



*Lighting the path forward*

# City of Isanti

2021 Financial Statement Audit

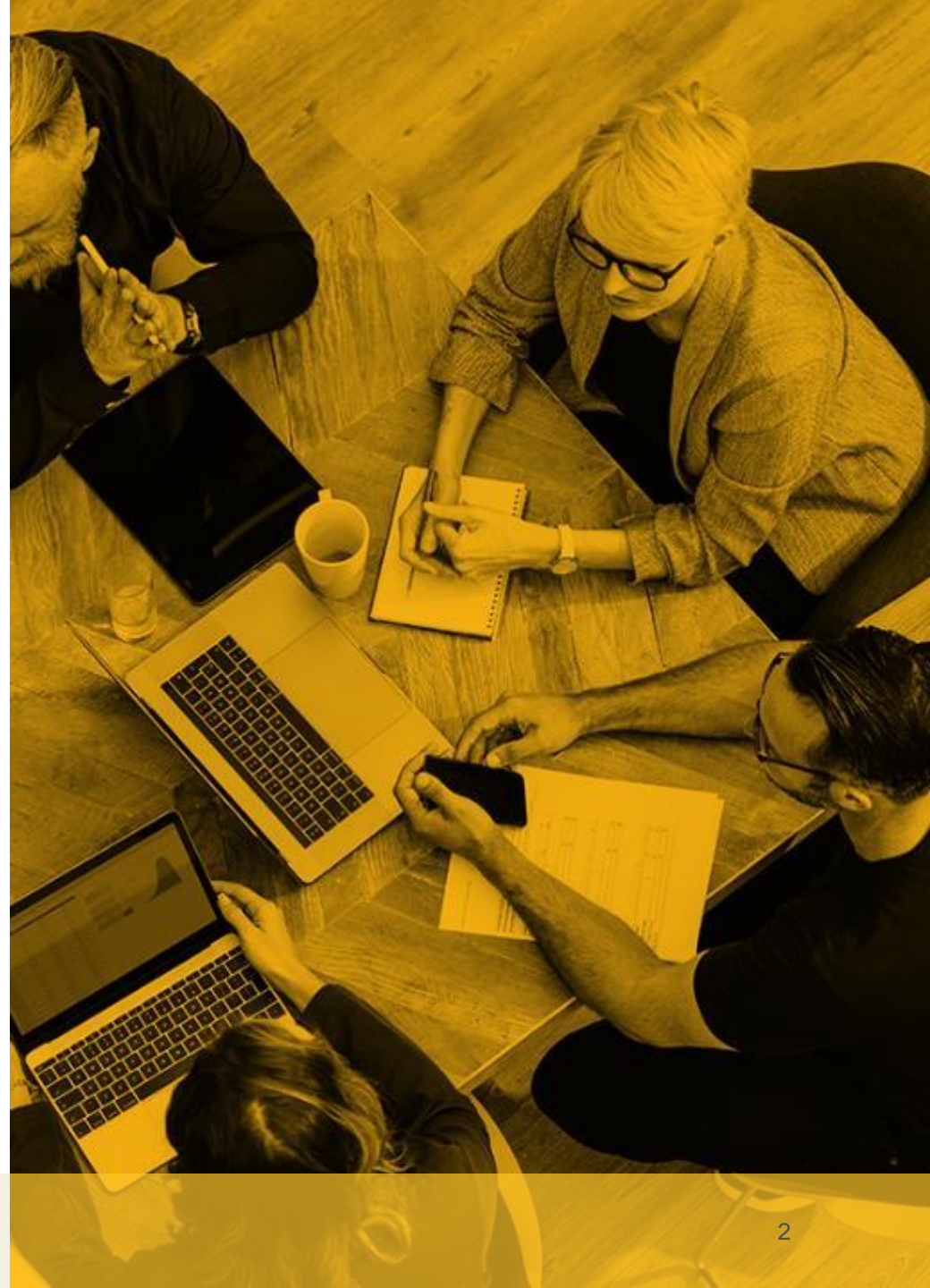
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# Introduction

- Audit Opinion and Responsibility
- General Fund Results
- Other Governmental Funds
- Enterprise Funds
- Key Performance Indicators



# Audit Results

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**Auditor's Opinion**



Unmodified/Clean  
Opinion

**Minnesota Legal  
Compliance**



No Compliance Findings  
Reported



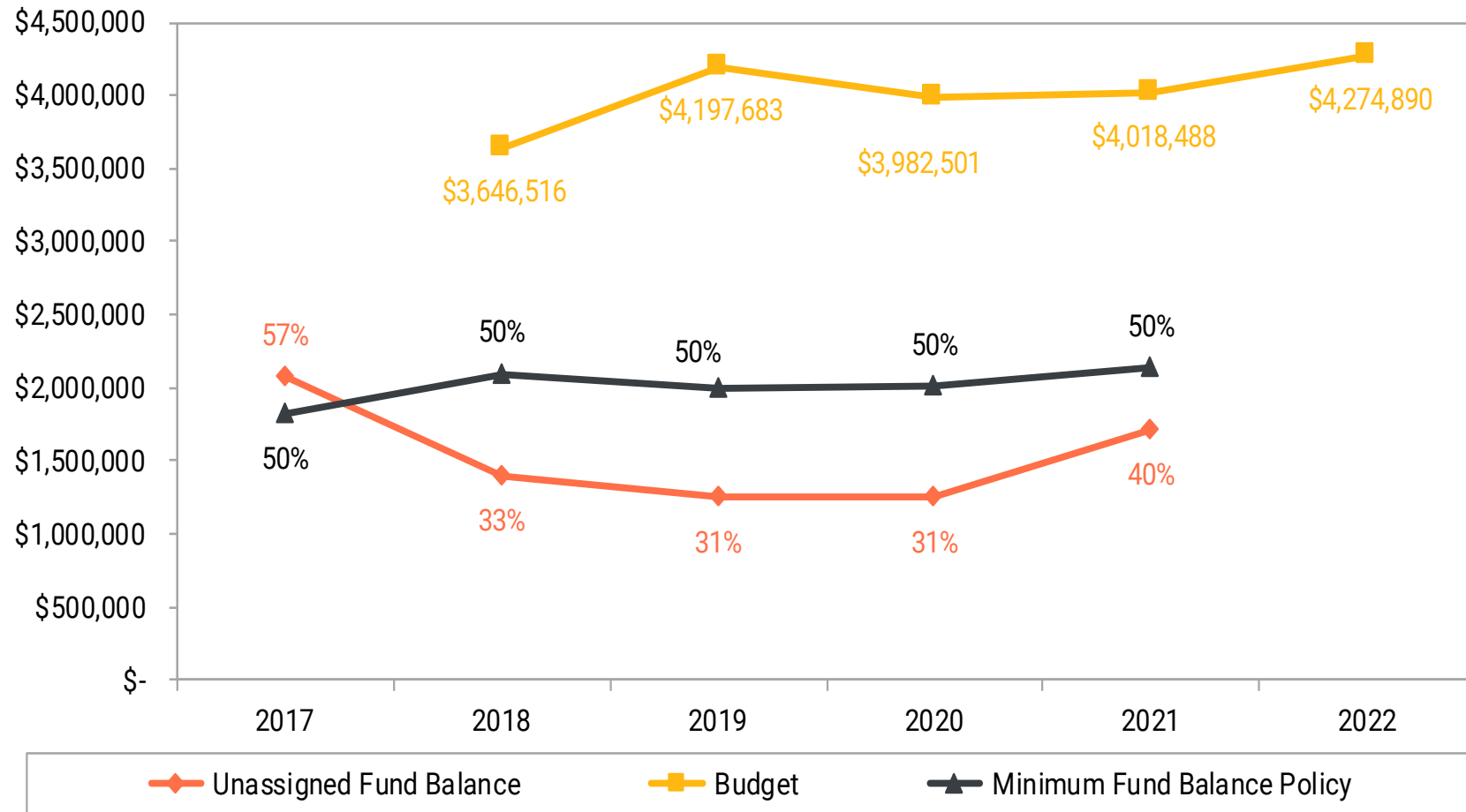
# Audit Results

## 2021 Audit Findings

- Preparation of Financial Statements
  - Internal Control Finding



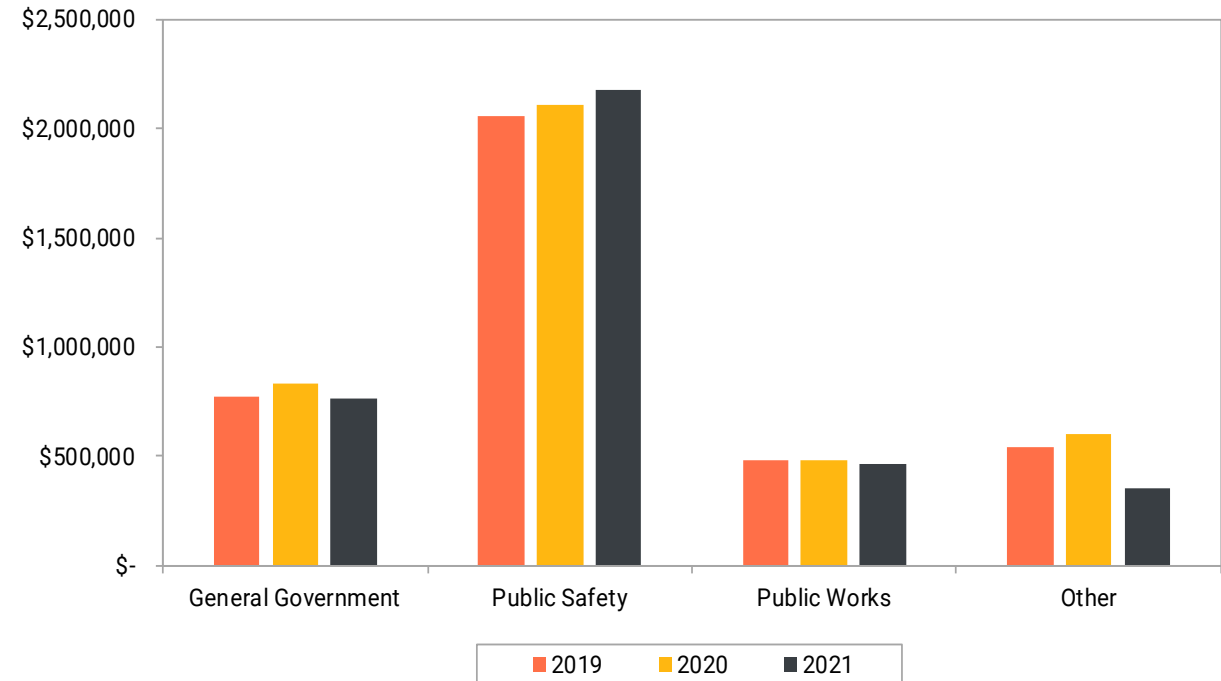
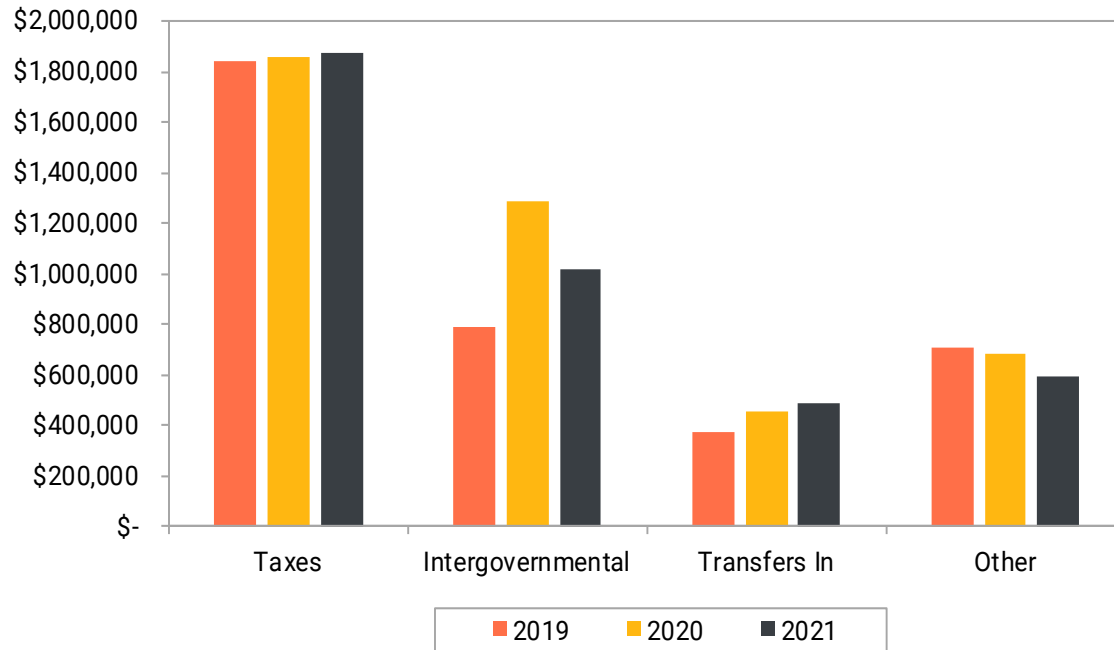
# General Fund - Fund Balances



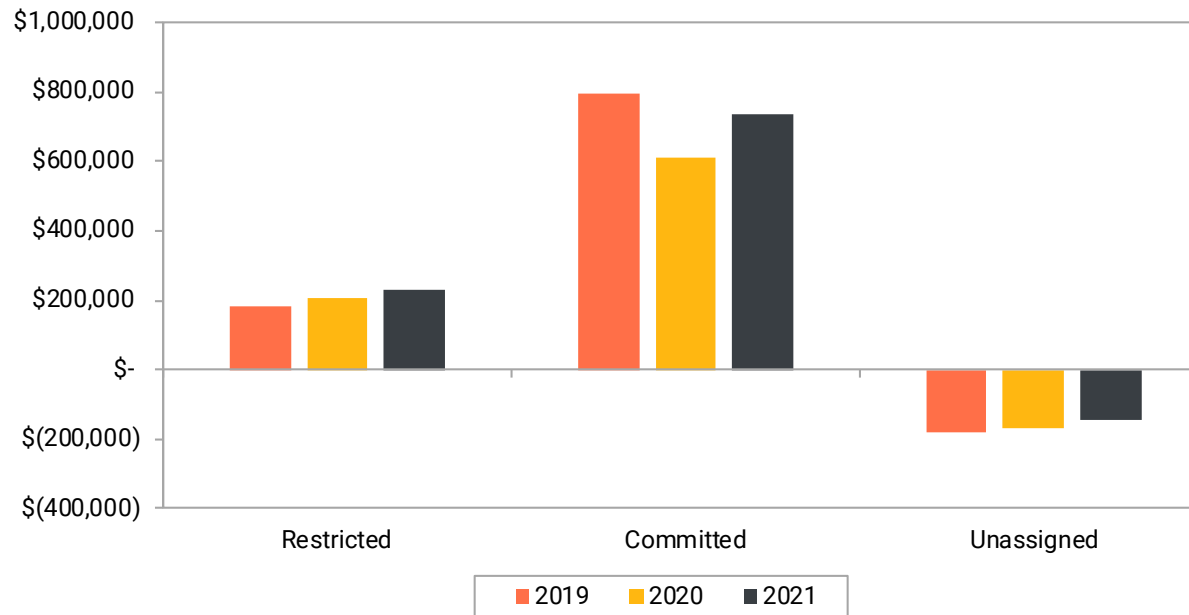
# General Fund Budget to Actual

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 3,578,539	\$ 3,485,785	\$ (92,754)
Expenditures	<u>3,904,544</u>	<u>3,762,904</u>	<u>141,640</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(326,005)</u>	<u>(277,119)</u>	<u>48,886</u>
Other Financing Sources (Uses)			
Transfers in	486,400	486,400	-
Transfers out	<u>(113,944)</u>	<u>-</u>	<u>113,944</u>
Total Other Financing Sources (Uses)	<u>372,456</u>	<u>486,400</u>	<u>113,944</u>
Net Change in Fund Balances	46,451	209,281	162,830
Fund Balances, January 1	<u>1,519,137</u>	<u>1,519,137</u>	<u>-</u>
Fund Balances, December 31	<u><u>\$ 1,565,588</u></u>	<u><u>\$ 1,728,418</u></u>	<u><u>\$ 162,830</u></u>

# General Fund Revenues and Expenditures by Type



Fund	Fund Balances December 31,		Increase (Decrease)
	2021	2020	
Nonmajor			
Redbirds Maintenance	\$ 3,021	\$ (149)	\$ 3,170
Economic Development Authority	30,373	153,956	(123,583)
Park	359,823	245,870	113,953
Revolving Loan	314,003	323,718	(9,715)
Forfeiture	7,060	7,115	(55)
Isanti Indoor Arena	(144,761)	(157,901)	13,140
Special Response Team	13,758	-	13,758
TIF 9	165,967	151,972	13,995
TIF 10	58,382	58,341	41
City Technology Improvement	13,883	11,888	1,995
<b>Total</b>	<b>\$ 821,509</b>	<b>\$ 794,810</b>	<b>\$ 26,699</b>

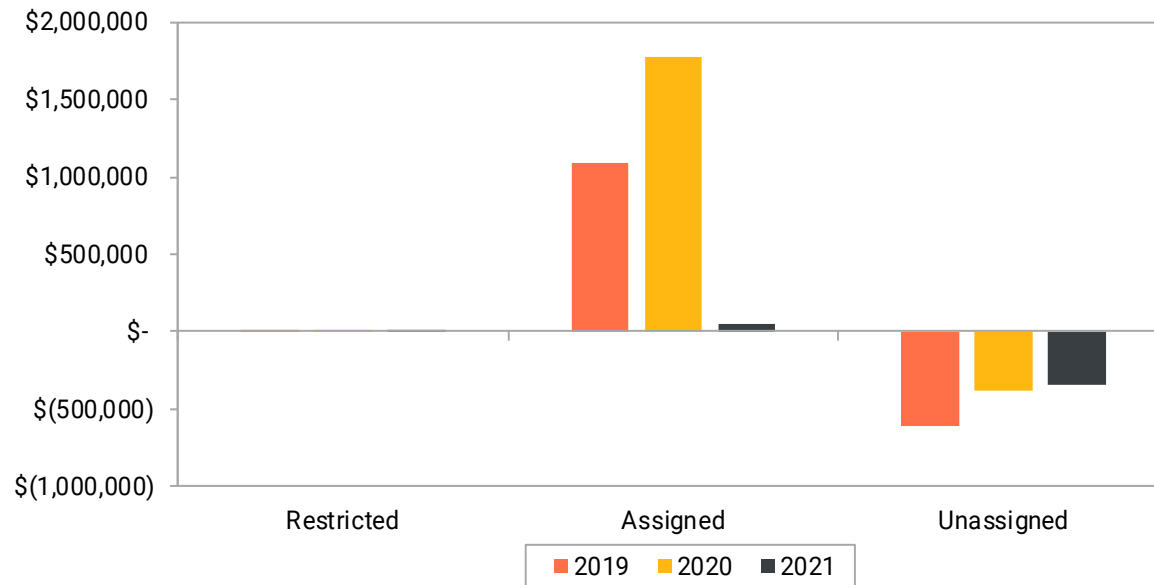


# Special Revenue Fund Balances



Fund	Fund Balances December 31,		Increase (Decrease)
	2021	2020	
Major			
Street Construction	\$ (268,671)	\$ (29,679)	\$ (238,992)
Capital Replacement	(163,760)	802,358	(966,118)
Nonmajor			
2017 Palomino Road Street Improvements	-	(66,193)	66,193
Signal Light Improvements	224,650	215,429	9,221
City Parking Improvements	(74,687)	(74,687)	-
Total	<u>\$ (282,468)</u>	<u>\$ 847,228</u>	<u>\$ (1,129,696)</u>

