial valuation.

##### General Employees Fund

###### Changes in Actuarial Assumptions

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

###### Changes in Plan Provisions:

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

##### Police and Fire Fund

###### Changes in Actuarial Assumptions

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

###### Changes in Plan Provisions

- There have been no changes since the prior valuation.

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2022

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

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2022 was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060. Beginning in fiscal year ended June 30, 2061 for the Police and Fire Fund, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69 percent (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.40 percent for the Police and Fire Fund was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.5 percent applied to all years of projected benefits through the point of asset depletion and 3.69 percent thereafter.

**G. 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 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1 Percent Decrease (5.50%)	Current (6.50%)	1 Percent Increase (7.50%)
General Employees Fund	\$ 3,102,507	\$ 1,964,168	\$ 1,030,555
Police and Fire Fund	4,735,044	3,128,804	1,830,255

**H. Pension Plan Fiduciary Net Position**

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

**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, 2022, the 34 active plan members/employees were covered by the benefit terms.

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2022

**Note 5: Postemployment Benefits Other Than Pensions - Continued**

**B. Funding Policy**

OPEB benefits have historically been funded on a pay-as-you-go basis (PAYGO). Plan sponsors may set up a trust and pre-fund the benefits. There is no requirement to pre-fund benefit. However, continuing on a PAYGO basis will create a Total OPEB Liability (TOL) on the balance sheet. Results throughout the report assume continued funding under PAYGO. The overall single discount rate is 2.00 percent.

**C. Actuarial Methods and Assumptions**

The City's total OPEB liability of \$172,005 was measured as of December 31, 2022, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of January 1, 2022. Roll forward procedures were used to roll forward the total OPEB liability to the measurement date.

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

Discount Rate	2.00%
20-Year Municipal Bond Yield	2.00%
Inflation Rate	2.00%
Salary Increases	Service graded table
Medical Trend Rate	6.50% as of January 1, 2022 grading to 5.00% over 5 years

The discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds. The overall single discount rate is 2.00 percent. Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2021 Generational Improvement Scale. The actuarial assumptions used in the December 31, 2018 valuation were based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

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

	Total OPEB Liability (a)
Balances at December 31, 2021	\$ 163,082
Changes for the Year:	
Service cost	13,023
Interset	3,374
Differences between expected and actual experience	7,241
Changes in assumptions or other inputs	154
Benefit payments	(14,869)
Net Changes	8,923
Balances at December 31, 2022	\$ 172,005

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2022

**Note 5: Postemployment Benefits Other Than Pensions - Continued**

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

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.00 percent) or 1-percentage-point higher (3.00 percent) than the current discount rate:

1 Percent Decrease (1%)	Current (2%)	1 Percent Increase (3%)
\$ 163,742	\$ 172,005	\$ 180,750

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a Healthcare Cost Trend Rates that is 1-percentage point lower (5.50 percent decreasing to 4.00 percent) or 1-percentage-point higher (7.50 percent increasing to 6.00 percent) than the current discount rate:

1 Percent Decrease (5.5% Decreasing to 4%)	Healthcare Cost Trend Rates (6.5% Decreasing to 5%)	1 Percent Increase (7.5% Decreasing to 6%)
\$ 161,103	\$ 172,005	\$ 184,483

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

For the year ended December 31, 2022, the City recognized negative OPEB expense of \$46,575. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 6,335	\$ 163,065
Changes in Actuarial Assumptions	3,592	1,686
Contributions to OPEB subsequent to the measurement date.	16,655	-
Total	<u>\$ 26,582</u>	<u>\$ 164,751</u>

Deferred inflows of resources totaling \$16,655 related to OPEB resulting from the City's contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2023	\$ (31,449)
2024	(31,449)
2025	(31,449)
2026	(31,449)
2027	(31,449)
Thereafter	2,421

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2022

**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, 2022, 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**

**C. 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 \$273,081 to the District in 2022. 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, 2021 and 2020.