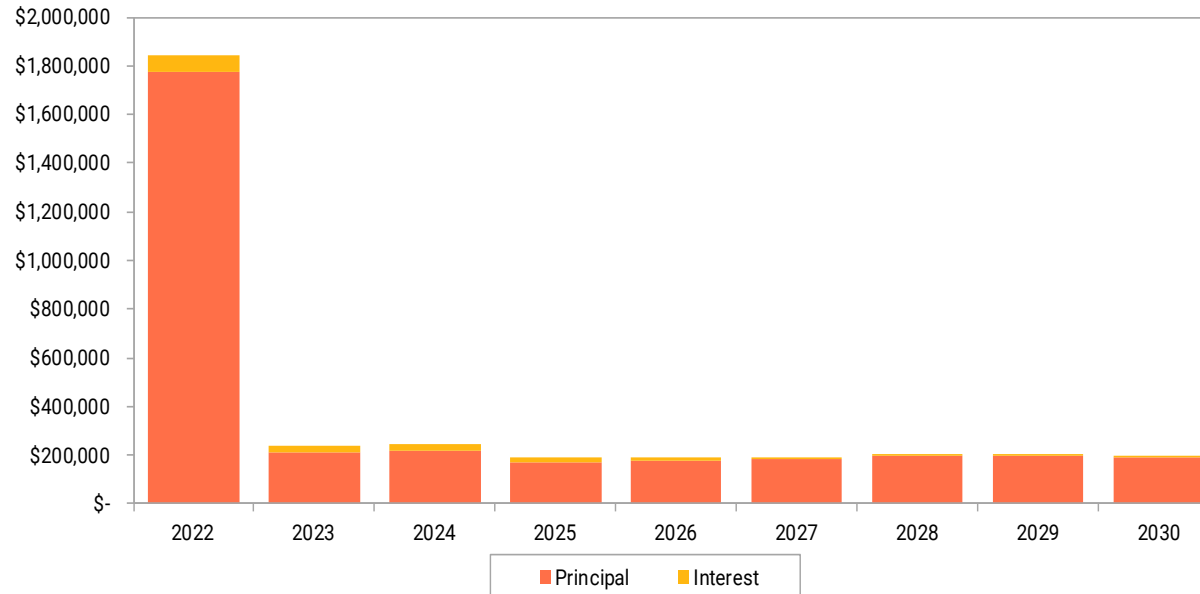
Note: The deficit in the Street Construction fund is expected to be eliminated in future years with MSA revenue and future tax revenues. The deficit in the Capital fund is expected to be eliminated in future years with future lease and tax revenues.



# Capital Project Fund Balances

Debt Service Fund	Cash Balance	Total Assets	Bonds Outstanding	Maturity Date
2010B G.O. Improvement Bonds	\$ 49,521	\$ 331,946	\$ -	08/01/21
2011A G.O. Improvement Bonds	128,444	142,939	90,000	02/01/22
2014B G.O. Improvement Bonds	57,267	57,274	135,000	02/01/24
2021A G.O. Tax Abatement Bonds	1,742,742	1,742,794	3,085,000	02/01/30
<b>Total</b>	<b>\$ 1,977,974</b>	<b>\$ 2,274,953</b>	<b>\$ 3,310,000</b>	
			<b>Total Remaining Interest Payments</b>	<b>\$ 187,673</b>

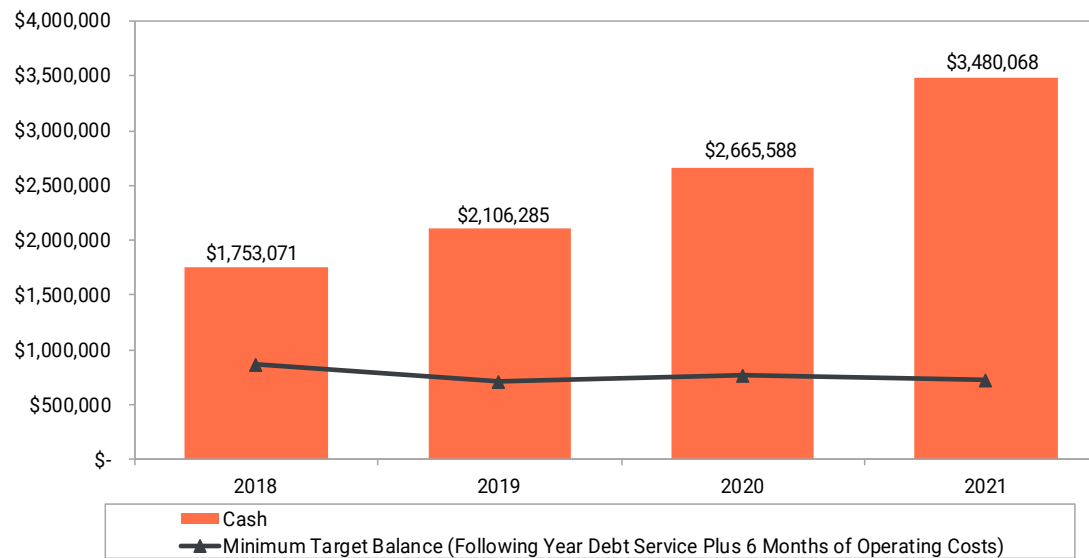
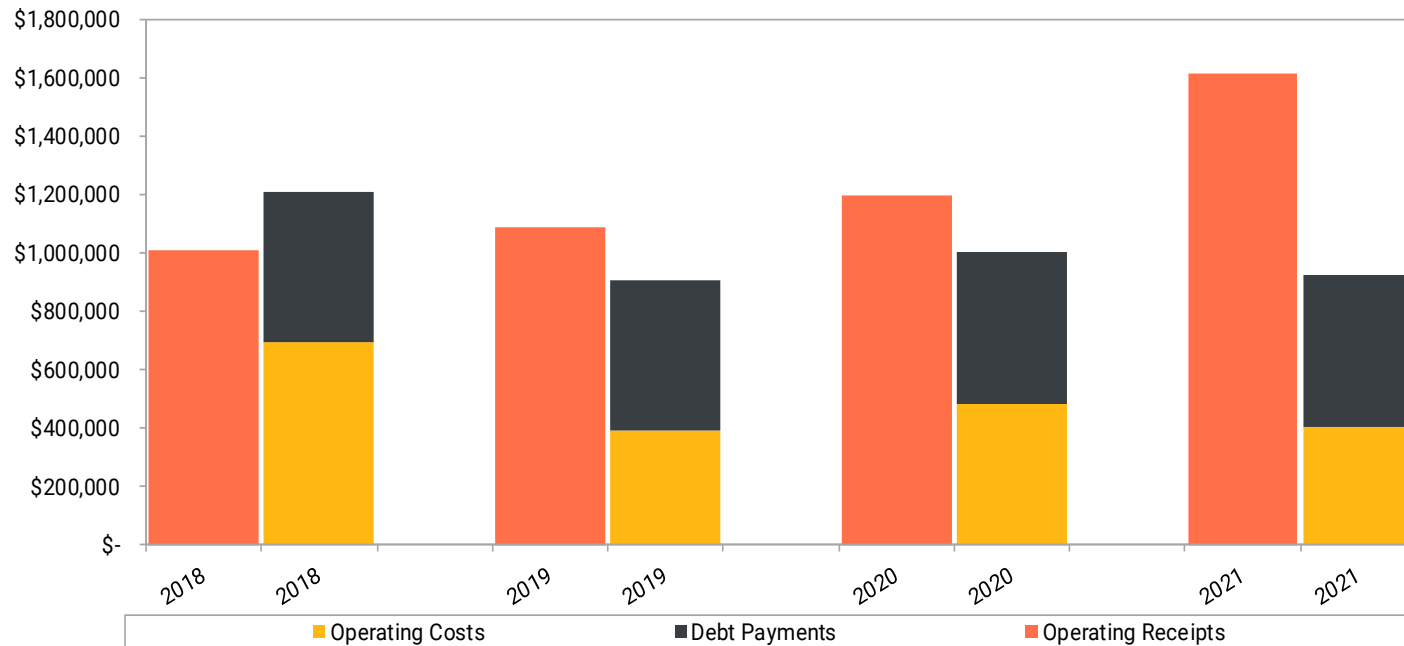
Note: The City refunded the 2014 – 2021 Tax Abatement bonds in 2021. The refunding payment of \$1,475,000 is scheduled to be made on February 1, 2022, accounting for the large increase in debt service payments in the chart below.



# Debt Service

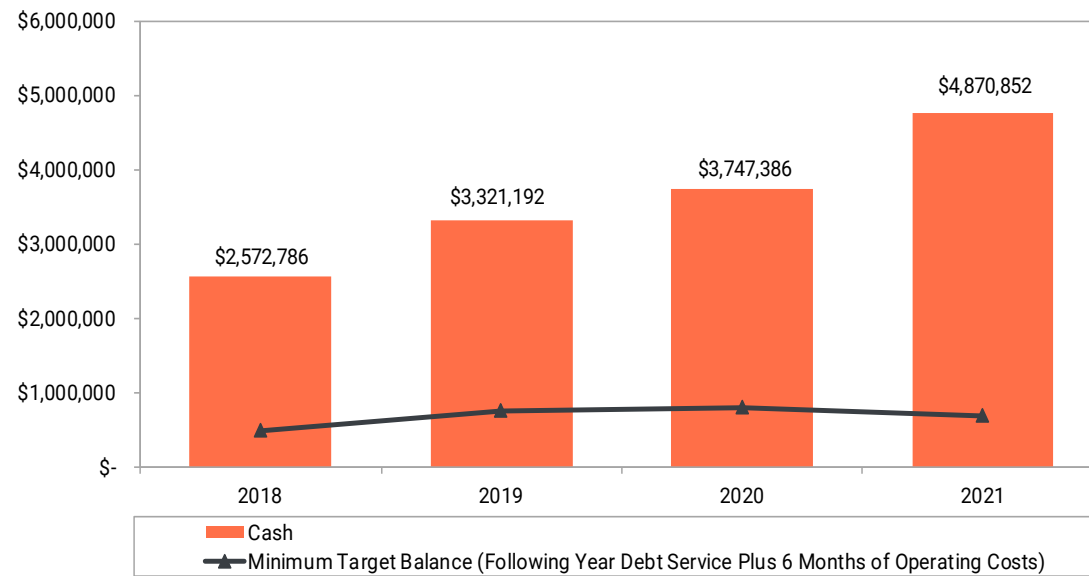
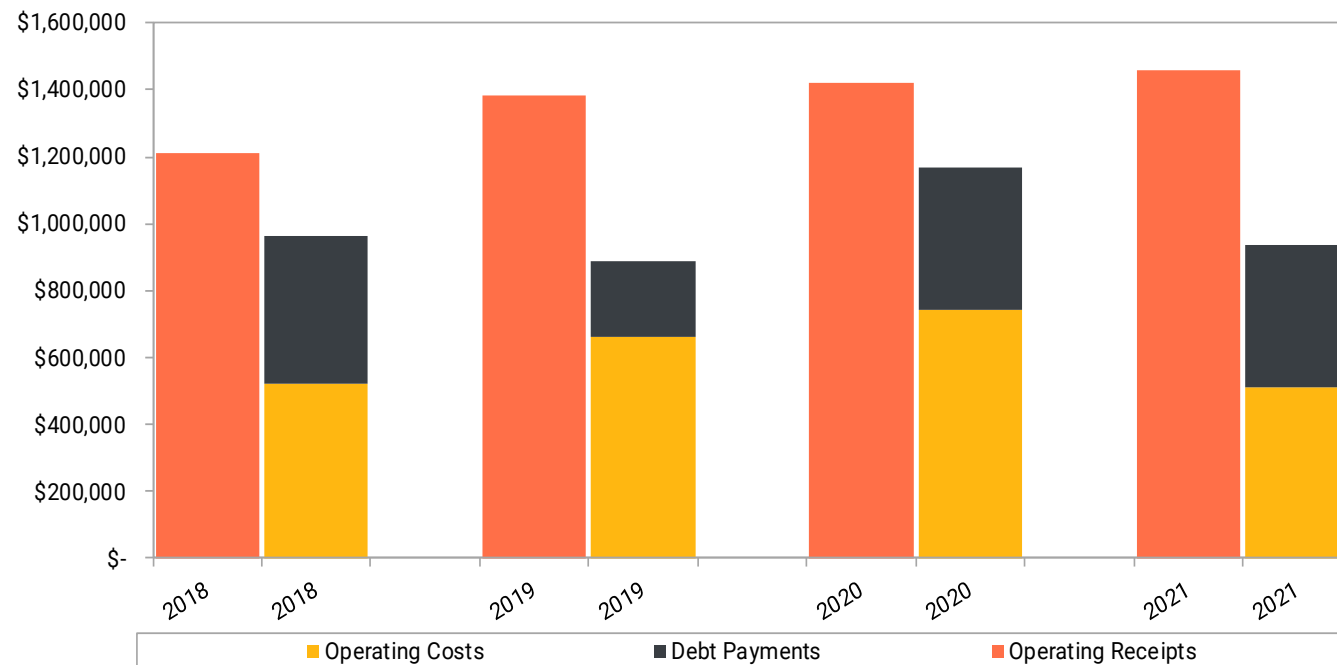
# Water Fund

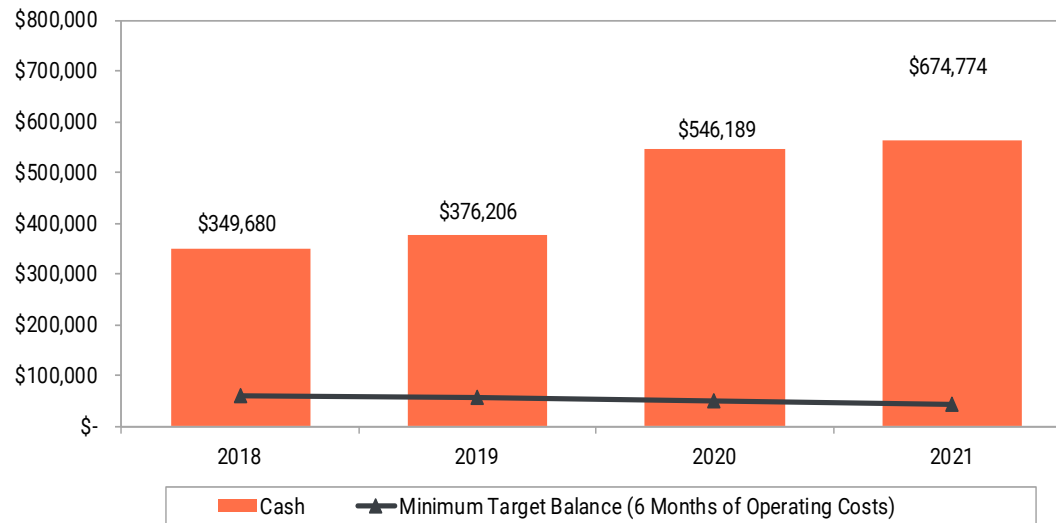
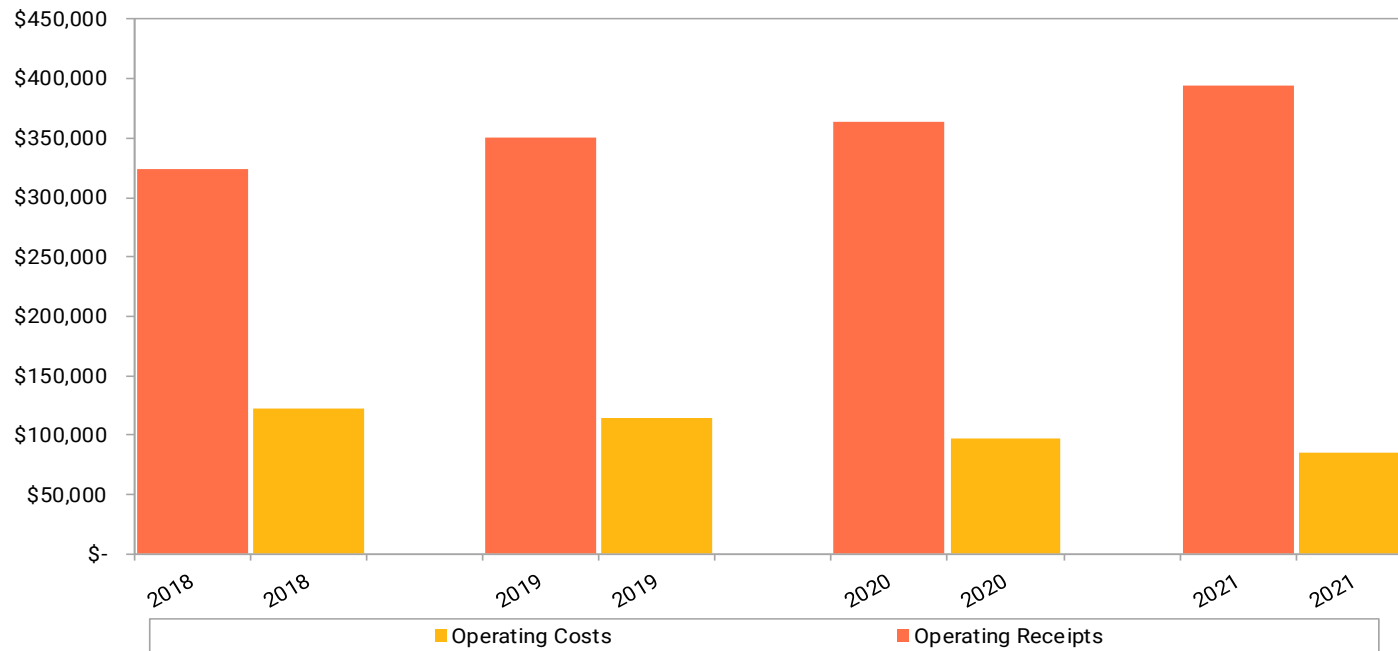
## Cash Flows from Operations and Cash Balances



# Sewer Fund

## Cash Flows from Operations and Cash Balances





# Stormwater Fund

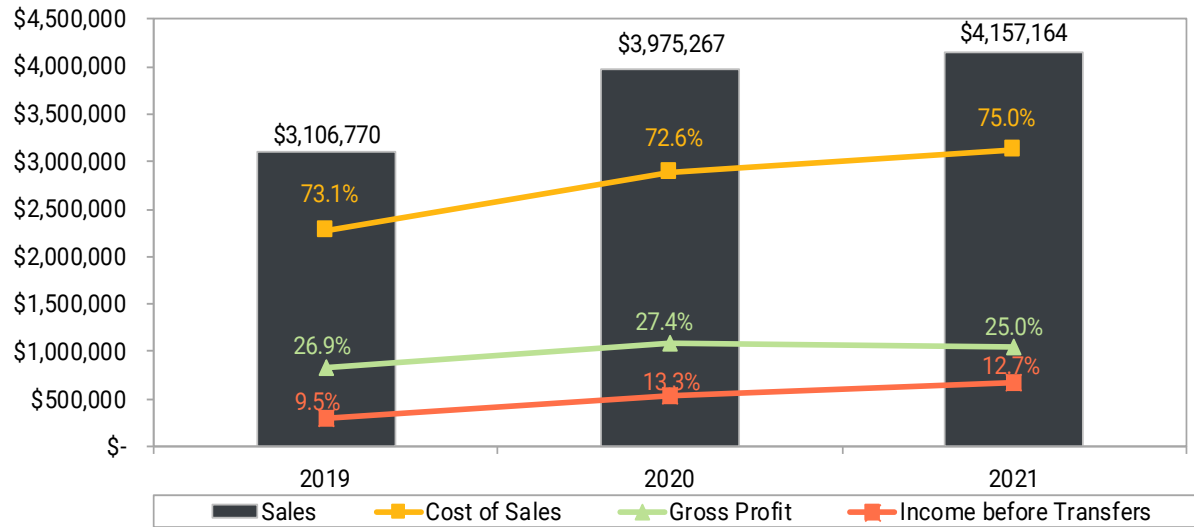
## Cash Flows from Operations and Cash Balances

	2019		2020		2021		2020
	Total	Percent	Total	Percent	Total	Percent	OSA Averages
Sales	\$ 3,106,770	100.0 %	\$ 3,975,267	100.0 %	\$ 4,157,164	100.0 %	100.0 %
Cost of Sales	2,270,724	73.1	2,886,887	72.6	3,115,854	75.0	73.5
Gross Profit	836,046	26.9	1,088,380	27.4	1,041,310	25.0	26.5
Operating Expenses	553,910	17.8	571,770	14.4	594,508	14.3	17
Operating Income	282,136	9.1	516,610	13.0	446,802	10.7	9.3
Nonoperating Revenues (Expenses)	13,233	0.4	12,629	0.3	81,257	2.0	0.4
Income Before Transfers	295,369	9.5	529,239	13.3	528,059	12.7	9.7
Transfers in	-	-	-	-	140,000	13.4	-
Transfers Out	(350,000)	(11.3)	(350,000)	(8.8)	(747,150)	(18.0)	-
Change in Net Position	\$ (54,631)	(1.8) %	\$ 179,239	4.5 %	\$ (79,091)	8.1 %	9.7 %
Cash and investments	\$ 457,696		\$ 289,607		\$ 1,271,834		

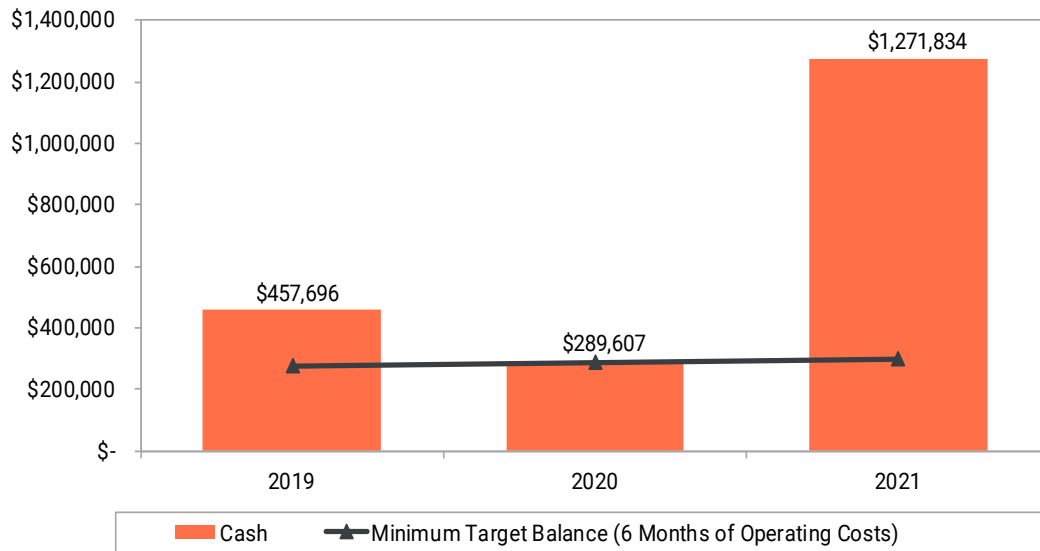
# Liquor Store Fund

## Gross Profit and Cash Balances





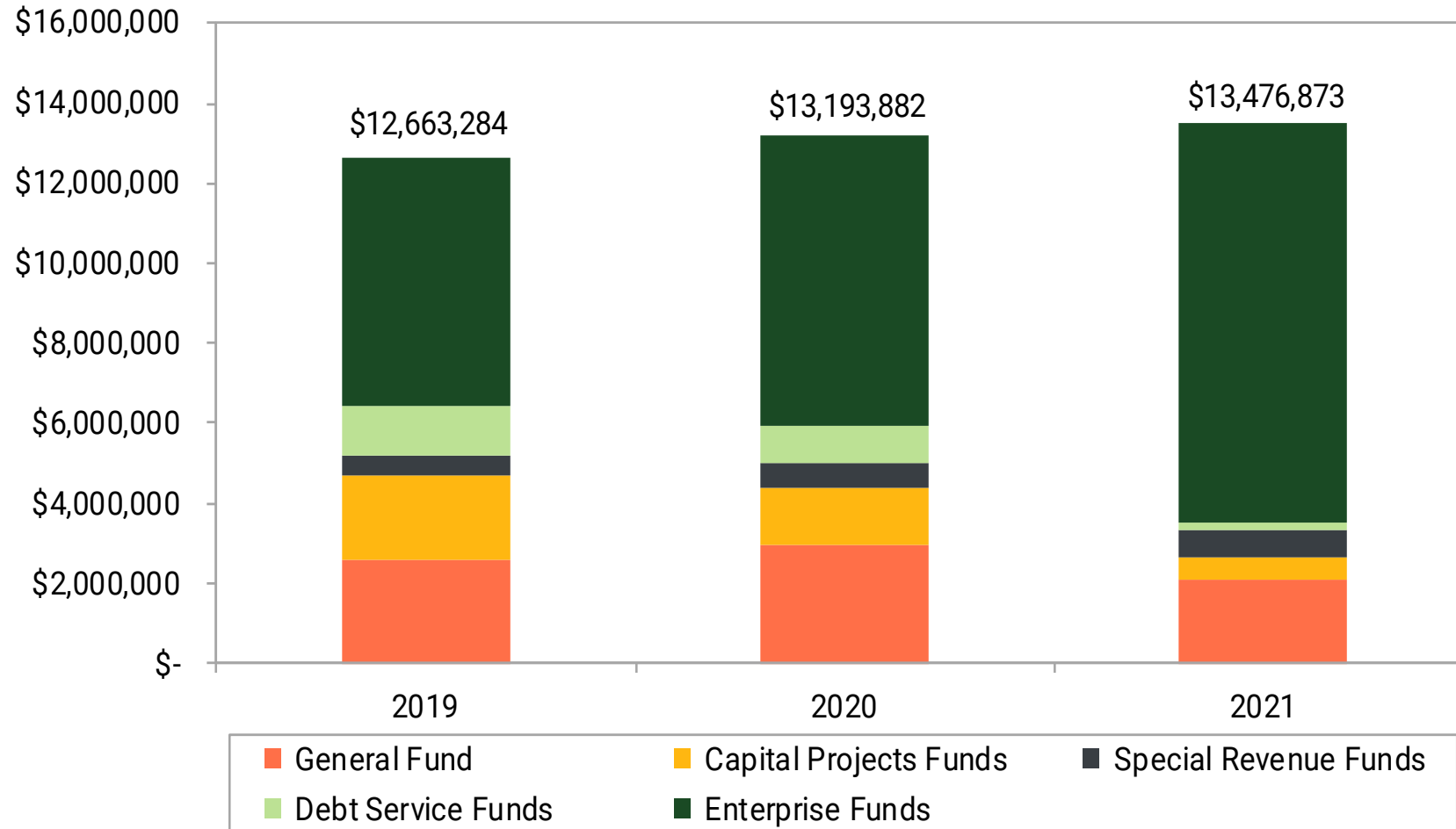
The Liquor store has unspent bond proceeds of \$564,717 accounting for a portion of the increase in cash at the end of 2021.



# Liquor Store Fund

## Gross Profit and Cash Balances

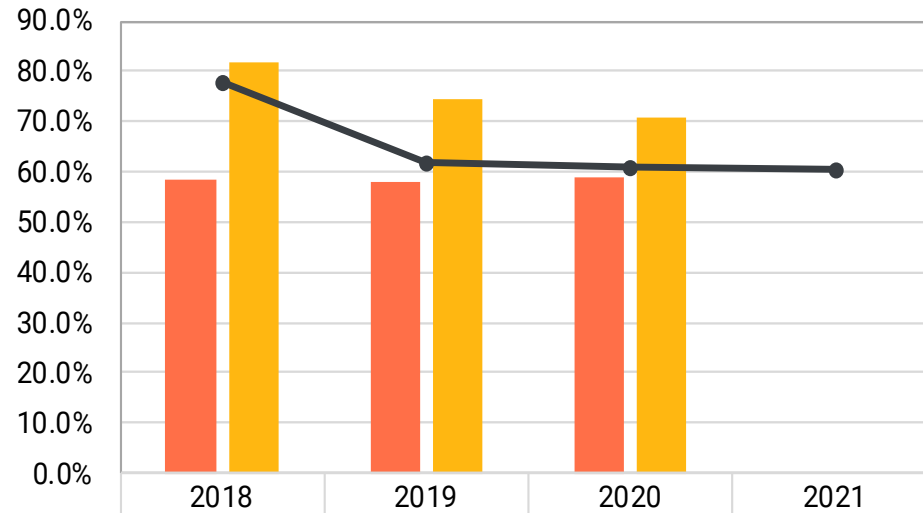
# Cash and Investments Balances



# Taxes

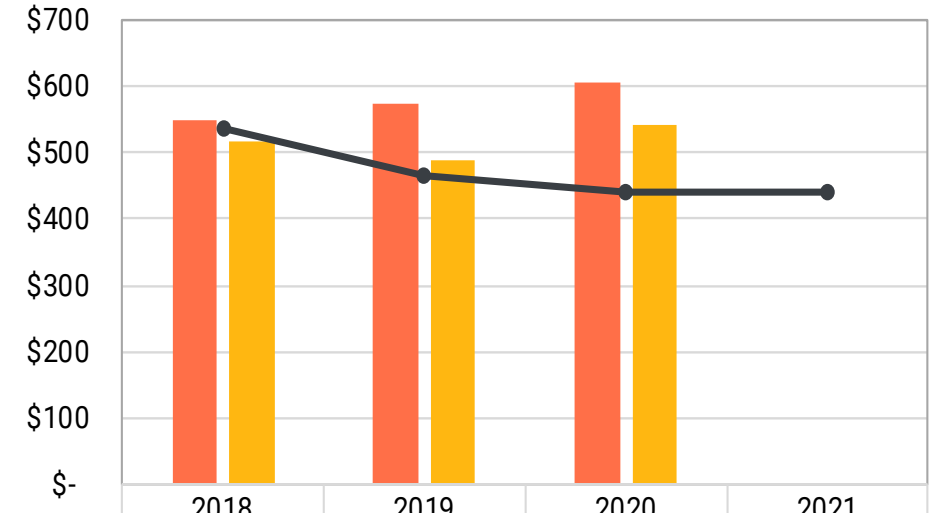
## Key Performance Indicators

**Tax Rates**



	2018	2019	2020	2021
Class 4 Cities	58.5%	58.1%	58.8%	N/A
Cities in Isanti County	81.9%	74.3%	70.9%	N/A
City of Isanti	77.8%	62.0%	61.2%	60.4%

**Taxes Per Capita**

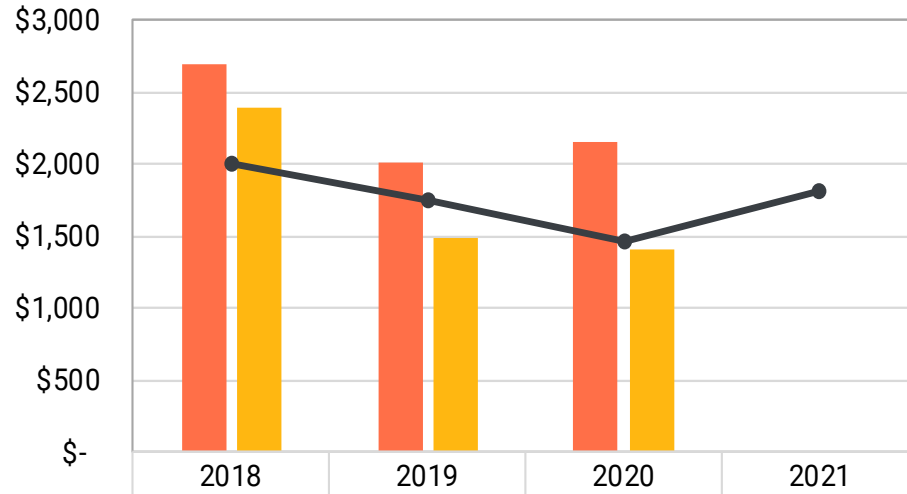


	2018	2019	2020	2021
Class 4 Cities	\$549	\$574	\$606	N/A
Cities in Isanti County	\$517	\$490	\$541	N/A
City of Isanti	\$535	\$465	\$440	\$439

# Debt

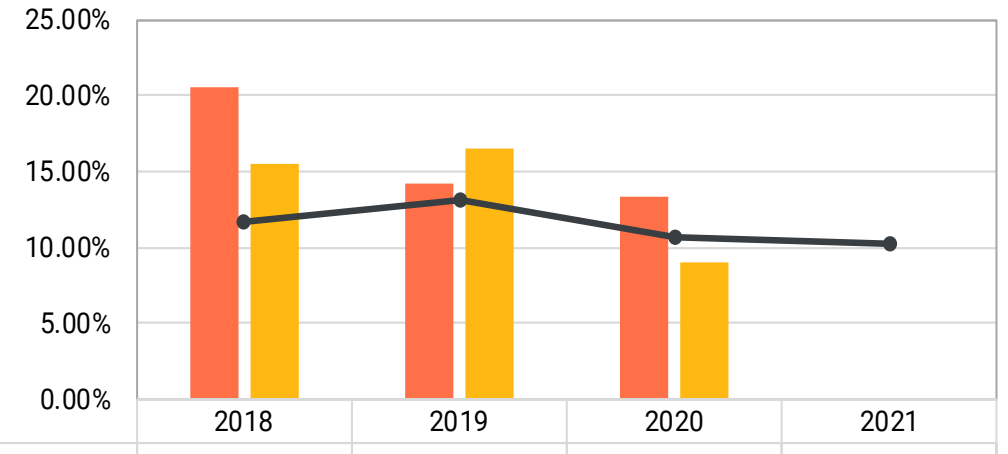
## Key Performance Indicators

**Debt Expenditures Per Capita**



	2018	2019	2020	2021
Class 4 Cities	\$2,697	\$2,005	\$2,150	N/A
Cities in Isanti County	\$2,398	\$1,489	\$1,411	N/A
City of Isanti	\$2,012	\$1,743	\$1,457	\$1,820

**Debt Service Expenditures as a Percent of Total Expenditures**

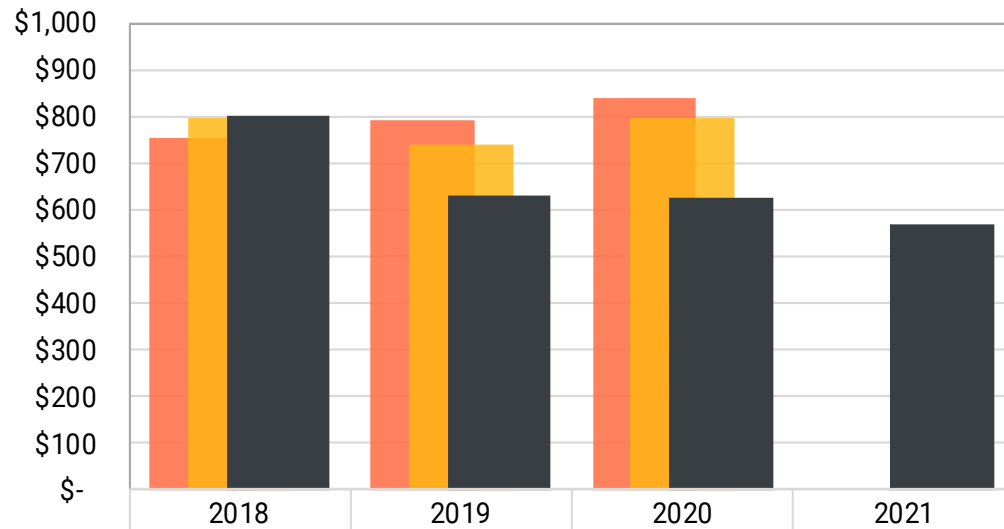


	2018	2019	2020	2021
Class 4 Cities	20.55%	14.16%	13.39%	N/A
Cities in Isanti County	15.50%	16.44%	8.93%	N/A
City of Isanti	11.70%	13.04%	10.70%	10.17%

# Expenditures

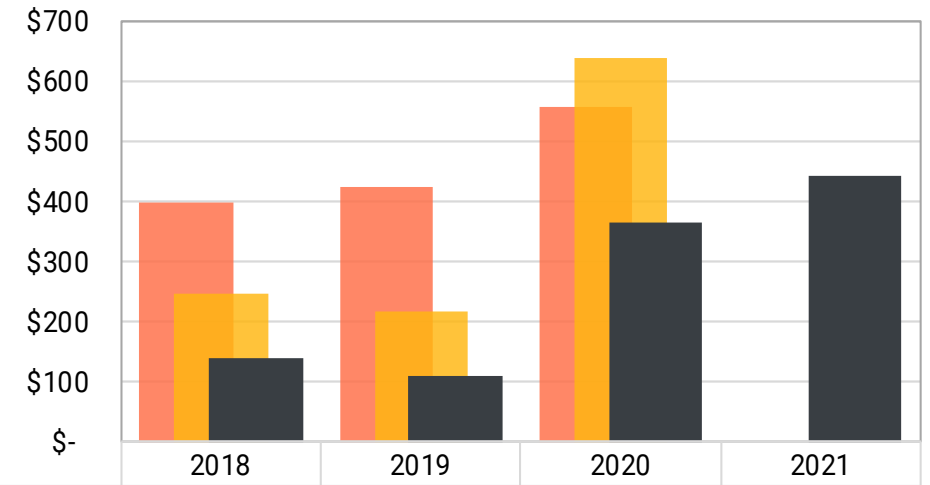
## Key Performance Indicators

**Current Expenditures Per Capita**



	2018	2019	2020	2021
Class 4 Cities	\$753	\$791	\$839	N/A
Cities in Isanti County	\$799	\$741	\$799	N/A
City of Isanti	\$803	\$630	\$628	\$571

**Capital Expenditures Per Capita**



	2018	2019	2020	2021
Class 4 Cities	\$400	\$426	\$558	N/A
Cities in Isanti County	\$245	\$217	\$639	N/A
City of Isanti	\$140	\$111	\$365	\$442

# Your Abdo Team



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Senior Manager

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Alex Trippel  
Associate

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# Management Communication

## City of Isanti

Isanti, Minnesota

For the year ended December 31, 2021



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**F** 952.835.3261

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Mankato, MN 56001  
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April 13, 2022

Management, Honorable Mayor and City Council  
City of Isanti, Minnesota

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Isanti, Minnesota (the City) for the year ended December 31, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 12, 2022. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. As described below, we identified a deficiency that we consider to be a significant deficiency, finding 2021-001.