	2021	2020
Assets	\$ 347,807	\$ 352,140
Capital assets, net	1,690,074	1,746,126
Total Assets	<u>\$ 2,037,881</u>	<u>\$ 2,098,266</u>
Liabilities	\$ 94,957	\$ 77,711
Net Position	<u>1,942,924</u>	<u>2,020,555</u>
Total Liabilities and Net Position	<u>\$ 2,037,881</u>	<u>\$ 2,098,266</u>



City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2022

**Note 7: Joint Venture**

The following is a summary of Fire District's statements of activities for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Revenues	\$ 718,415	\$ 732,494
Expenses	<u>796,046</u>	<u>660,663</u>
Change in Net Position	(77,631)	71,831
Net Position, January 1	<u>2,020,555</u>	<u>1,948,724</u>
Net Position, December 31	<u><u>\$ 1,942,924</u></u>	<u><u>\$ 2,020,555</u></u>

**Note 8: Commitments and Contingencies**

**Tax Increment Districts**

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

**Conduit Debt**

The City issued facility revenue notes to provide financial assistance to the Art and Science Academy for the acquisition and construction of an educational facility deemed to be in the public interest for \$5,250,000 in 2021. At December 31, 2022, the balance of the notes outstanding was \$5,001,422. Neither, the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ISANTI  
ISANTI, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2022

City of Isanti, Minnesota  
Required Supplementary Information  
For the Year Ended December 31, 2022

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

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

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

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/22	\$ 137,514	\$ 137,514	\$ -	\$ 1,781,440	7.7 %
12/31/21	133,608	133,608	-	1,781,440	7.5
12/31/20	118,222	118,222	-	1,576,289	7.5
12/31/19	112,189	112,189	-	1,495,849	7.5
12/31/18	108,556	108,556	-	1,447,416	7.5
12/31/17	104,864	104,864	-	1,398,189	7.5
12/31/16	105,054	105,054	-	1,400,725	7.5
12/31/15	97,034	97,034	-	1,293,790	7.5

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

City of Isanti, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2022

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

Changes in Actuarial Assumptions

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

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

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

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

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

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

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

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

City of Isanti, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2022

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

Changes in Plan Provisions

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

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

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

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

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

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

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

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

City of Isanti, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2022

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

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

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

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/22	\$ 147,520	\$ 147,520	\$ -	\$ 850,576	17.3 %
12/31/21	150,552	150,552	-	850,576	17.7
12/31/20	128,590	128,590	-	758,643	17.0
12/31/19	113,940	113,940	-	703,334	16.9
12/31/18	104,266	104,266	-	643,617	16.2
12/31/17	113,975	113,975	-	703,552	16.2
12/31/16	110,692	110,692	-	683,285	16.2
12/31/15	98,214	98,214	-	606,260	16.2

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

City of Isanti, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2022

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

Changes in Actuarial Assumptions

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

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

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

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

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

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

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

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

City of Isanti, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2022

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

Changes in Plan Provisions

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

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

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

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

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

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

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

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



City of Isanti, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2022

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

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 13,023	\$ 12,993	\$ 11,217	\$ 28,959	\$ 28,116
Interest	3,374	2,295	10,677	10,024	8,792
Differences between expected and actual experience	7,241	-	(260,904)	-	-
Changes in assumptions	154	4,608	(2,693)	-	-
Plan changes	-	80,559	-	-	-
Benefit payments	(14,869)	(6,959)	(2,063)	(850)	-
Net Change in Total OPEB Liability	8,923	93,496	(243,766)	38,133	36,908
Total OPEB Liability - Beginning	163,082	69,586	313,352	275,219	238,311
Total OPEB Liability - Ending	<u>\$ 172,005</u>	<u>\$ 163,082</u>	<u>\$ 69,586</u>	<u>\$ 313,352</u>	<u>\$ 275,219</u>
Covered - Employee Payroll	\$ 2,575,913	\$ 2,028,393	\$ 1,969,314	\$ 2,059,503	\$ 1,999,517
City's total OPEB liability as a percentage of covered employee payroll	7 %	8 %	4 %	15 %	14 %

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

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COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF ISANTI  
ISANTI, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2022

City of Isanti, Minnesota  
Nonmajor Governmental Funds  
Combining Balance Sheet  
December 31, 2022