**2021-001**

**Preparation of Financial Statements**

*Condition:*

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.

*Criteria:*

Internal controls should be in place to provide reasonable assurance over the reliability of financial records and reporting.

*Cause:*

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.

*Effect:*

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.

*Recommendation:*

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.

*Management Response:*

For now, the City accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 determination of 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. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City's compliance with those requirements. As a result of our testing we noted no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or statutes set forth by the State of Minnesota.

## Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies were not changed during the year ended December 31, 2021. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were depreciation on capital assets, allocation of payroll and compensated absences, liability for other post-employment benefit, and the liability of the City's pensions.

- Management's estimate of depreciation is based on estimated useful lives of the assets. Depreciation is calculated using the straight-line method.
- Allocations of gross wages and payroll benefits are approved by City Council within the City's budget and are derived from each employee's estimated time to be spent servicing the respective functions of the City. These allocations are also used in allocating accrued compensated absences payable.
- The City's liability for other post-employment benefits was estimated to be zero primarily based on the assumption that employees, whom participate in the health insurance plan, will retire after the age of 65 and not continue to participate in the plan following retirement.
- Management's estimate of its pension liability is based on several factors including, but not limited to, anticipated investment return rate, retirement age for active employees, life expectancy, salary increases and form of annuity payment upon retirement.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole. The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

## Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

## Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.



## **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

## **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated April 13, 2022.

## **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

## **Other Matters**

We applied certain limited procedures to the required supplementary information (RSI) (Management's Discussion and Analysis, the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions, and the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios), Schedule of changes in the City's OPEB Liability and related ratios, which is information that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information (combining and individual fund financial statements and schedules and schedule of federal awards), which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory section, which accompanies the financial statements but is not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

## **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



## **Future Accounting Standard Changes**

The following Governmental Accounting Standards Board (GASB) Statements have been issued and may have an impact on future City financial statements: <sup>(1)</sup>

### **GASB Statement No. 87 - Leases**

#### **Summary**

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

#### **Effective Date and Transition**

The requirements of this Statement are effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter.

Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or, if applied to earlier periods, the beginning of the earliest period restated). However, lessors should not restate the assets underlying their existing sales-type or direct financing leases. Any residual assets for those leases become the carrying values of the underlying assets.

#### **How the Changes in This Statement Will Improve Accounting and Financial Reporting**

This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements.





## **Future Accounting Standard Changes (Continued)**

### **GASB Statement No. 91 - Conduit Debt Obligations**

#### **Summary**

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements - often characterized as leases - that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

#### **Effective Date and Transition**

The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

#### **How the Changes in This Statement Will Improve Accounting and Financial Reporting**

The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations.



## Future Accounting Standard Changes (Continued)

### GASB Statement No. 92 - Omnibus 2020

#### Summary

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

#### Effective Date and Transition

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020.

Earlier application is encouraged and is permitted by topic.



## Future Accounting Standard Changes (Continued)

### How the Changes in This Statement Will Improve Accounting and Financial Reporting

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements.

#### **GASB Statement No. 93 - Replacement of Interbank Offered Rates**

##### Summary

The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend

##### Effective Date and Transition

The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Earlier application is encouraged. The exceptions to the existing provisions for hedge accounting termination and lease modifications in this Statement will reduce the cost of the accounting and financial reporting ramifications of replacing IBORs with other reference rates. The reliability and relevance of reported information will be maintained by requiring that agreements that effectively maintain an existing hedging arrangement continue to be accounted for in the same manner as before the replacement of a reference rate. As a result, this Statement will preserve the consistency and comparability of reporting hedging derivative instruments and leases after governments amend or replace agreements to replace an IBOR.

### How the Changes in This Statement Will Improve Accounting and Financial Reporting

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements.



## **Future Accounting Standard Changes (Continued)**

### **GASB Statement No. 94 - Public-Private and Public-Public Partnerships and Availability Payment Arrangements**

#### **Summary**

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

#### **Effective Date and Transition**

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

PPPs should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or if applicable to earlier periods, the beginning of the earliest period restated).

#### **How the Changes in This Statement Will Improve Accounting and Financial Reporting**

The requirements of this Statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs.



## **Future Accounting Standard Changes (Continued)**

### **GASB Statement No. 96 - Subscription-Based Information Technology Arrangements**

#### **Summary**

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

Under this Statement, a government generally should recognize a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, - which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

This Statement provides an exception for short-term SBITAs. Short-term SBITAs have a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Subscription payments for short-term SBITAs should be recognized as outflows of resources.

This Statement requires a government to disclose descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information.

#### **Effective Date and Transition**

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

#### **How the Changes in This Statement Will Improve Accounting and Financial Reporting**

The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.



## Future Accounting Standard Changes (Continued)

**GASB Statement No. 97** - *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*

### Summary

The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

This Statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or another employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform.

This Statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, Fiduciary Activities, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, Financial Reporting for Pension Plans, or paragraph 3 of Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, respectively.

This Statement (1) requires that a Section 457 plan be classified as either a pension plan or another employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities.

This Statement supersedes the remaining provisions of Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, as amended, regarding investment valuation requirements for Section 457 plans. As a result, investments of all Section 457 plans should be measured as of the end of the plan's reporting period in all circumstances.

### Effective Date and Transition

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.



## Future Accounting Standard Changes (Continued)

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

## How the Changes in This Statement Will Improve Accounting and Financial Reporting

The requirements of this Statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. The requirements also will enhance the relevance, consistency, and comparability of (1) the information related to Section 457 plans that meet the definition of a pension plan and the benefits provided through those plans and (2) investment information for all Section 457 plans.

<sup>(1)</sup> Note. From GASB Pronouncements Summaries. Copyright 2021 by the Financial Accounting Foundation, 401 Merritt 7, Norwalk, CT 06856, USA, and is reproduced with permission.

\* \* \* \*

## Restriction on Use

This purpose of this communication is solely for the information and use of the City Council and management of the City and is not intended to be, and should not be used by anyone other than those specified parties.

Our audit would not necessarily disclose all weaknesses in the system because it was based on selected tests of the accounting records and related data. The comments and recommendations in the report are purely constructive in nature, and should be read in this context.

If you have any questions or wish to discuss any of the items contained in this letter, please feel free to contact us at your convenience. We wish to thank you for the continued opportunity to be of service and for the courtesy and cooperation extended to us by your staff.



**Abdo**  
Mankato, Minnesota  
April 13, 2022







# Annual Financial Report

## City of Isanti

Isanti, Minnesota

For the year ended December 31, 2021



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Annual Financial Report  
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For the Year Ended December 31, 2021

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INTRODUCTORY SECTION

CITY OF ISANTI  
ISANTI, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2021

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City of Isanti, Minnesota  
Elected and Appointed Officials  
For the Year Ended December 31, 2021

**ELECTED**

<u>Name</u>	<u>Title</u>	<u>Term Expires December 31,</u>
Jeff Johnson	Mayor	2022
Jimmy Gordon	Council Member	2024
Steve Lundeen	Council Member	2024
Paul Bergley	Council Member	2022
Dan Collison	Council Member	2022

**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, 2021

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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, 2021, 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### **Basis for Opinions**

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

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

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

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

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

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

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

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

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

#### **Other Matters**

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability and the Schedules of Employer's Contributions, the related note disclosures, and the Schedule of Changes in the City's OPEB Liability and Related Ratios starting on page 84 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.



## **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic the 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.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2022 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 13, 2022



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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, 2021.

### Financial Highlights

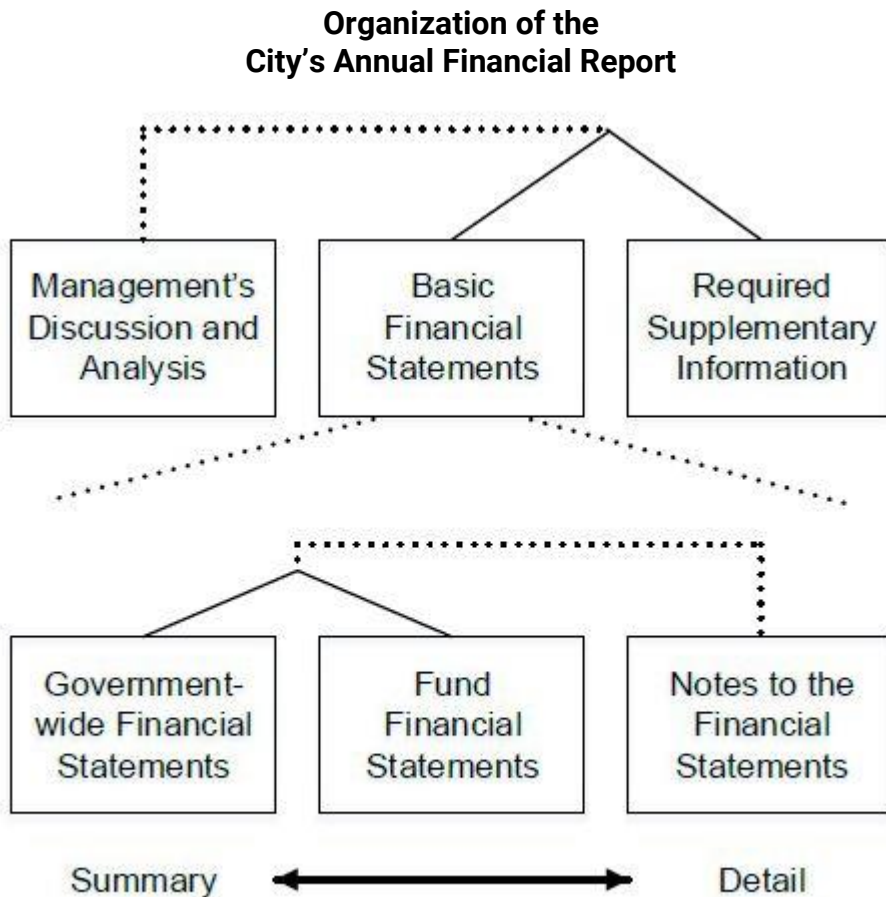
- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$52,830,579. Of this amount, \$10,271,983 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$2,836,087. This was largely a result of operating income within business-type activities of \$1,112,258 as well as capital contributions of \$617,971 from connection fees.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,235,426, an increase of \$171,226, in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$1,715,258, or 45.6 percent of 2021 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

	Fund Financial Statements			
	Government-wide 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 44 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 49 of this report.

**Other 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 84 of this report.

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 92 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 \$52,830,579 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (75.0 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		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 7,014,456	\$ 6,346,526	\$ 667,930	\$ 11,660,628	\$ 8,973,023	\$ 2,687,605
Capital assets, net of depreciation	20,352,735	18,710,299	1,642,436	30,991,667	29,365,779	1,625,888
<b>Total Assets</b>	<b>27,367,191</b>	<b>25,056,825</b>	<b>2,310,366</b>	<b>42,652,295</b>	<b>38,338,802</b>	<b>4,313,493</b>
<b>Deferred Outflows of Resources</b>						
Deferred pension resource	1,551,938	733,127	818,811	283,144	65,181	217,963
<b>Liabilities</b>						
Noncurrent liabilities outstanding	3,614,873	2,728,826	886,047	9,074,715	6,588,906	2,485,809
Other liabilities	1,605,552	2,388,135	(782,583)	1,298,000	734,524	563,476
<b>Total Liabilities</b>	<b>5,220,425</b>	<b>5,116,961</b>	<b>103,464</b>	<b>10,372,715</b>	<b>7,323,430</b>	<b>3,049,285</b>
<b>Deferred Inflows of Resources</b>						
Resources received in advance	888,503	610,064	278,439	-	-	-
Deferred pension resource	1,993,409	872,205	1,121,204	351,239	46,136	305,103
Deferred pension resource	131,160	151,074	(19,914)	66,538	79,573	(13,035)
<b>Total Deferred Inflows of Resources</b>	<b>3,013,072</b>	<b>1,633,343</b>	<b>1,379,729</b>	<b>417,777</b>	<b>125,709</b>	<b>292,068</b>
<b>Net Position</b>						
Net investment in capital assets	16,959,089	16,143,144	815,945	22,674,497	22,850,232	(175,735)
Restricted	2,500,663	1,509,065	991,598	424,347	-	424,347
Unrestricted	1,225,880	1,387,439	(161,559)	9,046,103	8,104,612	941,491
<b>Total Net Position</b>	<b>\$ 20,685,632</b>	<b>\$ 19,039,648</b>	<b>\$ 1,645,984</b>	<b>\$ 32,144,947</b>	<b>\$ 30,954,844</b>	<b>\$ 1,190,103</b>

An additional portion of the City's net position (5.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, \$10,271,983, 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 \$2,836,087 during the current fiscal year. Governmental activities increased the City's net position by \$1,645,984. Significant changes from the prior year are noted below:

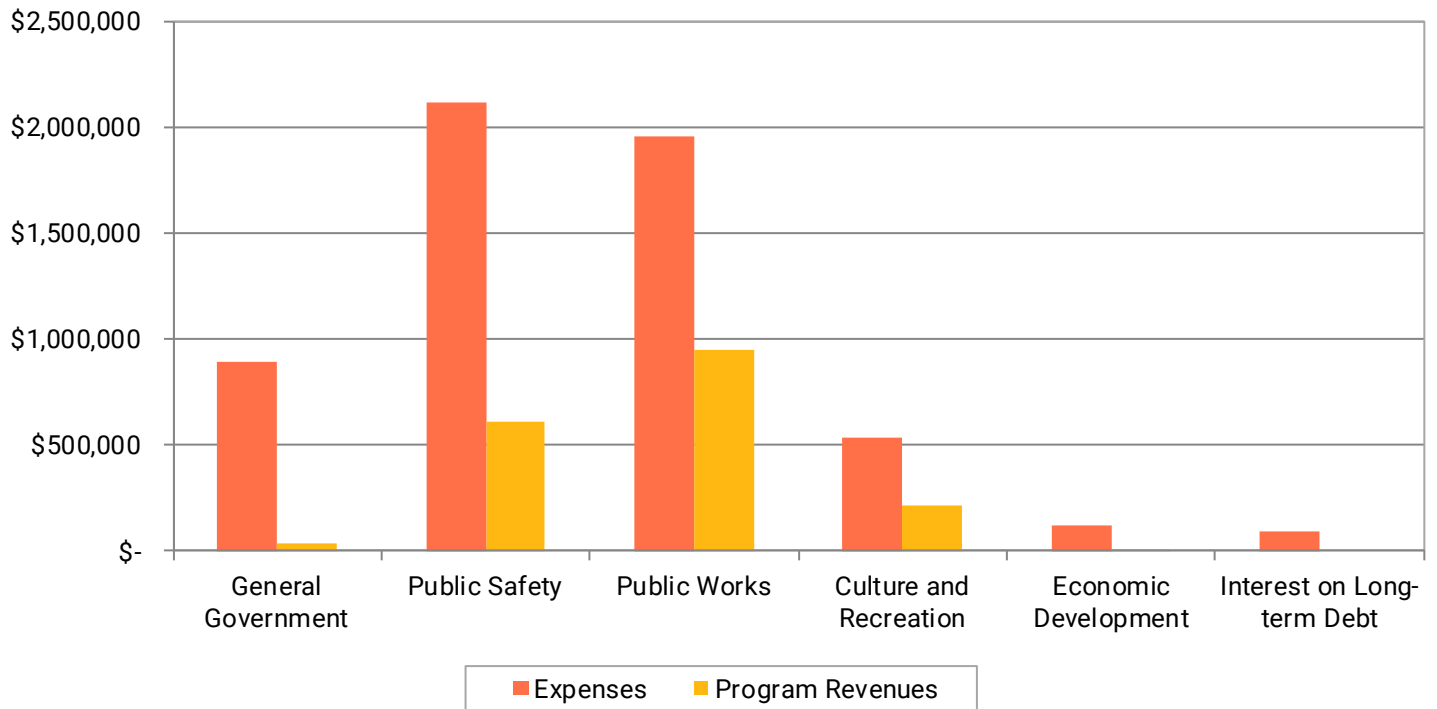
### City of Isanti's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 599,060	\$ 640,779	\$ (41,719)	\$ 7,261,474	\$ 7,047,371	\$ 214,103
Operating grants and contributions	416,452	577,744	(161,292)	13,723	26,365	(12,642)
Capital grants and contributions	810,911	950,215	(139,304)	914,371	1,888,363	(973,992)
General Revenues						
Taxes						
Property taxes	2,979,736	2,723,977	255,759	-	-	-
Tax increment	17,443	17,674	(231)	-	-	-
Other taxes	355,322	344,928	10,394	-	-	-
Grants and contributions not restricted to specific programs	805,311	2,025,008	(1,219,697)	-	-	-
Unrestricted investment earnings	1,946	88,317	(86,371)	8,164	115,719	(107,555)
Gain on sale of capital assets	601,350	1,325	600,025	196,097	-	196,097
<b>Total Revenues</b>	<b>6,587,531</b>	<b>7,369,967</b>	<b>(782,436)</b>	<b>8,393,829</b>	<b>9,077,818</b>	<b>(683,989)</b>
Expenses						
General government	895,955	984,622	(88,667)	-	-	-
Public safety	2,122,323	2,158,670	(36,347)	-	-	-
Public works	1,956,627	1,853,237	103,390	-	-	-
Culture and recreation	537,665	553,572	(15,907)	-	-	-
Economic development	118,802	125,834	(7,032)	-	-	-
Interest on long-term debt	97,185	81,096	16,089	-	-	-
Water	-	-	-	1,040,002	998,762	41,240
Sewer	-	-	-	1,401,823	1,362,337	39,486
Storm Water	-	-	-	145,842	154,340	(8,498)
Liquor store	-	-	-	3,829,049	3,458,657	370,392
<b>Total Expenses</b>	<b>5,728,557</b>	<b>5,757,031</b>	<b>(28,474)</b>	<b>6,416,716</b>	<b>5,974,096</b>	<b>442,620</b>
Changes in Net Position Before Transfers and Special Items	858,974	1,612,936	(753,962)	1,977,113	3,103,722	(1,126,609)
Transfers - Capital Assets	-	-	-	-	-	-
Transfers - Internal Activities	787,010	390,807	396,203	(787,010)	(390,807)	(396,203)
Change in Net Position	1,645,984	2,003,743	(357,759)	1,190,103	2,712,915	(1,522,812)
Net Position, January 1	19,039,648	17,035,905	2,003,743	30,954,844	28,241,929	2,712,915
<b>Net Position, December 31</b>	<b>\$ 20,685,632</b>	<b>\$ 19,039,648</b>	<b>\$ 1,645,984</b>	<b>\$ 32,144,947</b>	<b>\$ 30,954,844</b>	<b>\$ 1,190,103</b>