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
<b>Assets</b>				
Cash and temporary investments	\$ 346,450	\$ 331,589	\$ 146,743	\$ 824,782
Receivables				
Accrued interest	872	488	326	1,686
Taxes	566	-	-	566
Accounts	14,859	-	-	14,859
Loans	139,167	-	-	139,167
Prepaid items	1,822	-	-	1,822
<b>Total Assets</b>	<b>\$ 503,736</b>	<b>\$ 332,077</b>	<b>\$ 147,069</b>	<b>\$ 982,882</b>
<b>Liabilities</b>				
Accounts payable	\$ 13,143	\$ 892	\$ -	\$ 14,035
Accrued salaries payable	1,569	-	-	1,569
Advances from other funds	25,060	-	-	25,060
<b>Total Liabilities</b>	<b>39,772</b>	<b>892</b>	<b>-</b>	<b>40,664</b>
<b>Fund Balances</b>				
Nonspendable	1,822	-	-	1,822
Restricted	21,730	331,185	-	352,915
Committed	709,353	-	-	709,353
Assigned	-	-	221,756	221,756
Unassigned	(268,941)	-	(74,687)	(343,628)
<b>Total Fund Balances</b>	<b>463,964</b>	<b>331,185</b>	<b>147,069</b>	<b>942,218</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 503,736</b>	<b>\$ 332,077</b>	<b>\$ 147,069</b>	<b>\$ 982,882</b>

City of Isanti, Minnesota  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances  
For the Year Ended December 31, 2022

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
Revenues				
Taxes				
Property taxes	\$ 98,038	\$ 273,150	\$ -	\$ 371,188
Tax increments	20,860	-	-	20,860
Franchise taxes	31,286	-	-	31,286
Charges for services	55,476	-	-	55,476
Special assessments	-	706	-	706
Investment earnings (loss)	(10,012)	(3,055)	(2,894)	(15,961)
Miscellaneous	49,822	-	-	49,822
Total Revenues	<u>245,470</u>	<u>270,801</u>	<u>(2,894)</u>	<u>513,377</u>
Expenditures				
Current				
General government	1,560	-	-	1,560
Public safety	3,026	-	-	3,026
Culture and recreation	168,192	-	-	168,192
Economic development	353,278	-	-	353,278
Capital outlay				
General government	46,394	-	-	46,394
Public safety	659	-	-	659
Economic development	19,425	-	-	19,425
Debt service				
Principal	-	300,000	-	300,000
Interest and other	-	45,920	-	45,920
Total Expenditures	<u>592,534</u>	<u>345,920</u>	<u>-</u>	<u>938,454</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(347,064)</u>	<u>(75,119)</u>	<u>(2,894)</u>	<u>(425,077)</u>
Other Financing Sources (Uses)				
Sale of assets	-	-	-	-
Payment on refunding bonds	-	(1,475,000)	-	(1,475,000)
Transfers in	-	41,050	-	41,050
Transfers out	(10,481)	(127,713)	-	(138,194)
Total Other Financing Sources (Uses)	<u>(10,481)</u>	<u>(1,561,663)</u>	<u>-</u>	<u>(1,572,144)</u>
Net Change in Fund Balances	(357,545)	(1,636,782)	(2,894)	(1,997,221)
Fund Balances, January 1	<u>821,509</u>	<u>1,967,967</u>	<u>149,963</u>	<u>2,939,439</u>
Fund Balances, December 31	<u>\$ 463,964</u>	<u>\$ 331,185</u>	<u>\$ 147,069</u>	<u>\$ 942,218</u>

City of Isanti, Minnesota  
Nonmajor Special Revenue Funds  
Combining Balance Sheet  
December 31, 2022

	104	108	214	219	220
	Redbirds Maintenance	Economic Development Authority	Park	Revolving Loan	Forfeiture
<b>Assets</b>					
Cash and temporary investments	\$ 2,980	\$ 29,205	\$ 354,723	\$ 161,739	\$ 22,357
Receivables					
Accrued interest	4	42	522	238	32
Taxes	-	-	-	-	-
Accounts	-	8,875	-	-	-
Loans	-	-	-	139,167	-
Prepaid items	-	1,822	-	-	-
<b>Total Assets</b>	<b>\$ 2,984</b>	<b>\$ 39,944</b>	<b>\$ 355,245</b>	<b>\$ 301,144</b>	<b>\$ 22,389</b>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 156	\$ -	\$ -	\$ 659
Accrued salaries payable	-	1,569	-	-	-
Advance from other funds	-	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>1,725</b>	<b>-</b>	<b>-</b>	<b>659</b>
<b>Fund Balances</b>					
Nonspendable	-	1,822	-	-	-
Restricted	-	-	-	-	21,730
Committed	2,984	36,397	355,245	301,144	-
Unassigned	-	-	-	-	-
<b>Total Fund Balances</b>	<b>2,984</b>	<b>38,219</b>	<b>355,245</b>	<b>301,144</b>	<b>21,730</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,984</b>	<b>\$ 39,944</b>	<b>\$ 355,245</b>	<b>\$ 301,144</b>	<b>\$ 22,389</b>