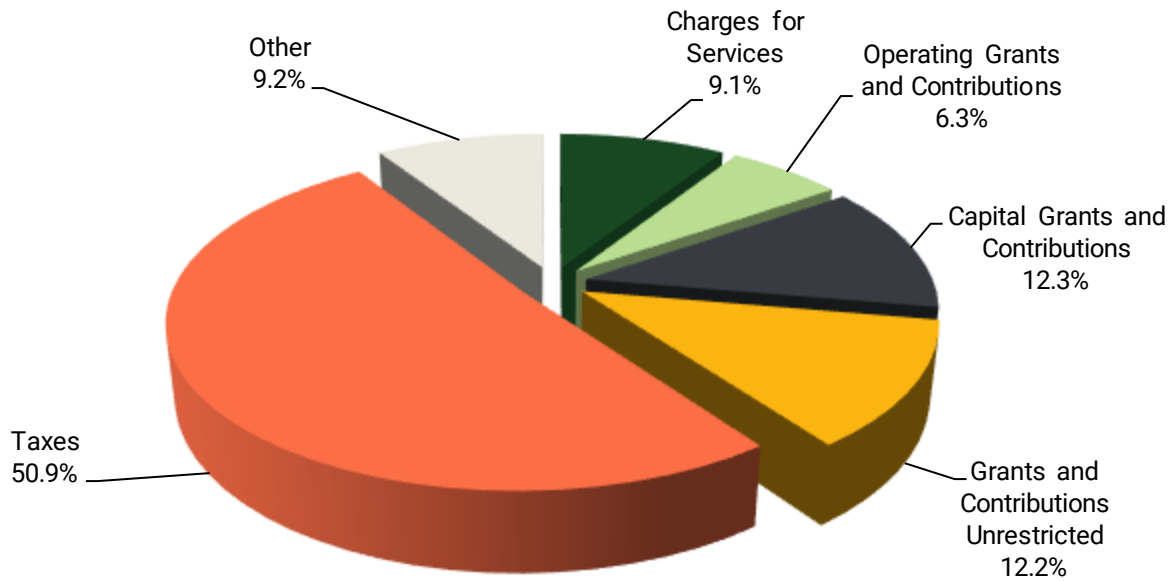
- Property taxes increased \$255,759 from the prior year in line with the City's budget and capital improvement plan.
- Capital grants and contributions decreased \$139,304 due to grants received for street construction projects in the prior year.
- Public works expenses increased \$102,567 during the year due to increased engineering related to projects.

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

### Expenses and Program Revenues - Governmental Activities



### Revenues by Sources - Governmental Activities

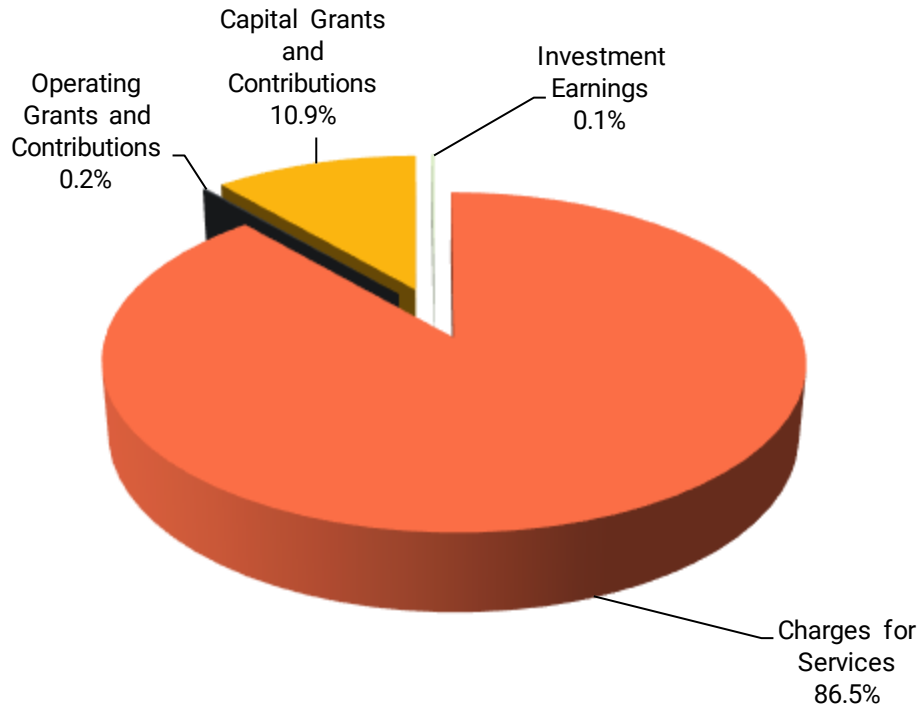


**Business-type Activities.** Business-type activities increased the City’s net position by \$1,190,103. The main reason for the increase was charges for services increased \$214,103 from the prior year and expenses decreasing \$442,311. Additional information noted below:

**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 \$4,235,426, an increase of \$171,226 in comparison with the prior year. Of this total amount, 29.0 percent, or \$1,227,139, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance of \$3,008,287 is not available for new spending because it is either 1) nonspendable (\$15,909), 2) restricted (\$2,209,376), 3) committed (\$732,112) or 4) assigned (\$50,890). For further classification, refer to Note 3F on page 70 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 40.1 percent of budgeted 2022 expenditures and transfers out. Of the fund balance, \$1,715,258 is 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 Debt Service fund balance increased \$1,064,942 during the year mainly due to the issuance of a refunding bond during the year. The refunding payment of \$1,475,000 will be made in February of 2022.

The Street Construction fund had a decrease in fund balance of \$238,992 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 has an decrease in fund balance of \$966,118 with an ending balance of \$163,760. The decrease can be attributed to land purchased during the year.

**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 \$9,046,103. 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, with a budget to increase fund balance by \$46,451. Revenues were \$92,754 under budget. This is primarily due property revenue being more than budgeted by \$9,305. Expenditures were under budget by \$141,640. The largest variance in the General fund expenditures is due to public works which was \$52,534 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, 2021, amounts to \$51,344,402 (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:

- 2020 Street Improvements
- Public Works Generators
- The new liquor store building
- Park improvements
- Squad Vehicles and Police Equipment.

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

	Governmental Activities			Business-type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Land	\$ 2,402,686	\$ 2,414,179	\$ (11,493)	\$ 37,078	\$ 94,237	\$ (57,159)
Construction in Progress	2,530,876	698,990	1,831,886	2,940,109	701,538	2,238,571
Land Improvements	-	-	-	13,288	77,517	(64,229)
Buildings	3,224,678	3,365,761	(141,083)	3,123,280	3,301,846	(178,566)
Infrastructure	11,371,152	11,397,501	(26,349)	24,003,167	24,609,470	(606,303)
Machinery and Equipment	570,037	581,220	(11,183)	828,220	526,356	301,864
Vehicles	253,306	252,648	658	46,525	54,815	(8,290)
Total	<u>\$ 20,352,735</u>	<u>\$ 18,710,299</u>	<u>\$ 1,642,436</u>	<u>\$ 30,991,667</u>	<u>\$ 29,365,779</u>	<u>\$ 1,625,888</u>

Additional information on the City's capital assets can be found in Note 3D starting on page 61 of this report.

**Long-term Debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$12,149,056. 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 \$3,303,069 during the year due to the issuance of 2021A bonds.

### City of Isanti's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
G.O. Bonds	\$ 3,220,000	\$ 1,985,000	\$ 1,235,000	\$ -	\$ -	\$ -
G.O. Improvement Bonds	90,000	550,000	(460,000)	265,000	300,000	(35,000)
G.O. Revenue Bonds	-	-	-	8,574,056	6,162,056	2,412,000
Bond Premium	83,646	32,155	51,491	153,069	53,491	99,578
Total	<u>\$ 3,393,646</u>	<u>\$ 2,567,155</u>	<u>\$ 826,491</u>	<u>\$ 8,992,125</u>	<u>\$ 6,515,547</u>	<u>\$ 2,476,578</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, 2021, 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 63 of this report.

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

- Property tax valuations within the City increased in 2021 by 12.03% and have continued to increase for 2022 by 10.83%.
- The 2022 budget includes a property tax levy of \$3,281,851 which is 9.87% higher than the 2021 levy but lowered the tax rate by 3.17%.
- The 2022 budget includes an amount for Local Government Aid in the amount of \$799,088.
- Isanti County had an average unemployment rate for 2021 of 4.4%. This compares with unemployment rates of 3.4% for the State of Minnesota and 5.4% for the United States.

All of these factors were considered in preparing the City's budget for the 2022 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, 2021

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City of Isanti, Minnesota  
Statement of Net Position  
December 31, 2021

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and temporary investments	\$ 3,493,454	\$ 9,983,419	\$ 13,476,873
Cash with fiscal agent	1,800,975	424,347	2,225,322
Receivables			
Accrued interest	2,425	6,793	9,218
Taxes	58,298	-	58,298
Accounts	200,627	278,612	479,239
Loans	152,659	-	152,659
Notes	480,000	-	480,000
Special assessments	992,330	50,810	1,043,140
Internal balances	(206,121)	206,121	-
Inventories	-	701,877	701,877
Prepaid items	15,909	8,649	24,558
Land held for resale	23,900	-	23,900
Capital assets			
Land and construction in progress	4,933,562	2,977,187	7,910,749
Depreciable assets (net of accumulated depreciation)	15,419,173	28,014,480	43,433,653
Total Assets	<u>27,367,191</u>	<u>42,652,295</u>	<u>70,019,486</u>
<b>Deferred Outflows of Resources</b>			
Deferred pension resources	1,549,263	281,787	1,831,050
Deferred other post employment benefits	2,675	1,357	4,032
Total Deferred Outflows of Resources	<u>1,551,938</u>	<u>283,144</u>	<u>1,835,082</u>
<b>Liabilities</b>			
Accounts payable	112,404	356,597	469,001
Deposits payable	239,244	-	239,244
Due to other governments	7,841	53,463	61,304
Accrued salaries payable	27,512	33,324	60,836
Accrued interest payable	4,918	66,348	71,266
Unearned revenue	-	334,404	334,404
Noncurrent liabilities			
Due within one year			
Long-term debt	1,918,421	1,017,543	2,935,964
Due in more than one year			
Long-term debt	1,696,452	8,057,172	9,753,624
Net pension liability	1,105,438	398,977	1,504,415
Other postemployment benefits liability	108,195	54,887	163,082
Total Liabilities	<u>5,220,425</u>	<u>10,372,715</u>	<u>15,593,140</u>
<b>Deferred Inflows of Resources</b>			
Resources received in advance	888,503	-	888,503
Deferred pension resources	1,993,409	351,239	2,344,648
Deferred OPEB resources	131,160	66,538	197,698
Total Deferred Inflows of Resources	<u>3,013,072</u>	<u>417,777</u>	<u>3,430,849</u>
<b>Net Position</b>			
Net investment in capital assets	16,959,089	22,674,497	39,633,586
Restricted for			
Debt service	2,259,254	424,347	2,683,601
Public safety	7,060	-	7,060
Community center improvements	10,000	-	10,000
Economic development	224,349	-	224,349
Unrestricted	1,225,880	9,046,103	10,271,983
Total Net Position	<u>\$ 20,685,632</u>	<u>\$ 32,144,947</u>	<u>\$ 52,830,579</u>

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, 2021

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
General government	\$ 895,955	\$ 35,151	\$ -	\$ -
Public safety	2,122,323	436,337	177,033	-
Public works	1,956,627	26,031	227,206	697,257
Culture and recreation	537,665	94,454	6,463	113,654
Economic development	118,802	7,087	5,750	-
Interest on long-term debt	97,185	-	-	-
Total Governmental Activities	<u>5,728,557</u>	<u>599,060</u>	<u>416,452</u>	<u>810,911</u>
<b>Business-type Activities</b>				
Water	1,040,002	1,335,173	7,675	413,645
Sewer	1,401,823	1,376,215	4,907	500,726
Liquor store	3,829,049	4,158,164	1,100	-
Stormwater	145,842	391,922	41	-
Total Business-type Activities	<u>6,416,716</u>	<u>7,261,474</u>	<u>13,723</u>	<u>914,371</u>
Total	<u>\$ 12,145,273</u>	<u>\$ 7,860,534</u>	<u>\$ 430,175</u>	<u>\$ 1,725,282</u>

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Tax increments

Franchise taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on sale of capital assets

Transfers - Internal Activities

Total General Revenues and Transfers

Change in Net Position

Net Position, January 1

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
\$ (860,804)	\$ -	\$ (860,804)
(1,508,953)	-	(1,508,953)
(1,006,133)	-	(1,006,133)
(323,094)	-	(323,094)
(105,965)	-	(105,965)
(97,185)	-	(97,185)
<u>(3,902,134)</u>	<u>-</u>	<u>(3,902,134)</u>
-	716,491	716,491
-	480,025	480,025
-	330,215	330,215
-	246,121	246,121
<u>-</u>	<u>1,772,852</u>	<u>1,772,852</u>
<u>(3,902,134)</u>	<u>1,772,852</u>	<u>(2,129,282)</u>
2,698,106	-	2,698,106
281,630	-	281,630
17,443	-	17,443
355,322	-	355,322
805,311	-	805,311
1,946	8,164	10,110
601,350	196,097	797,447
787,010	(787,010)	-
<u>5,548,118</u>	<u>(582,749)</u>	<u>4,965,369</u>
1,645,984	1,190,103	2,836,087
<u>19,039,648</u>	<u>30,954,844</u>	<u>49,994,492</u>
<u>\$ 20,685,632</u>	<u>\$ 32,144,947</u>	<u>\$ 52,830,579</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, 2021

City of Isanti, Minnesota  
Balance Sheet  
Governmental Funds  
December 31, 2021

	101 General	900's Debt Service	425 Street Construction
<b>Assets</b>			
Cash and temporary investments	\$ 2,087,489	\$ 176,999	\$ 576,880
Cash with fiscal agent	-	1,800,975	-
Receivables			
Accrued interest	1,212	117	378
Taxes	58,258	-	-
Accounts	109,231	-	81,633
Loans	-	-	-
Notes	-	-	-
Special assessments	157	296,862	174,542
Advances to other funds	25,060	-	-
Prepaid items	13,160	-	-
Land held for resale	5,000	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 2,299,567</u>	<u>\$ 2,274,953</u>	<u>\$ 833,433</u>
<b>Liabilities</b>			
Accounts payable	\$ 59,530	\$ 10,781	\$ 39,429
Deposits payable	239,244	-	-
Due to other governments	7,841	-	-
Accrued salaries payable	26,033	-	-
Due to other funds	25,765	-	-
Advances from other funds	180,356	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	<u>538,769</u>	<u>10,781</u>	<u>39,429</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - delinquent taxes	32,223	-	-
Unavailable revenue - special assessments	157	296,205	174,172
Unavailable revenue - intergovernmental	-	-	888,503
Unavailable revenue - note receivable	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total Deferred Inflows of Resources	<u>32,380</u>	<u>296,205</u>	<u>1,062,675</u>
<b>Fund Balances</b>			
Nonspendable	13,160	-	-
Restricted	-	1,967,967	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	1,715,258	-	(268,671)
	<u>          </u>	<u>          </u>	<u>          </u>
Total Fund Balances	<u>1,728,418</u>	<u>1,967,967</u>	<u>(268,671)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,299,567</u>	<u>\$ 2,274,953</u>	<u>\$ 833,433</u>

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

<b>920 Capital Replacement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ (163,150)	\$ 815,236	\$ 3,493,454
-	-	1,800,975
-	718	2,425
-	40	58,298
-	9,763	200,627
-	152,659	152,659
480,000	-	480,000
520,769	-	992,330
-	-	25,060
-	2,749	15,909
-	18,900	23,900
<u>\$ 837,619</u>	<u>\$ 1,000,065</u>	<u>\$ 7,245,637</u>
\$ 610	\$ 2,054	\$ 112,404
-	-	239,244
-	-	7,841
-	1,479	27,512
-	-	25,765
-	25,060	205,416
<u>610</u>	<u>28,593</u>	<u>618,182</u>
-	-	32,223
520,769	-	991,303
-	-	888,503
480,000	-	480,000
<u>1,000,769</u>	<u>-</u>	<u>2,392,029</u>
-	2,749	15,909
10,000	231,409	2,209,376
-	732,112	732,112
(173,760)	224,650	50,890
-	(219,448)	1,227,139
<u>(163,760)</u>	<u>971,472</u>	<u>4,235,426</u>
<u>\$ 837,619</u>	<u>\$ 1,000,065</u>	<u>\$ 7,245,637</u>

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

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**City of Isanti, Minnesota**  
 Reconciliation of the Balance Sheet  
 to the Statement of Net Position  
 Governmental Funds  
 December 31, 2021

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

Total Fund Balances - Governmental Funds	\$ 4,235,426
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.</p>	
Cost of capital assets	40,182,546
Less: accumulated depreciation	(19,829,811)
<p>Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.</p>	
<p>Noncurrent liabilities at year-end consist of</p>	
Bond principal payable	(3,310,000)
Plus bond premium	(83,646)
Compensated absences payable	(221,227)
Other postemployment benefits payable	(108,195)
Net pension liability	(1,105,438)
<p>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.</p>	
Taxes receivable	32,223
Special assessments receivable	991,303
Note receivable	480,000
<p>Governmental funds do not report long-term amounts related to pensions.</p>	
Deferred outflows of pension resources	1,549,263
Deferred inflows of pension resources	(1,993,409)
Deferred outflows of other post employment retirement benefits	2,675
Deferred inflows of other post employment retirement benefits	(131,160)
Governmental funds do not report a liability for accrued interest until due and payable.	(4,918)
Total Net Position - Governmental Activities	\$ 20,685,632

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, 2021

	101 General	900's Debt Service	425 Street Construction
<b>Revenues</b>			
Taxes	\$ 1,878,202	\$ 281,630	\$ 286,500
Franchise taxes	-	-	322,364
Licenses and permits	348,714	-	-
Intergovernmental	1,017,503	-	165,090
Charges for services	182,417	-	-
Fines and forfeitures	33,290	-	-
Special assessments	-	16,166	48,034
Investment earnings	560	82	522
Miscellaneous	25,099	-	-
<b>Total Revenues</b>	<b><u>3,485,785</u></b>	<b><u>297,878</u></b>	<b><u>822,510</u></b>
<b>Expenditures</b>			
<b>Current</b>			
General government	766,853	-	-
Public safety	2,177,732	-	-
Public works	464,856	-	-
Culture and recreation	338,476	-	-
Economic development	14,987	-	-
<b>Capital outlay</b>			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	1,048,019
Culture and recreation	-	-	-
<b>Debt service</b>			
Principal	-	670,000	-
Interest and other	-	110,878	-
<b>Total Expenditures</b>	<b><u>3,762,904</u></b>	<b><u>780,878</u></b>	<b><u>1,048,019</u></b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<b><u>(277,119)</u></b>	<b><u>(483,000)</u></b>	<b><u>(225,509)</u></b>
<b>Other Financing Sources (Uses)</b>			
Sale of capital assets	-	-	-
Bonds issued	-	1,445,000	-
Premium on bonds issued	-	63,082	-
Transfers in	486,400	39,860	-
Transfers out	-	-	(13,483)
<b>Total Other Financing Sources (Uses)</b>	<b><u>486,400</u></b>	<b><u>1,547,942</u></b>	<b><u>(13,483)</u></b>
Net Change in Fund Balances	209,281	1,064,942	(238,992)
Fund Balances, January 1	<u>1,519,137</u>	<u>903,025</u>	<u>(29,679)</u>
Fund Balances, December 31	<b><u>\$ 1,728,418</u></b>	<b><u>\$ 1,967,967</u></b>	<b><u>\$ (268,671)</u></b>

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

<b>920 Capital Replacement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 438,700	\$ 103,644	\$ 2,988,676
-	32,958	355,322
-	-	348,714
-	52,690	1,235,283
122,968	148,345	453,730
-	-	33,290
11,708	-	75,908
12	770	1,946
(685)	34,992	59,406
<u>572,703</u>	<u>373,399</u>	<u>5,552,275</u>
-	-	766,853
-	250	2,177,982
-	-	464,856
-	17,592	356,068
-	106,152	121,139
8,812	24,375	33,187
1,577,386	-	1,577,386
28,546	-	1,076,565
322,577	-	322,577
-	-	670,000
-	-	110,878
<u>1,937,321</u>	<u>148,369</u>	<u>7,677,491</u>
<u>(1,364,618)</u>	<u>225,030</u>	<u>(2,125,216)</u>
1,350	-	1,350
-	-	1,445,000
-	-	63,082
397,150	13,483	936,893
-	(136,400)	(149,883)
<u>398,500</u>	<u>(122,917)</u>	<u>2,296,442</u>
(966,118)	102,113	171,226
<u>802,358</u>	<u>869,359</u>	<u>4,064,200</u>
<u>\$ (163,760)</u>	<u>\$ 971,472</u>	<u>\$ 4,235,426</u>

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



City of Isanti, Minnesota  
 Reconciliation of the Statement of Revenues, Expenditures and  
 Changes in Fund Balances to the Statement of Activities  
 Governmental Funds  
 For the Year Ended December 31, 2021

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

Total Net Change in Fund Balances - Governmental Funds	\$ 171,226
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>	
Capital outlays	2,679,347
Depreciation expense	(1,524,070)
<p>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.</p>	
Loss on trade in	(11,491)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Contributed capital assets	498,650
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>	
Debt issued	(1,445,000)
Bond premium	(63,082)
Principal repayments	670,000
Amortization of bond premium	11,591
Note issued	600,000
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	2,102
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	221,038
Other post employment benefit expense	(40,027)
Pension other revenue	11,820
<p>Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Property taxes	8,503
Special assessments	34,933
Notes	(120,000)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>	
Compensated absences	<u>(59,556)</u>
Change in Net Position - Governmental Activities	<u>\$ 1,645,984</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, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,927,166	\$ 1,927,166	\$ 1,878,202	\$ (48,964)
Licenses and permits	347,800	347,800	348,714	914
Intergovernmental	1,008,198	1,008,198	1,017,503	9,305
Charges for services	206,475	206,475	182,417	(24,058)
Fines and forfeitures	53,150	53,150	33,290	(19,860)
Investment earnings	20,000	20,000	560	(19,440)
Miscellaneous	8,000	15,750	25,099	9,349
Total Revenues	<u>3,570,789</u>	<u>3,578,539</u>	<u>3,485,785</u>	<u>(92,754)</u>
Expenditures				
Current				
General government	790,077	790,077	766,853	23,224
Public safety	2,211,918	2,211,918	2,177,732	34,186
Public works	517,390	517,390	464,856	52,534
Culture and recreation	371,307	371,307	338,476	32,831
Economic development	13,852	13,852	14,987	(1,135)
Total Expenditures	<u>3,904,544</u>	<u>3,904,544</u>	<u>3,762,904</u>	<u>141,640</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(333,755)</u>	<u>(326,005)</u>	<u>(277,119)</u>	<u>48,886</u>
Other Financing Sources (Uses)				
Transfers in	494,150	486,400	486,400	-
Transfers out	(113,944)	(113,944)	-	113,944
Total Other Financing Sources (Uses)	<u>380,206</u>	<u>372,456</u>	<u>486,400</u>	<u>113,944</u>
Net Change in Fund Balances	46,451	46,451	209,281	162,830
Fund Balances, January 1	<u>1,519,137</u>	<u>1,519,137</u>	<u>1,519,137</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 1,565,588</u>	<u>\$ 1,565,588</u>	<u>\$ 1,728,418</u>	<u>\$ 162,830</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, 2021

Business-type Activities - Enterprise Funds

	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	\$ 3,480,068	\$ 4,870,852	\$ 957,725	\$ 674,774	\$ 9,983,419
Cash with fiscal agent	-	110,238	314,109	-	424,347
Receivables					
Accrued interest	2,297	3,206	837	453	6,793
Accounts	106,304	135,050	92	37,166	278,612
Special assessments	749	41,831	-	4,623	47,203
Due from other funds	-	-	25,765	-	25,765
Inventories	-	-	701,877	-	701,877
Prepaid items	2,007	2,627	4,001	14	8,649
<b>Total Current Assets</b>	<b>3,591,425</b>	<b>5,163,804</b>	<b>2,004,406</b>	<b>717,030</b>	<b>11,476,665</b>
<b>Noncurrent Assets</b>					
Special assessments receivable	3,607	-	-	-	3,607
Advances to other funds	-	-	180,356	-	180,356
<b>Capital assets</b>					
Land	11,078	5,000	-	21,000	37,078
Construction in progress	4,687	-	2,814,721	120,701	2,940,109
Buildings	37,156	3,349,403	-	-	3,386,559
Improvements other than buildings	-	-	176,663	-	176,663
Machinery and equipment	762,565	737,003	41,357	301,953	1,842,878
Infrastructure	15,741,994	20,554,597	-	638,486	36,935,077
Less accumulated depreciation	(5,449,965)	(8,337,918)	(216,770)	(322,044)	(14,326,697)
<b>Total Capital Assets     (Net of Accumulated Depreciation)</b>	<b>11,107,515</b>	<b>16,308,085</b>	<b>2,815,971</b>	<b>760,096</b>	<b>30,991,667</b>
<b>Total Noncurrent Assets</b>	<b>11,111,122</b>	<b>16,308,085</b>	<b>2,996,327</b>	<b>760,096</b>	<b>31,175,630</b>
<b>Total Assets</b>	<b>14,702,547</b>	<b>21,471,889</b>	<b>5,000,733</b>	<b>1,477,126</b>	<b>42,652,295</b>
<b>Deferred Outflows of Resources</b>					
Deferred pension resources	64,339	81,697	122,581	13,170	281,787
Deferred other postemployment benefit resources	382	471	444	60	1,357
<b>Total Deferred Outflows of Resources</b>	<b>64,721</b>	<b>82,168</b>	<b>123,025</b>	<b>13,230</b>	<b>283,144</b>

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

City of Isanti, Minnesota  
Statement of Net Position (Continued)  
Proprietary Funds  
December 31, 2021

	Business-type Activities - Enterprise Funds				
	601	602	609	Nonmajor 603	Total
	Water	Sewer	Liquor Store	Storm Water	
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ 6,685	\$ 25,519	314,128	\$ 10,265	\$ 356,597
Due to other governments	7,703	-	45,760	-	53,463
Accrued salaries payable	7,852	9,367	14,937	1,168	33,324
Accrued interest payable	27,597	4,414	34,337	-	66,348
Unearned revenue	111,457	222,947	-	-	334,404
Current portion of compensated absences payable	16,221	20,253	14,450	2,619	53,543
Current portion of bonds payable	434,000	375,000	155,000	-	964,000
Total Current Liabilities	<u>611,515</u>	<u>657,500</u>	<u>578,612</u>	<u>14,052</u>	<u>1,861,679</u>
<b>Noncurrent Liabilities</b>					
Compensated absences payable	8,800	10,987	7,839	1,421	29,047
Other postemployment benefits payable	15,468	19,051	17,959	2,409	54,887
Net pension liability	91,613	116,071	171,487	19,806	398,977
Bonds payable	2,735,056	2,177,474	3,115,595	-	8,028,125
Total Noncurrent Liabilities	<u>2,850,937</u>	<u>2,323,583</u>	<u>3,312,880</u>	<u>23,636</u>	<u>8,511,036</u>
Total Liabilities	<u>3,462,452</u>	<u>2,981,083</u>	<u>3,891,492</u>	<u>37,688</u>	<u>10,372,715</u>
<b>Deferred Inflows of Resources</b>					
Deferred pension resources	80,271	101,889	152,497	16,582	351,239
Deferred other postemployment benefit resources	18,751	23,095	21,772	2,920	66,538
Total Deferred Inflows of Resources	<u>99,022</u>	<u>124,984</u>	<u>174,269</u>	<u>19,502</u>	<u>417,777</u>
<b>Net Position</b>					
Net investment in capital assets	7,938,459	13,865,849	110,093	760,096	22,674,497
Restricted for debt service	-	110,238	314,109	-	424,347
Unrestricted	3,267,335	4,471,903	633,795	673,070	9,046,103
Total Net Position	<u>\$ 11,205,794</u>	<u>\$ 18,447,990</u>	<u>\$ 1,057,997</u>	<u>\$ 1,433,166</u>	<u>\$ 32,144,947</u>

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, 2021

	Business-type Activities - Enterprise Funds				Total
	601	602	609	Nonmajor 603	
	Water	Sewer	Liquor Store	Storm Water	
Operating Revenues					
Sales	\$ -	\$ -	\$ 4,157,164	\$ -	\$ 4,157,164
Cost of sales	-	-	(3,115,854)	-	(3,115,854)
Gross Profit	-	-	1,041,310	-	1,041,310
Charges for services	1,335,173	1,376,215	-	391,866	3,103,254
Total Operating Revenues	<u>1,335,173</u>	<u>1,376,215</u>	<u>1,041,310</u>	<u>391,866</u>	<u>4,144,564</u>
Operating Expenses					
Personnel services	307,173	373,709	436,935	31,849	1,149,666
Supplies	103,105	77,351	7,434	2,629	190,519
Professional services	33,220	32,067	5,893	18,569	89,749
Communications	3,161	3,154	3,336	686	10,337
Insurance	10,949	23,011	7,131	272	41,363
Utilities	60,668	236,578	19,118	4,800	321,164
Repairs and maintenance	6,084	15,230	4,834	13,585	39,733
Depreciation	418,996	587,500	18,928	73,452	1,098,876
Other services and charges	-	-	90,899	-	90,899
Total Operating Expenses	<u>943,356</u>	<u>1,348,600</u>	<u>594,508</u>	<u>145,842</u>	<u>3,032,306</u>
Operating Income	<u>391,817</u>	<u>27,615</u>	<u>446,802</u>	<u>246,024</u>	<u>1,112,258</u>
Nonoperating Revenues (Expenses)					
Other revenues	7,675	4,907	2,100	97	14,779
Gain on sale of capital assets	-	-	196,097	-	196,097
Investment earnings	2,457	3,396	1,747	564	8,164
Interest expense and other	(96,646)	(53,223)	(118,687)	-	(268,556)
Total Nonoperating Revenues (Expenses)	<u>(86,514)</u>	<u>(44,920)</u>	<u>81,257</u>	<u>661</u>	<u>(49,516)</u>
Income Before Contributions and Transfers	305,303	(17,305)	528,059	246,685	1,062,742
Capital Contributions	274,645	343,326	-	-	617,971
Capital Contributions - Developer	139,000	157,400	-	-	296,400
Transfers In	-	-	140,000	-	140,000
Transfers Out	(44,429)	(70,431)	(747,150)	(65,000)	(927,010)
Change in Net Position	674,519	412,990	(79,091)	181,685	1,190,103
Net Position, January 1	<u>10,531,275</u>	<u>18,035,000</u>	<u>1,137,088</u>	<u>1,251,481</u>	<u>30,954,844</u>
Net Position, December 31	<u>\$ 11,205,794</u>	<u>\$ 18,447,990</u>	<u>\$ 1,057,997</u>	<u>\$ 1,433,166</u>	<u>\$ 32,144,947</u>

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

City of Isanti, Minnesota  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2021

	Business-type Activities - Enterprise Funds				Total
	601 Water	602 Sewer	609 Liquor Store	Nonmajor 603 Storm Water	
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 1,607,306	\$ 1,453,301	\$ 4,157,072	\$ 393,746	\$ 7,611,425
Other receipts	7,675	4,907	2,100	97	14,779
Payments to suppliers	(110,029)	(157,007)	(3,532,586)	(40,564)	(3,840,186)
Payments to employees	(292,639)	(354,873)	(449,893)	(44,736)	(1,142,141)
Net Cash Provided by Operating Activities	<u>1,212,313</u>	<u>946,328</u>	<u>176,693</u>	<u>308,543</u>	<u>2,643,877</u>
Cash Flows from Noncapital Financing Activities					
Receipt on advance to other funds	1,589	454,949	25,765	-	482,303
Transfers from other funds	-	-	140,000	-	140,000
Transfers to other funds	(44,429)	(70,431)	(747,150)	(65,000)	(927,010)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(42,840)</u>	<u>384,518</u>	<u>(581,385)</u>	<u>(65,000)</u>	<u>(304,707)</u>
Cash Flows from Capital and Related Financing Activities					
Connection fees received	274,645	343,326	-	-	617,971
Acquisition of capital assets	(108,492)	(18,517)	(2,197,595)	(115,470)	(2,440,074)
Proceeds from sale of capital assets	-	-	397,150	-	397,150
Proceeds from bonds issued, net of issuance costs	-	-	3,186,245	-	3,186,245
Interest paid on bonds	(100,242)	(59,862)	-	-	(160,104)
Principal paid on bonds	(423,000)	(365,000)	-	-	(788,000)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(357,089)</u>	<u>(100,053)</u>	<u>1,385,800</u>	<u>(115,470)</u>	<u>813,188</u>
Cash Flows from Investing Activities					
Interest received	2,096	2,911	1,119	512	6,638
Net Increase (Decrease) in Cash and Cash Equivalents	814,480	1,233,704	982,227	128,585	3,158,996
Cash and Cash Equivalents, January 1	<u>2,665,588</u>	<u>3,747,386</u>	<u>289,607</u>	<u>546,189</u>	<u>7,248,770</u>
Cash and Cash Equivalents, December 31	<u>\$ 3,480,068</u>	<u>\$ 4,981,090</u>	<u>\$ 1,271,834</u>	<u>\$ 674,774</u>	<u>\$ 10,407,766</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, 2021

## 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, 2021

**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 *Debt Service funds* account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

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.

## 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 61.

The City has the following recurring fair value measurements as of December 31, 2021:

- US Government Agency securities of \$2,475,931 are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposit of \$3,943,545 are valued using a matrix pricing model (Level 2 inputs)

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2021

**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%.
- *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, 2021

**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 2021. 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.

***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, 2021

**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 backtrending (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, 2021

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

***Compensated Absences***

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

***Pensions***

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

The total pension expense for the City was as follows:

	GERP	PEFPF	Total Pension Expense
Pension Expense	\$ 57,504	\$ (21,162)	\$ 36,342

***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, 2020. The General fund is typically used to liquidate governmental other postemployment benefits payable.

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

### ***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 three types of items, *resources received in advance*, *deferred pension 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 OPEB resources* is reported only in the statements of net position and results from actuarial calculations.

The City has an additional item which qualifies for reporting in this category. The item, deferred pension 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.

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

### **Fund Balance**

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

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

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

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

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

*Unassigned* - The residual classification for the General fund and also 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.

### Comparative Data/Reclassifications

To better reflect the activity of the primary government, the City merged together several nonmajor capital project funds into the Street Construction fund. The total combined beginning fund balance of the primary government did not change.

### **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, 2021

**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, 2021:

Fund	Amount
Major	
Street Construction	\$ 268,671
Nonmajor	
Isanti Indoor Arena	144,761
City Parking Improvements	74,687

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

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

**A. Deposits and Investments**

***Deposits***

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

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

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

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

At year end, the City's carrying amount of deposits was \$9,261,240 and the bank balance was \$10,041,389. Of the bank balance, \$500,000 was covered by Federal depository insurance and the remaining balance was collateral held in the City's name.

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

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

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Cost						
Broker Money Markets	N/A	Less than 1 year	\$ 18,255	\$ -	\$ -	\$ -
Non-pooled Investments at Fair Value						
U.S. Government Agency Securities	AAA	Under 6 months	2,475,931	2,475,931		
Negotiable CDs	N/A	Less than 1 year	813,787	-	813,787	-
Negotiable CDs	N/A	1 to 5 years	2,670,587	-	2,670,587	-
Negotiable CDs	N/A	More than 5 years	459,170	-	459,170	-
Total Investments			<u>\$ 6,437,730</u>	<u>\$ 2,475,931</u>	<u>\$ 3,943,545</u>	<u>\$ -</u>

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

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

N/A Indicates not applicable or available.

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

Carrying Amount of Deposits	\$ 9,261,240
Investments	6,437,730
Cash on Hand	<u>3,225</u>
Total	<u>\$ 15,702,195</u>
Cash and Temporary Investments	
Unrestricted	\$ 13,476,873
Cash with fiscal agent	<u>2,225,322</u>
Total	<u>\$ 15,702,195</u>

**B. Loans Receivable**

In 2015, the City's Revolving Loan fund loaned \$200,000 to Enterprise Avenue Properties LP for 21 years at 2 percent interest. The monthly payment is \$833. As of December 31, 2021, the loan receivable was \$149,167.