<b>226</b>	<b>227</b>	<b>228</b>	<b>409</b>	<b>614</b>	
Isanti Indoor Arena	Special Response Team	Illuminate Isanti	TIF 9	City Technology Improvement	Total
\$ (128,844)	\$ 13,563	\$ (109,278)	\$ 9,548	\$ (9,543)	\$ 346,450
-	20	-	14	-	872
-	-	-	566	-	566
-	-	4,010	-	1,974	14,859
-	-	-	-	-	139,167
-	-	-	-	-	1,822
<u>\$ (128,844)</u>	<u>\$ 13,583</u>	<u>\$ (105,268)</u>	<u>\$ 10,128</u>	<u>\$ (7,569)</u>	<u>\$ 503,736</u>
\$ 292	\$ -	\$ 2,465	\$ 9,571	\$ -	\$ 13,143
-	-	-	-	-	1,569
-	-	-	25,060	-	25,060
<u>292</u>	<u>-</u>	<u>2,465</u>	<u>34,631</u>	<u>-</u>	<u>39,772</u>
-	-	-	-	-	1,822
-	-	-	-	-	21,730
-	13,583	-	-	-	709,353
<u>(129,136)</u>	<u>-</u>	<u>(107,733)</u>	<u>(24,503)</u>	<u>(7,569)</u>	<u>(268,941)</u>
<u>(129,136)</u>	<u>13,583</u>	<u>(107,733)</u>	<u>(24,503)</u>	<u>(7,569)</u>	<u>463,964</u>
<u>\$ (128,844)</u>	<u>\$ 13,583</u>	<u>\$ (105,268)</u>	<u>\$ 10,128</u>	<u>\$ (7,569)</u>	<u>\$ 503,736</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, 2022

	<b>104</b>	<b>108</b>	<b>214</b>	<b>219</b>	<b>220</b>
	Redbirds Maintenance	Economic Development Authority	Park	Revolving Loan	Forfeiture
Revenues					
Taxes					
Property taxes	\$ -	\$ 98,038	\$ -	\$ -	\$ -
Tax increments	-	-	-	-	-
Franchise taxes	-	6,257	-	-	-
Charges for services	-	-	-	25	-
Investment earnings (loss)	(44)	4	(4,578)	(2,051)	16
Miscellaneous	1,972	9,283	-	-	18,339
Total Revenues	<u>1,928</u>	<u>113,582</u>	<u>(4,578)</u>	<u>(2,026)</u>	<u>18,355</u>
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	3,026
Culture and recreation	1,965	-	-	-	-
Economic development	-	95,255	-	10,833	-
Capital outlay					
General government	-	-	-	-	-
Public safety	-	-	-	-	659
Economic development	-	-	-	-	-
Total Expenditures	<u>1,965</u>	<u>95,255</u>	<u>-</u>	<u>10,833</u>	<u>3,685</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(37)	18,327	(4,578)	(12,859)	14,670
Other Financing Sources (Uses)					
Transfers out	<u>-</u>	<u>(10,481)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(37)	7,846	(4,578)	(12,859)	14,670
Fund Balances, January 1	<u>3,021</u>	<u>30,373</u>	<u>359,823</u>	<u>314,003</u>	<u>7,060</u>
Fund Balances, December 31	<u>\$ 2,984</u>	<u>\$ 38,219</u>	<u>\$ 355,245</u>	<u>\$ 301,144</u>	<u>\$ 21,730</u>



<b>226</b> Isanti Indoor Arena	<b>227</b> Special Response Team	<b>228</b> Illuminate Isanti	<b>409</b> TIF 9	<b>410</b> TIF 10	<b>614</b> City Technology Improvement	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 98,038
-	-	-	20,860	-	-	20,860
-	-	-	-	-	25,029	31,286
28,119	-	27,332	-	-	-	55,476
-	(175)	-	(2,296)	(801)	(87)	(10,012)
2,961	-	17,267	-	-	-	49,822
<u>31,080</u>	<u>(175)</u>	<u>44,599</u>	<u>18,564</u>	<u>(801)</u>	<u>24,942</u>	<u>245,470</u>
-	-	1,560	-	-	-	1,560
-	-	-	-	-	-	3,026
15,455	-	150,772	-	-	-	168,192
-	-	-	189,609	57,581	-	353,278
-	-	-	-	-	46,394	46,394
-	-	-	-	-	-	659
-	-	-	19,425	-	-	19,425
<u>15,455</u>	<u>-</u>	<u>152,332</u>	<u>209,034</u>	<u>57,581</u>	<u>46,394</u>	<u>592,534</u>
15,625	(175)	(107,733)	(190,470)	(58,382)	(21,452)	(347,064)
-	-	-	-	-	-	(10,481)
15,625	(175)	(107,733)	(190,470)	(58,382)	(21,452)	(357,545)
<u>(144,761)</u>	<u>13,758</u>	<u>-</u>	<u>165,967</u>	<u>58,382</u>	<u>13,883</u>	<u>821,509</u>
<u>\$ (129,136)</u>	<u>\$ 13,583</u>	<u>\$ (107,733)</u>	<u>\$ (24,503)</u>	<u>\$ -</u>	<u>\$ (7,569)</u>	<u>\$ 463,964</u>

City of Isanti, Minnesota  
Nonmajor Capital Projects Funds  
Combining Balance Sheet  
December 31, 2022

	<b>427</b> Fairway Blvd/ County 5 Signal	<b>438</b> City Parking Improvements	Total
Assets			
Cash and temporary investments	\$ 221,430	\$ (74,687)	\$ 146,743
Accrued interest receivable	326	-	326
	<u>221,756</u>	<u>(74,687)</u>	<u>147,069</u>
Total Assets	<u>\$ 221,756</u>	<u>\$ (74,687)</u>	<u>\$ 147,069</u>
Fund Balances			
Assigned	221,756	-	221,756
Unassigned	<u>-</u>	<u>(74,687)</u>	<u>(74,687)</u>
Total Fund Balances	<u>\$ 221,756</u>	<u>\$ (74,687)</u>	<u>\$ 147,069</u>

City of Isanti, Minnesota  
Nonmajor Capital Projects Funds  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances  
For the Year Ended December 31, 2022

	<b>427</b> Signal Light Improvements	<b>438</b> City Parking Improvements	Total
Revenues			
Investment earnings (loss)	\$ (2,894)	\$ -	\$ (2,894)
Net Change in Fund Balances	(2,894)	-	(2,894)
Fund Balances, January 1	224,650	(74,687)	149,963
Fund Balances, December 31	<u>\$ 221,756</u>	<u>\$ (74,687)</u>	<u>\$ 147,069</u>

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

	2022			2021
	Budget Amounts		Variance with Final Budget	Actual Amounts
	Original	Final		
Revenues				
Property taxes	\$ 2,187,663	\$ 2,187,663	\$ 2,261,261	\$ 73,598
Licenses and permits				
Business	13,800	13,800	11,745	(2,055)
Nonbusiness	371,700	371,700	302,625	(69,075)
Total licenses and permits	385,500	385,500	314,370	(71,130)
Intergovernmental				
Federal				
Other	40,800	40,800	29,995	(10,805)
State				
Local government aid	799,088	799,088	799,088	-
Property tax credits	-	-	17	17
Police aid	87,500	87,500	98,446	10,946
Municipal state aid				
street maintenance	75,000	75,000	82,564	7,564
Other	1,205	1,205	2,723	1,518
Total intergovernmental	1,003,593	1,003,593	1,012,833	9,240
Charges for services				
General government	94,550	94,550	38,012	(56,538)
Public safety	83,750	83,750	77,362	(6,388)
Public works	8,250	8,250	7,010	(1,240)
Culture and recreation	15,850	15,850	73,957	58,107
Total charges for services	202,400	202,400	196,341	(6,059)
Fines and forfeitures	39,000	39,000	22,912	(16,088)
Investment earnings	30,000	30,000	42,049	12,049
Miscellaneous				
Refunds and reimbursements	12,500	12,500	35,224	22,724
Other	8,750	8,750	1,366	(7,384)
Total miscellaneous	21,250	21,250	36,590	15,340
Total Revenues	3,869,406	3,869,406	3,886,356	16,950
				3,485,785