In 2016, the City's Revolving Loan fund loaned \$15,000 to RPF, LLC for 7 years at 3 percent interest. The monthly payment is \$199. As of December 31, 2021, the loan receivable was \$3,492.

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

**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, 2021 and commencing on January 1, 2025. As of December 31, 2021, the note receivable balance was \$480,000.

**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>180,356</u>
Total Advances to/from Other Funds			<u>205,416</u>
Interfund Activity Eliminated from Government-wide Statements			<u>(25,060)</u>
Total Internal Balances Government-wide Statements			<u><u>\$ 206,121</u></u>

In 2011, the Water and Sewer enterprise funds each loaned \$15,897 to the General fund to cover the City portion of the Deer Haven Improvements. General fund property tax levies will be utilized to repay these advances. Repayments are interest free. The loan was paid in full in 2021.

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, 2021 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, 2021 is \$206,121.

In 2018, the Water and Sewer funds loaned \$283,300 and \$566,700, respectively to the General fund for the business subsidy agreement relating to City development. The loan is expected to be paid back over a ten year period from future levy dollars. Repayments are interest free. The City Council made a resolution during the year to forgive the remaining balance of the loan and therefore, there is no future obligation on this loan.

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

**Interfund Transfers**

The following interfund transfers were made during 2021:

Fund	Transfer in					Total
	General	Debt Service	Capital Replacement	Nonmajor Governmental	Liquor	
Transfer Out						
Nonmajor Governmental	\$ 136,400	\$ -		\$ -	\$ -	\$ 136,400
Street Construction	-	-	-	13,483	-	13,483
Water	-	4,429	-	-	40,000	44,429
Sewer	-	35,431	-	-	35,000	70,431
Liquor Store	350,000	-	397,150	-	-	747,150
Nonmajor - Storm Water	-	-	-	-	65,000	65,000
<b>Total</b>	<u>\$ 486,400</u>	<u>\$ 39,860</u>	<u>\$ 397,150</u>	<u>\$ 13,483</u>	<u>\$ 140,000</u>	<u>\$ 1,076,893</u>

During the year ended December 31, 2021, the City made the following transfers.

- The Water and Sewer funds transferred \$4,429 and \$35,431, 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 Liquor Store also transferred \$397,150 to the Capital Replacement fund as agreed for the land sale of the old liquor store.
- The nonmajor governmental funds (EDA) made a budgeted transfer of \$136,400 to the General fund
- The Water, Sewer, and Stormwater fund transferred \$40,000, \$35,000, and \$60,000 to the liquor store for the funding of portion of the new liquor store construction.
- The Street Construction fund made a transferred of \$13,483 to nonmajor governmental funds to close funds with no future obligations.

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

**E. Capital Assets**

Capital asset activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets not being Depreciated				
Land	\$ 2,414,179	\$ -	\$ (11,493)	\$ 2,402,686
Construction in progress	698,990	2,561,289	(729,403)	2,530,876
Total Capital Assets not being Depreciated	<u>3,113,169</u>	<u>2,561,289</u>	<u>(740,896)</u>	<u>4,933,562</u>
Capital Assets being Depreciated				
Land improvements	440,300	-	-	440,300
Buildings	5,616,339	-	(666,700)	4,949,639
Infrastructure	26,154,403	1,211,074	-	27,365,477
Machinery and equipment	1,717,075	80,180	-	1,797,255
Vehicles	641,454	54,859	-	696,313
Total Capital Assets being Depreciated	<u>34,569,571</u>	<u>1,346,113</u>	<u>(666,700)</u>	<u>35,248,984</u>
Less Accumulated Depreciation for				
Land improvements	(440,300)	-	-	(440,300)
Buildings	(2,250,578)	(141,083)	666,700	(1,724,961)
Infrastructure	(14,756,902)	(1,237,423)	-	(15,994,325)
Machinery and equipment	(1,135,855)	(91,363)	-	(1,227,218)
Vehicles	(388,806)	(54,201)	-	(443,007)
Total Accumulated Depreciation	<u>(18,972,441)</u>	<u>(1,524,070)</u>	<u>666,700</u>	<u>(19,829,811)</u>
Total Capital Assets being Depreciated, Net	<u>15,597,130</u>	<u>(177,957)</u>	<u>-</u>	<u>15,419,173</u>
Governmental Activities Capital Assets, Net	<u>\$ 18,710,299</u>	<u>\$ 2,383,332</u>	<u>\$ (740,896)</u>	<u>\$ 20,352,735</u>

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

General Government	\$ 79,554
Public Safety	62,142
Public Works	1,209,085
Culture and Recreation	<u>173,289</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,524,070</u>

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2021

**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	\$ 94,237	\$ -	\$ (57,159)	\$ 37,078
Construction in progress	701,538	2,507,146	(268,575)	2,940,109
Total Capital Assets not being Depreciated	<u>795,775</u>	<u>2,507,146</u>	<u>(325,734)</u>	<u>2,977,187</u>
Capital Assets being Depreciated				
Land improvements	268,238	-	(91,575)	176,663
Buildings	3,723,864	-	(337,305)	3,386,559
Infrastructure	36,638,675	296,402	-	36,935,077
Machinery and equipment	1,344,791	390,844	-	1,735,635
Vehicles	107,243	-	-	107,243
Total Capital Assets being Depreciated	<u>42,082,811</u>	<u>687,246</u>	<u>(428,880)</u>	<u>42,341,177</u>
Less Accumulated Depreciation for				
Land improvements	(190,721)	-	27,346	(163,375)
Buildings	(422,018)	(98,901)	257,640	(263,279)
Infrastructure	(12,029,205)	(902,705)	-	(12,931,910)
Machinery and equipment	(818,435)	(88,980)	-	(907,415)
Vehicles	(52,428)	(8,290)	-	(60,718)
Total Accumulated Depreciation	<u>(13,512,807)</u>	<u>(1,098,876)</u>	<u>284,986</u>	<u>(14,326,697)</u>
Total Capital Assets being Depreciated, Net	<u>28,570,004</u>	<u>(411,630)</u>	<u>(143,894)</u>	<u>28,014,480</u>
Business-type Activities Capital Assets, Net	<u>\$ 29,365,779</u>	<u>\$ 2,095,516</u>	<u>\$ (469,628)</u>	<u>\$ 30,991,667</u>

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

Water	\$ 418,996
Sewer	587,500
Stormwater	73,452
Liquor Store	18,928
Total Depreciation Expense - Business-type Activities	<u>\$ 1,098,876</u>

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

**F. Long-term Debt**

General Obligation (G.O.) Bonds

The City issues G.O. bonds to provide funds for the acquisition and construction of major capital facilities. G.O. bonds have been issued for 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. Tax Abatement Bonds, Series 2014A	\$ 2,560,000	0.50 - 2.50 %	10/01/14	02/01/22	\$ 1,640,000
G.O. Bonds, Series 2014B	1,420,000	0.50 - 2.50	10/01/14	02/01/24	135,000
G.O. Refunding Bonds, Series 2021A	1,445,000	2.00	11/16/21	02/01/30	<u>1,445,000</u>
Total G.O. Bonds					<u>\$ 3,220,000</u>

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2022	\$ 1,685,000	\$ 65,283	\$ 1,750,283
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 - 2030	<u>760,000</u>	<u>30,700</u>	<u>790,700</u>
Total	<u>\$ 3,220,000</u>	<u>\$ 186,458</u>	<u>\$ 3,406,458</u>



City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2021

**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 33 and 29 percent of net revenues from the Water and Sewer funds, respectively. Principal and interest paid for 2021 and total customer net revenues for the Water fund were \$523,242 and \$1,335,173, respectively. Principal and interest paid for 2021 and total customer net revenues for the Sewer fund were \$424,862 and \$1,376,215 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	\$ 304,000
MPFA - Water Revenue Bonds, Series 2008	5,064,256	3.04	10/07/08	08/20/28	2,155,056
G.O. Utility Revenue Bonds, Series 2010A	835,000	2.00 - 3.70	07/01/10	12/01/24	195,000
MPFA - Water Revenue Bonds, Series 2011	479,047	1.533	11/23/11	08/20/31	370,000
G.O. Utility Revenue Bonds, Series 2014B	1,030,000	0.50 - 2.50	10/01/14	02/01/25	440,000
MPFA - Sewer Revenue Bonds, Series 2016A	2,525,000	1.53	07/15/16	12/01/29	1,945,000
Lease Revenue Bonds, Series 2021A	3,165,000	2.00	06/16/21	12/15/36	<u>3,165,000</u>
Total G.O. Revenue Bonds					<u>\$ 8,574,056</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
2022	\$ 929,000	\$ 228,696	\$ 1,157,696
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 - 2031	2,678,056	251,823	2,929,879
2032 - 2036	<u>1,175,000</u>	<u>71,500</u>	<u>1,246,500</u>
Total	<u>\$ 8,574,056</u>	<u>\$ 1,106,234</u>	<u>\$ 9,680,290</u>

Refunding Bonds

On December 16, 2021 the City issued \$1,445,000 of General Obligation tax Abatement Refunding, Series 2021A. The bonds proceeds will be used to payoff 2014A Bonds on February 1, 2022. The proceeds of the bonds were deposited in an escrow payment account and will be used to pay issuance costs and to purchase government obligations. As a result of the refunding issue, the City will save \$99,819 in debt service payments and achieve an economic gain (the present value of the difference between the old and the new debt service) of \$90,230.

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2021

**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. Improvement Bonds, Series 2011A	790,000	0.60 - 2.70	09/29/11	02/01/22	\$ 90,000
G.O. Refunding Bonds, Series 2013A	2,160,000	0.35 - 2.50	02/01/13	12/01/28	<u>265,000</u>
Total G.O. Improvement Bonds					<u>\$ 355,000</u>

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

Year Ending December 31,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 90,000	\$ 1,215	\$ 91,215	\$ 35,000	\$ 5,870	\$ 40,870
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 - 2028	-	-	-	80,000	3,000	83,000
Total	<u>\$ 90,000</u>	<u>\$ 1,215</u>	<u>\$ 91,215</u>	<u>\$ 265,000</u>	<u>\$ 25,385</u>	<u>\$ 290,385</u>

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable					
General obligation bonds	\$ 1,985,000	\$ 1,445,000	\$ (210,000)	\$ 3,220,000	\$ 1,685,000
G.O. improvement bonds	550,000	-	(460,000)	90,000	90,000
Unamortized premium on bonds	32,155	63,082	(11,591)	83,646	-
Total Bonds Payable	<u>2,567,155</u>	<u>1,508,082</u>	<u>(681,591)</u>	<u>3,393,646</u>	<u>1,775,000</u>
Compensated Absences Payable	<u>161,671</u>	<u>96,750</u>	<u>(37,194)</u>	<u>221,227</u>	<u>143,421</u>
Governmental Activities Long-term Liabilities	<u>\$ 2,728,826</u>	<u>\$ 1,604,832</u>	<u>\$ (718,785)</u>	<u>\$ 3,614,873</u>	<u>\$ 1,918,421</u>
<b>Business-type Activities</b>					
Bonds Payable					
G.O. revenue bonds	\$ 6,162,056	\$ 3,165,000	\$ (753,000)	\$ 8,574,056	\$ 929,000
G.O. improvement bonds	300,000	-	(35,000)	265,000	35,000
Unamortized premium on bonds	53,491	112,873	(13,295)	153,069	-
Total Bonds Payable	<u>6,515,547</u>	<u>3,277,873</u>	<u>(801,295)</u>	<u>8,992,125</u>	<u>964,000</u>
Compensated Absences Payable	<u>73,359</u>	<u>41,305</u>	<u>(32,074)</u>	<u>82,590</u>	<u>53,543</u>
Business-type Activities Long-term Liabilities	<u>\$ 6,588,906</u>	<u>\$ 3,319,178</u>	<u>\$ (833,369)</u>	<u>\$ 9,074,715</u>	<u>\$ 1,017,543</u>

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

**G. Components of Fund Balance**

At December 31, 2021, 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	Debt Service	Street Construction	Capital Replacement	Other Governmental Funds	Total Governmental Funds
Nonspendable						
Prepaid items	\$ 13,160	\$ -	\$ -	\$ -	\$ 2,749	\$ 15,909
Restricted for						
Debt service	\$ -	\$ 1,967,967	\$ -	\$ -	\$ -	\$ 1,967,967
Public safety	-	-	-	-	7,060	7,060
Community center improvements	-	-	-	10,000	-	10,000
Economic development	-	-	-	-	224,349	224,349
Total Restricted	\$ -	\$ 1,967,967	\$ -	\$ 10,000	\$ 231,409	\$ 2,209,376
Committed to						
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ 362,844	\$ 362,844
Economic development	-	-	-	-	355,385	355,385
City technology improvements	-	-	-	-	13,883	13,883
Total Committed	\$ -	\$ -	\$ -	\$ -	\$ 732,112	\$ 732,112
Assigned to						
Capital projects	\$ -	\$ -	\$ -	\$ (173,760)	\$ 224,650	\$ 50,890
Unassigned	\$ 1,715,258	\$ -	\$ (268,671)	\$ -	\$ (219,448)	\$ 1,227,139

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2021

**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.

**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.

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

Police and Fire Plan Benefits

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. 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 2021 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, 2021, 2020 and 2019 were \$133,608, \$118,222 and \$112,189, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

Police and Fire Fund Contributions

Police and Fire members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2021 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, 2021, 2020 and 2019 were \$150,552, \$128,590 and \$113,940, 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, 2021, the City reported a liability of \$986,473 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 \$30,118. The net pension liability was measured as of June 30, 2021, 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, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0231 percent which was an increase of 0.0013 percent from its proportion measured as of June 30, 2020.

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

City's proportionate share of the net pension liability	\$986,473
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>30,118</u>
<b>Total</b>	<b><u>\$ 1,016,591</u></b>

For the year ended December 31, 2021, the City recognized pension expense of \$55,074 for its proportionate share of General Employees Fund's pension expense. In addition, the City recognized an additional \$2,430 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, 2021, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 5,352	\$ 29,993
Changes in Actuarial Assumptions	602,323	20,173
Net Difference Between Projected and Actual Earnings on Plan Investments	-	860,867
Changes in Proportion	82,399	21,780
Contributions Paid to PERA Subsequent to the Measurement Date	<u>68,342</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 758,416</u></b>	<b><u>\$ 932,813</u></b>

The \$68,342 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2022	\$ (24,935)
2023	24,779
2024	(9,567)
2025	(233,016)

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

Police and Fire Fund Pension Costs

At December 31, 2021, the City reported a liability of \$517,942 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020 through June 30, 2021 relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0671 percent which was an increase of 0.0025 percent from its proportionate share measured as of June 30, 2020.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2021. 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, 2020. 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. Strong asset returns for the fiscal year ended 2021 will accelerate the phasing out of these state contributions, although we do not anticipate them to be phased out during the fiscal year ending 2022.

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, 2021, the City recognized negative pension expense of \$25,402 for its proportionate share of the Police and Fire Plan's pension expense.

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 \$4,240 for the year ended December 31, 2021 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

At December 31, 2021, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 108,649	\$ 8,400
Changes in Actuarial Assumptions	814,571	349,963
Net Difference Between Projected and Actual Earnings on Plan Investments	-	991,369
Changes in Proportion	66,774	62,103
Contributions Paid to PERA Subsequent to the Measurement Date	<u>82,640</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 1,072,634</u></b>	<b><u>\$ 1,411,835</u></b>



City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

The \$82,640 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2022	\$ (353,642)
2023	(82,740)
2024	(52,396)
2025	(99,710)
2026	166,647

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2021 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 29 years of service and 6.0 percent per year thereafter. 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, 2021 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, 2021 actuarial valuation.

General Employees Fund

Changes in Actuarial Assumptions

- 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.

Changes in Plan Provisions:

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

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

Police and Fire Fund

Changes in Actuarial Assumptions

- 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
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>	

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2021 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 and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**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:

	<u>1 Percent Decrease (6.50%)</u>	<u>Current (7.50%)</u>	<u>1 Percent Increase (8.50%)</u>
General Employees Fund	\$ 2,011,902	\$ 986,473	\$ 145,047
Police and Fire Fund	1,644,375	517,942	(405,456)

**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).

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2021

**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, 2021, the 31 active plan members/employees were covered by the benefit terms.

**B. Funding Policy**

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

**C. Actuarial Methods and Assumptions**

The City's total OPEB liability of \$163,082 was measured as of December 31, 2021, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of January 1, 2020. Roll forward procedures were used to roll forward the total OPEB liability to the measurement date.

The total OPEB liability in the January 1, 2020 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	2.50%
Salary Increases	Service graded table
Medical Trend Rate	6.25% as of January 1, 2021 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%. Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables with MP-2019 Generational Improvement Scale. The actuarial assumptions used in the December 31, 2018 valuation were based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2021

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

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

	<u>Total OPEB Liability (a)</u>
Balances at December 31, 2020	\$ 69,586
Changes for the Year:	
Service cost	12,993
Interset	2,295
Changes in benefit terms	80,559
Changes in assumptions or other inputs	4,608
Benefit payments	<u>(6,959)</u>
Net Changes	<u>93,496</u>
Balances at December 31, 2021	<u>\$ 163,082</u>

For the year ending December 31, 2021, the discount rate was changed from 2.90% to 2.00%

**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:

<u>1 Percent Decrease (1%)</u>	<u>Current (2%)</u>	<u>1 Percent Increase (3%)</u>
\$ 172,044	\$ 163,082	\$ 154,543

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:

<u>1 Percent Decrease (5.5% Decreasing to 4%)</u>	<u>Healthcare Cost Trend Rates (6.5% Decreasing to 5%)</u>	<u>1 Percent Increase (7.5% Decreasing to 6%)</u>
\$ 148,832	\$ 148,832	\$ 179,629

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2021

**Note 5: Postemployment Benefits other than Pensions (Continued)**

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

For the year ended December 31, 2021, the City recognized OPEB expense of \$38,983. At December 31, 2021, 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	\$ -	\$ 195,679
Changes in Actuarial Assumptions	4,032	2,019
Total	\$ 4,032	\$ 197,698

Deferred inflows of resources totaling \$195,679 related differences in expected and actual and changes in assumptions. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2022	\$ (32,374)
2023	(32,374)
2024	(32,374)
2025	(32,374)
2026	(32,374)
Thereafter	(31,796)

**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, 2021, the City is under the legal debt margin.

**B. Risk Management**

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

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

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2021

**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 \$250,263 to the Board in 2021. 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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets	\$ 352,140	\$ 828,628
Capital assets, net	<u>1,746,126</u>	<u>1,221,618</u>
 Total Assets	 <u>\$ 2,098,266</u>	 <u>\$ 2,050,246</u>
Liabilities	\$ 77,711	\$ 1,221,618
Net Position	<u>2,020,555</u>	<u>727,106</u>
 Total Liabilities and Net Position	 <u>\$ 2,098,266</u>	 <u>\$ 1,948,724</u>

The following is a summary of Fire District's statements of activities for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Revenues	\$ 732,494	\$ 760,802
Expenses	<u>660,663</u>	<u>681,889</u>
Change in Net Position	71,831	78,913
Net Position, January 1	<u>1,948,724</u>	<u>1,869,811</u>
Net Position, December 31	<u>\$ 2,020,555</u>	<u>\$ 1,948,724</u>

City of Isanti, Minnesota  
Notes to the Financial Statements  
December 31, 2021

**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, 2021, the balance of the notes outstanding was \$5,250,000. Neither, the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

**Note 9: COVID-19**

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus ("COVID-19") and the risks to the international community as virus spreads globally. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. In response to the pandemic, the State of Minnesota has issued stay-at-home orders and other measures aimed at slowing the spread of the coronavirus.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Due to the rapid development and fluidity of this situation, the City cannot determine the ultimate impact that the COVID-19 pandemic will have on its financial condition, liquidity, and future revenue collection, and therefore any prediction as to the ultimate impact on the City's financial condition, liquidity, and future results of its revenue collections is uncertain.