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

	2022				2021
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and city council					
Personnel services	\$ 26,834	\$ 26,834	\$ 24,573	\$ 2,261	\$ 24,842
Supplies	3,250	3,250	1,704	1,546	830
Other services and charges	9,980	9,980	10,877	(897)	10,005
Total mayor and city council	<u>40,064</u>	<u>40,064</u>	<u>37,154</u>	<u>2,910</u>	<u>35,677</u>
Elections					
Personnel services	7,250	7,250	5,581	1,669	-
Supplies	350	350	88	262	-
Other services and charges	3,100	3,100	1,493	1,607	1,436
Total elections	<u>10,700</u>	<u>10,700</u>	<u>7,162</u>	<u>3,538</u>	<u>1,436</u>
Financial administration					
Personnel services	485,969	485,969	489,852	(3,883)	446,476
Supplies	34,790	34,790	28,184	6,606	33,937
Other services and charges	87,911	87,911	70,762	17,149	79,735
Total finance administration	<u>608,670</u>	<u>608,670</u>	<u>588,798</u>	<u>19,872</u>	<u>560,148</u>
Planning and zoning					
Personnel services	113,701	113,701	117,305	(3,604)	115,476
Supplies	4,405	4,405	3,149	1,256	2,628
Other services and charges	25,972	25,972	11,263	14,709	13,266
Total planning and zoning	<u>144,078</u>	<u>144,078</u>	<u>131,717</u>	<u>12,361</u>	<u>131,370</u>
Municipal building					
Supplies	1,750	1,750	3,558	(1,808)	3,660
Other services and charges	36,390	36,390	48,864	(12,474)	45,931
Total municipal building	<u>38,140</u>	<u>38,140</u>	<u>52,422</u>	<u>(14,282)</u>	<u>49,591</u>
Total general government	<u>841,652</u>	<u>841,652</u>	<u>817,253</u>	<u>24,399</u>	<u>778,222</u>

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

Expenditures (Continued)

Current (continued)

Public safety

Police

Personnel services	\$ 1,631,149	\$ 1,631,149	\$ 1,474,801	\$ 156,348	\$ 1,456,632
Supplies	25,175	25,175	24,497	678	24,463
Other services and charges	207,127	207,127	235,247	(28,120)	202,770
Total police	<u>1,863,451</u>	<u>1,863,451</u>	<u>1,734,545</u>	<u>128,906</u>	<u>1,683,865</u>

Fire protection

Other services and charges	<u>273,600</u>	<u>273,600</u>	<u>276,030</u>	<u>(2,430)</u>	<u>253,972</u>
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Building inspection

Personnel services	233,765	233,765	230,922	2,843	193,758
Supplies	4,605	4,605	3,211	1,394	713
Other services and charges	42,152	42,152	30,563	11,589	31,055
Total building inspection	<u>280,522</u>	<u>280,522</u>	<u>264,696</u>	<u>15,826</u>	<u>225,526</u>

Animal control

Supplies	90	90	120	(30)	-
Other services and charges	3,005	3,005	1,002	2,003	3,000
Total animal control	<u>3,095</u>	<u>3,095</u>	<u>1,122</u>	<u>1,973</u>	<u>3,000</u>

Total public safety

	<u>2,420,668</u>	<u>2,420,668</u>	<u>2,276,393</u>	<u>144,275</u>	<u>2,166,363</u>
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Public works

Streets and highways

Personnel services	238,583	238,583	219,674	18,909	206,668
Supplies	114,825	114,825	111,657	3,168	75,710
Other services and charges	69,696	69,696	63,513	6,183	46,444
Total streets and highways	<u>423,104</u>	<u>423,104</u>	<u>394,844</u>	<u>28,260</u>	<u>328,822</u>

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

Expenditures (Continued)					
Current (continued)					
Public works (continued)					
Street lighting					
Other services and charges	\$ 53,500	\$ 53,500	\$ 53,769	\$ (269)	\$ 58,434
Sanitation and waste control					
Personnel services	22,370	22,370	19,850	2,520	19,180
Supplies	1,300	1,300	1,773	(473)	1,168
Other services and charges	2,780	2,780	2,892	(112)	3,285
Total sanitation and waste control	26,450	26,450	24,515	1,935	23,633
General City maintenance					
Personnel services	40,380	40,380	38,841	1,539	36,722
Supplies	4,880	4,880	3,034	1,846	1,224
Other services and charges	16,685	16,685	20,124	(3,439)	16,021
Total general city maintenance	61,945	61,945	61,999	(54)	53,967
Total public works	564,999	564,999	535,127	29,872	464,856
Culture and recreation					
Parks and recreation					
Personnel services	259,456	259,456	230,870	28,586	217,135
Supplies	13,455	13,455	10,804	2,651	9,510
Other services and charges	134,009	134,009	139,051	(5,042)	111,831
Total parks and recreation	406,920	406,920	380,725	26,195	338,476
Total culture and recreation	406,920	406,920	380,725	26,195	338,476
Economic development					
Other services and charges	14,885	14,885	42,161	(27,276)	14,987
Total Expenditures	4,249,124	4,249,124	4,051,659	197,465	3,762,904
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(379,718)	(379,718)	(165,303)	214,415	(277,119)
Other Financing Sources (Uses)					
Sale of capital assets	-	-	95	95	-
Transfers in	360,481	360,481	409,152	48,671	486,400
Transfers out	(25,765)	(25,765)	-	25,765	-
Total Other Financing Sources (Uses)	334,716	334,716	409,247	74,531	486,400
Net Change in Fund Balances	(45,002)	(45,002)	243,944	288,946	209,281
Fund Balances, January 1	1,728,418	1,728,418	1,728,418	-	1,519,137
Fund Balances, December 31	\$ 1,683,416	\$ 1,683,416	\$ 1,972,362	\$ 288,946	\$ 1,728,418

City of Isanti, Minnesota  
Debt Service Funds  
Combining Balance Sheet  
December 31, 2022

	<b>929</b> 2010B G.O. Improvement Bonds	<b>930</b> 2011A G.O. Improvement Bonds	<b>931</b> 2021A G.O. Tax Abatement Bonds	<b>932</b> 2014B G.O. Improvement Bonds	Total
<b>Assets</b>					
Cash and temporary investments	\$ -	\$ -	\$ 272,689	\$ 58,900	\$ 331,589
Receivables					
Accrued interest	-	-	401	87	488
<b>Total Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 273,090</u>	<u>\$ 58,987</u>	<u>\$ 332,077</u>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ 446	\$ 446	\$ 892
<b>Fund Balances</b>					
Restricted for debt service	-	-	272,644	58,541	331,185
<b>Total Liabilities and Fund Balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 273,090</u>	<u>\$ 58,987</u>	<u>\$ 332,077</u>



City of Isanti, Minnesota  
Debt Service Funds  
Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
For the Year Ended December 31, 2022

	<b>929</b> 2010B G.O. Improvement Bonds	<b>930</b> 2011A G.O. Improvement Bonds	<b>931</b> 2021A G.O. Tax Abatement Bonds	<b>932</b> 2014B G.O. Improvement Bonds	Total
Revenues					
Property taxes	\$ -	\$ -	\$ 223,821	\$ 49,329	\$ 273,150
Special assessments	-	706	-	-	706
Investment earnings (loss)	(728)	(468)	(1,919)	60	(3,055)
Total Revenues	<u>(728)</u>	<u>238</u>	<u>221,902</u>	<u>49,389</u>	<u>270,801</u>
Expenditures					
Debt service					
Principal	-	90,000	165,000	45,000	300,000
Interest and other	-	1,215	41,739	2,966	45,920
Total Expenditures	<u>-</u>	<u>91,215</u>	<u>206,739</u>	<u>47,966</u>	<u>345,920</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(728)</u>	<u>(90,977)</u>	<u>15,163</u>	<u>1,423</u>	<u>(75,119)</u>
Other Financing Sources (Uses)					
Payment on refunding bonds	-	-	(1,475,000)	-	(1,475,000)
Transfers in	-	41,050	-	-	41,050
Transfers out	(48,671)	(79,042)	-	-	(127,713)
Total Other Financing Sources (Uses)	<u>(48,671)</u>	<u>(37,992)</u>	<u>(1,475,000)</u>	<u>-</u>	<u>(1,561,663)</u>
Net Change in Fund Balances	(49,399)	(128,969)	(1,459,837)	1,423	(1,636,782)
Fund Balances, January 1	<u>49,399</u>	<u>128,969</u>	<u>1,732,481</u>	<u>57,118</u>	<u>1,967,967</u>
Fund Balances, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 272,644</u>	<u>\$ 58,541</u>	<u>\$ 331,185</u>

City of Isanti, Minnesota  
Summary Financial Report  
Revenues and Expenditures for General Operations  
Governmental Funds  
For the Years Ended December 31, 2022 and 2021

	Total		Percent Increase (Decrease)
	2022	2021	
Revenues			
Taxes	\$ 3,763,240	\$ 3,343,998	12.54 %
Licenses and permits	314,370	348,714	(9.85)
Intergovernmental	1,318,524	1,235,283	6.74
Charges for services	385,817	453,730	(14.97)
Fines and forfeits	22,912	33,290	(31.17)
Special assessments	41,074	75,908	(45.89)
Investment earnings	19,428	1,946	898.36
Miscellaneous	117,995	59,406	98.62
Total Revenues	<u>\$ 5,983,360</u>	<u>\$ 5,552,275</u>	7.76 %
Per Capita	<u>\$ 852</u>	<u>\$ 816</u>	4.42 %
Expenditures			
Current			
General government	\$ 818,813	\$ 766,853	6.78 %
Public safety	2,279,419	2,177,982	4.66
Public works	535,127	464,856	15.12
Culture and recreation	548,917	356,068	54.16
Economic development	395,439	121,139	226.43
Capital outlay			
General government	72,069	33,187	117.16
Public safety	84,035	1,577,386	(94.67)
Public works	985,575	1,076,565	(8.45)
Culture and recreation	66,568	322,577	(79.36)
Economic development	19,425	-	100.00
Debt service			
Principal	300,000	670,000	(55.22)
Interest and other	45,920	110,878	(58.59)
Total Expenditures	<u>\$ 6,151,307</u>	<u>\$ 7,677,491</u>	(19.88) %
Per Capita	<u>\$ 876</u>	<u>\$ 1,128</u>	(22.37) %
Total Long-term Indebtedness	\$ 1,535,000	\$ 3,310,000	(53.63) %
Per Capita	219	486	(55.06)
General Fund Balance - December 31	\$ 1,972,362	\$ 1,728,418	14.11 %
Per Capita	281	254	10.57

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

OTHER REQUIRED REPORTS

CITY OF ISANTI  
ISANTI, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2022

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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, 2022, and the related notes to the financial statements, and have issued our report thereon dated April 17, 2023.

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

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



**Abdo**  
Minneapolis, Minnesota  
April 17, 2023

**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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 17, 2023.

**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.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Finding and Response, we identified certain deficiencies in internal control that we consider 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Finding and Response as item 2022-001 to be a significant deficiency.

## Response to the Finding

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

## Purpose of this Report

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



**Abdo**  
Minneapolis, Minnesota  
April 17, 2023



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City of Isanti, Minnesota  
Schedule of Finding and Response  
For the Year Ended December 31, 2022

<u>Finding</u>	<u>Description</u>
<b>2022-001</b>	<b>Preparation of Financial Statements</b>
<i>Condition:</i>	As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Recent auditing standards require auditors to communicate this situation to the City Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over the reliability of financial records and reporting.
<i>Cause:</i>	From a practical standpoint, we both prepare your statements and determine the fairness of that presentation at the same time in connection with our audit. This is not unusual for us to do with organizations of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting. We have instructed management to review a draft of the auditor prepared financials in detail for accuracy; we have answered any questions that management might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosures in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.
<i>Recommendation:</i>	Under these circumstances, the most effective controls lie in management's knowledge of the City's financial operations. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations. Regarding the specific situations listed above, we would offer the following specific recommendations: 1) Utilize a disclosure checklist to ensure all required disclosures are present and agree to work papers, and 2) Agree your accounting information from your accounting software to the amounts reported in the financial statements.
<i>Management Response:</i>	
	For now, the City accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.