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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ISANTI  
ISANTI, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2021

City of Isanti, Minnesota  
Required Supplementary Information  
For the Year Ended December 31, 2021

**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
06/30/21	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)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/21	\$ 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, 2021

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

Changes in Actuarial Assumptions

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, 2021

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

Changes in Plan Provisions

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, 2021

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

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/21	0.0671 %	\$ 517,942	\$ 23,280	\$ 541,222	\$ 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)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/21	\$ 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, 2021

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

Changes in Actuarial Assumptions

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, 2021

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

Changes in Plan Provisions

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, 2021

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

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

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

COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF ISANTI  
ISANTI, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2021

City of Isanti, Minnesota  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 December 31, 2021

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
<b>Assets</b>			
Cash and temporary investments	\$ 665,458	\$ 149,778	\$ 815,236
Receivables			
Accrued interest	533	185	718
Taxes	40	-	40
Accounts	9,763	-	9,763
Loans	152,659	-	152,659
Prepaid items	2,749	-	2,749
Land held for resale	18,900	-	18,900
	<u>\$ 850,102</u>	<u>\$ 149,963</u>	<u>\$ 1,000,065</u>
<b>Liabilities</b>			
Accounts payable	\$ 2,054	\$ -	\$ 2,054
Accrued salaries payable	1,479	-	1,479
Advances from other funds	25,060	-	25,060
Total Liabilities	<u>28,593</u>	<u>-</u>	<u>28,593</u>
<b>Fund Balances</b>			
Nonspendable	2,749	-	2,749
Restricted	231,409	-	231,409
Committed	732,112	-	732,112
Assigned	-	224,650	224,650
Unassigned	(144,761)	(74,687)	(219,448)
Total Fund Balances	<u>821,509</u>	<u>149,963</u>	<u>971,472</u>
	<u>\$ 850,102</u>	<u>\$ 149,963</u>	<u>\$ 1,000,065</u>
<b>Total Liabilities and Fund Balances</b>			
	<u>\$ 850,102</u>	<u>\$ 149,963</u>	<u>\$ 1,000,065</u>

City of Isanti, Minnesota  
 Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures and  
 Changes in Fund Balances  
 For the Year Ended December 31, 2021

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
Revenues			
Taxes			
Property taxes	\$ 86,201	\$ -	\$ 86,201
Tax increments	17,443	-	17,443
Franchise taxes	32,958	-	32,958
Intergovernmental	-	52,690	52,690
Charges for services	148,345	-	148,345
Investment earnings	541	229	770
Miscellaneous	25,980	9,012	34,992
Total Revenues	<u>311,468</u>	<u>61,931</u>	<u>373,399</u>
Expenditures			
Current			
Public safety	250	-	250
Culture and recreation	17,592	-	17,592
Economic development	106,152	-	106,152
Capital outlay			
General government	24,375	-	24,375
Total Expenditures	<u>148,369</u>	<u>-</u>	<u>148,369</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>163,099</u>	<u>61,931</u>	<u>225,030</u>
Other Financing Sources (Uses)			
Transfers in	-	13,483	13,483
Transfers out	(136,400)	-	(136,400)
Total Other Financing Sources (Uses)	<u>(136,400)</u>	<u>13,483</u>	<u>(122,917)</u>
Net Change in Fund Balances	26,699	75,414	102,113
Fund Balances, January 1	<u>794,810</u>	<u>74,549</u>	<u>869,359</u>
Fund Balances, December 31	<u>\$ 821,509</u>	<u>\$ 149,963</u>	<u>\$ 971,472</u>

City of Isanti, Minnesota  
 Nonmajor Special Revenue Funds  
 Combining Balance Sheet  
 December 31, 2021

	<b>104</b>	<b>108</b>	<b>214</b>	<b>219</b>	<b>220</b>
	Redbirds Maintenance	Economic Development Authority	Park	Revolving Loan	Forfeiture
<b>Assets</b>					
Cash and temporary investments	\$ 3,019	\$ 21,490	\$ 359,586	\$ 161,238	\$ 7,055
Receivables					
Accrued interest	2	14	237	106	5
Taxes	-	-	-	-	-
Accounts	-	7,622	-	-	-
Loans	-	-	-	152,659	-
Prepaid items	-	2,749	-	-	-
Land held for resale	-	-	-	-	-
	<u>3,021</u>	<u>31,875</u>	<u>359,823</u>	<u>314,003</u>	<u>7,060</u>
<b>Total Assets</b>	<b>\$ 3,021</b>	<b>\$ 31,875</b>	<b>\$ 359,823</b>	<b>\$ 314,003</b>	<b>\$ 7,060</b>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 23	\$ -	\$ -	\$ -
Accrued salaries payable	-	1,479	-	-	-
Advance from other funds	-	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>1,502</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances</b>					
Nonspendable	-	2,749	-	-	-
Restricted	-	-	-	-	7,060
Committed	3,021	27,624	359,823	314,003	-
Unassigned	-	-	-	-	-
<b>Total Fund Balances</b>	<b>3,021</b>	<b>30,373</b>	<b>359,823</b>	<b>314,003</b>	<b>7,060</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,021</b>	<b>\$ 31,875</b>	<b>\$ 359,823</b>	<b>\$ 314,003</b>	<b>\$ 7,060</b>

<b>226</b>	<b>227</b>	<b>409</b>	<b>410</b>	<b>614</b>	
Isanti Indoor Arena	Special Response Team	TIF 9	TIF 10	City Technology Improvement	Total
\$ (144,513)	\$ 13,749	\$ 173,756	\$ 58,344	\$ 11,734	\$ 665,458
-	9	114	38	8	533
-	-	40	-	-	40
-	-	-	-	2,141	9,763
-	-	-	-	-	152,659
-	-	-	-	-	2,749
-	-	18,900	-	-	18,900
<u>\$ (144,513)</u>	<u>\$ 13,758</u>	<u>\$ 192,810</u>	<u>\$ 58,382</u>	<u>\$ 13,883</u>	<u>\$ 850,102</u>
\$ 248	\$ -	\$ 1,783	\$ -	\$ -	\$ 2,054
-	-	-	-	-	1,479
-	-	25,060	-	-	25,060
<u>248</u>	<u>-</u>	<u>26,843</u>	<u>-</u>	<u>-</u>	<u>28,593</u>
-	-	-	-	-	2,749
-	-	165,967	58,382	-	231,409
-	13,758	-	-	13,883	732,112
(144,761)	-	-	-	-	(144,761)
<u>(144,761)</u>	<u>13,758</u>	<u>165,967</u>	<u>58,382</u>	<u>13,883</u>	<u>821,509</u>
<u>\$ (144,513)</u>	<u>\$ 13,758</u>	<u>\$ 192,810</u>	<u>\$ 58,382</u>	<u>\$ 13,883</u>	<u>\$ 850,102</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, 2021

	<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	\$ -	\$ 86,201	\$ -	\$ -	\$ -
Tax increments	-	-	-	-	-
Franchise taxes	-	6,592	-	-	-
Charges for services	-	7,087	113,654	171	-
Investment earnings	6	(56)	299	114	5
Miscellaneous	5,276	5,579	-	-	190
Total Revenues	<u>5,282</u>	<u>105,403</u>	<u>113,953</u>	<u>285</u>	<u>195</u>
Expenditures					
Current					
Public safety	-	-	-	-	250
Culture and recreation	2,112	-	-	-	-
Economic development	-	92,586	-	10,000	-
Capital outlay					
General government	-	-	-	-	-
Total Expenditures	<u>2,112</u>	<u>92,586</u>	<u>-</u>	<u>10,000</u>	<u>250</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,170	12,817	113,953	(9,715)	(55)
Other Financing Sources (Uses)					
Transfers out	-	(136,400)	-	-	-
Net Change in Fund Balances	3,170	(123,583)	113,953	(9,715)	(55)
Fund Balances, January 1	<u>(149)</u>	<u>153,956</u>	<u>245,870</u>	<u>323,718</u>	<u>7,115</u>
Fund Balances, December 31	<u>\$ 3,021</u>	<u>\$ 30,373</u>	<u>\$ 359,823</u>	<u>\$ 314,003</u>	<u>\$ 7,060</u>

<b>226</b> Isanti Indoor Arena	<b>227</b> Special Response Team	<b>409</b> TIF 9	<b>410</b> TIF 10	<b>614</b> City Technology Improvement	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,201
-	-	17,443	-	-	17,443
-	-	-	-	26,366	32,958
27,433	-	-	-	-	148,345
-	10	118	41	4	541
1,187	13,748	-	-	-	25,980
<u>28,620</u>	<u>13,758</u>	<u>17,561</u>	<u>41</u>	<u>26,370</u>	<u>311,468</u>
-	-	-	-	-	250
15,480	-	-	-	-	17,592
-	-	3,566	-	-	106,152
-	-	-	-	24,375	24,375
<u>15,480</u>	<u>-</u>	<u>3,566</u>	<u>-</u>	<u>24,375</u>	<u>148,369</u>
13,140	13,758	13,995	41	1,995	163,099
-	-	-	-	-	(136,400)
13,140	13,758	13,995	41	1,995	26,699
<u>(157,901)</u>	<u>-</u>	<u>151,972</u>	<u>58,341</u>	<u>11,888</u>	<u>794,810</u>
<u>\$ (144,761)</u>	<u>\$ 13,758</u>	<u>\$ 165,967</u>	<u>\$ 58,382</u>	<u>\$ 13,883</u>	<u>\$ 821,509</u>



**City of Isanti, Minnesota**  
**Nonmajor Capital Projects Funds**  
**Combining Balance Sheet**  
**December 31, 2021**

	<b>427</b> Fairway Blvd/ County 5 Signal	<b>438</b> City Parking Improvements	<b>441</b> 2017 Palomino Road Southeast Improvements	Total
<b>Assets</b>				
Cash and temporary investments	\$ 224,465	\$ (74,687)	\$ -	\$ 149,778
Accrued interest receivable	185	-	-	185
	<b>\$ 224,650</b>	<b>\$ (74,687)</b>	<b>\$ -</b>	<b>\$ 149,963</b>
<b>Total Assets</b>				
	<b>\$ 224,650</b>	<b>\$ (74,687)</b>	<b>\$ -</b>	<b>\$ 149,963</b>
<b>Fund Balances</b>				
Assigned	224,650	-	-	224,650
Unassigned	-	(74,687)	-	(74,687)
	<b>\$ 224,650</b>	<b>\$ (74,687)</b>	<b>\$ -</b>	<b>\$ 149,963</b>
<b>Total Fund Balances</b>				
	<b>\$ 224,650</b>	<b>\$ (74,687)</b>	<b>\$ -</b>	<b>\$ 149,963</b>

**City of Isanti, Minnesota**  
**Nonmajor Capital Projects Funds**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**For the Year Ended December 31, 2021**

	<b>427</b> Signal Light <u>Improvements</u>	<b>438</b> City Parking <u>Improvements</u>	<b>441</b> 2017 Palomino Road Southeast <u>Improvements</u>	<u>Total</u>
Revenues				
Intergovernmental	\$ -	\$ -	\$ 52,690	\$ 52,690
Investment earnings	209	-	20	229
Miscellaneous	9,012	-	-	9,012
Total Revenues	<u>9,221</u>	<u>-</u>	<u>52,710</u>	<u>61,931</u>

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City of Isanti, Minnesota  
 General Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Budget and Actual (Continued on the Following Pages)  
 For the Year Ended December 31, 2021  
 (With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			Variance with Final Budget	2020
	Budget Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
Revenues					
Property taxes	\$ 1,927,166	\$ 1,927,166	\$ 1,878,202	\$ (48,964)	\$ 1,859,747
Licenses and permits					
Business	13,300	13,300	3,275	(10,025)	14,885
Nonbusiness	334,500	334,500	345,439	10,939	430,168
Total licenses and permits	<u>347,800</u>	<u>347,800</u>	<u>348,714</u>	<u>914</u>	<u>445,053</u>
Intergovernmental					
Federal					
Other	79,667	79,667	83,667	4,000	417,121
State					
Local government aid	780,176	780,176	780,176	-	740,876
Property tax credits	150	150	35	(115)	70
Police aid	78,000	78,000	81,546	3,546	56,204
Municipal state aid					
street maintenance	69,000	69,000	69,272	272	73,844
Other	1,205	1,205	2,807	1,602	-
Total intergovernmental	<u>1,008,198</u>	<u>1,008,198</u>	<u>1,017,503</u>	<u>9,305</u>	<u>1,288,115</u>
Charges for services					
General government	94,855	94,855	32,581	(62,274)	38,754
Public safety	88,020	88,020	75,727	(12,293)	25,670
Public works	10,750	10,750	7,088	(3,662)	10,497
Culture and recreation	12,850	12,850	67,021	54,171	58,139
Total charges for services	<u>206,475</u>	<u>206,475</u>	<u>182,417</u>	<u>(24,058)</u>	<u>133,060</u>
Fines and forfeitures	<u>53,150</u>	<u>53,150</u>	<u>33,290</u>	<u>(19,860)</u>	<u>33,500</u>
Investment earnings	<u>20,000</u>	<u>20,000</u>	<u>560</u>	<u>(19,440)</u>	<u>40,076</u>
Miscellaneous					
Refunds and reimbursements	7,000	7,000	25,157	18,157	26,451
Other	1,000	8,750	(58)	(8,808)	1,150
Total miscellaneous	<u>8,000</u>	<u>15,750</u>	<u>25,099</u>	<u>9,349</u>	<u>27,601</u>
Total Revenues	<u>3,570,789</u>	<u>3,578,539</u>	<u>3,485,785</u>	<u>(92,754)</u>	<u>3,827,152</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, 2021  
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	2021			Variance with Final Budget	2020
	Budget Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
Expenditures					
Current					
General government					
Mayor and city council					
Personnel services	\$ 26,834	\$ 26,834	\$ 24,842	\$ 1,992	\$ 25,273
Supplies	2,750	2,750	830	1,920	1,525
Other services and charges	9,135	9,135	10,005	(870)	13,239
Total mayor and city council	<u>38,719</u>	<u>38,719</u>	<u>35,677</u>	<u>3,042</u>	<u>40,037</u>
Elections					
Personnel services	-	-	-	-	7,222
Supplies	-	-	-	-	111
Other services and charges	200	200	1,436	(1,236)	2,698
Total elections	<u>200</u>	<u>200</u>	<u>1,436</u>	<u>(1,236)</u>	<u>10,031</u>
Financial administration					
Personnel services	447,462	447,462	446,476	986	465,592
Supplies	34,455	34,455	33,937	518	32,653
Other services and charges	97,094	97,094	79,735	17,359	133,227
Total finance administration	<u>579,011</u>	<u>579,011</u>	<u>560,148</u>	<u>18,863</u>	<u>631,472</u>
Planning and zoning					
Personnel services	109,542	109,542	105,502	4,040	95,308
Supplies	3,760	3,760	2,619	1,141	1,667
Other services and charges	19,191	19,191	11,880	7,311	15,572
Total planning and zoning	<u>132,493</u>	<u>132,493</u>	<u>120,001</u>	<u>12,492</u>	<u>112,547</u>
Municipal building					
Supplies	5,250	5,250	3,660	1,590	1,309
Other services and charges	34,404	34,404	45,931	(11,527)	38,225
Total municipal building	<u>39,654</u>	<u>39,654</u>	<u>49,591</u>	<u>(9,937)</u>	<u>39,534</u>
Total general government	<u>790,077</u>	<u>790,077</u>	<u>766,853</u>	<u>23,224</u>	<u>833,621</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, 2021**  
 (With Comparative Actual Amounts for the Year Ended December 31, 2020)

Expenditures (Continued)

Current (continued)

Public safety

Police

Personnel services	\$ 1,536,478	\$ 1,536,478	\$ 1,456,632	\$ 79,846	\$ 1,253,944
Supplies	23,510	23,510	24,463	(953)	24,680
Other services and charges	183,619	183,619	202,770	(19,151)	166,255
Total police	<u>1,743,607</u>	<u>1,743,607</u>	<u>1,683,865</u>	<u>59,742</u>	<u>1,444,879</u>

Fire protection

Other services and charges	<u>257,990</u>	<u>257,990</u>	<u>253,972</u>	<u>4,018</u>	<u>251,620</u>
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Building inspection

Personnel services	169,785	169,785	193,758	(23,973)	49,267
Supplies	100	100	713	(613)	636
Other services and charges	24,962	24,962	31,055	(6,093)	350,276
Total building inspection	<u>194,847</u>	<u>194,847</u>	<u>225,526</u>	<u>(30,679)</u>	<u>400,179</u>

Code enforcement

Personnel services	10,021	10,021	9,974	47	8,972
Supplies	50	50	9	41	121
Other services and charges	2,312	2,312	1,386	926	2,302
Total code enforcement	<u>12,383</u>	<u>12,383</u>	<u>11,369</u>	<u>1,014</u>	<u>11,395</u>

Animal control

Supplies	90	90	-	90	70
Other services and charges	3,001	3,001	3,000	1	3,001
Total animal control	<u>3,091</u>	<u>3,091</u>	<u>3,000</u>	<u>91</u>	<u>3,071</u>

Total public safety

	<u>2,211,918</u>	<u>2,211,918</u>	<u>2,177,732</u>	<u>34,186</u>	<u>2,111,144</u>
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Public works

Streets and highways

Personnel services	217,725	217,725	206,668	11,057	224,744
Supplies	100,700	100,700	75,710	24,990	77,140
Other services and charges	63,524	63,524	46,444	17,080	53,532
Total streets and highways	<u>381,949</u>	<u>381,949</u>	<u>328,822</u>	<u>53,127</u>	<u>355,416</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, 2021**  
 (With Comparative Actual Amounts for the Year Ended December 31, 2020)

Expenditures (Continued)

Current (continued)

Public works (continued)

Street lighting

Other services and charges	\$ 51,130	\$ 51,130	\$ 58,434	\$ (7,304)	\$ 53,811
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Sanitation and waste control

Personnel services	20,893	20,893	19,180	1,713	15,912
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Supplies	1,200	1,200	1,168	32	805
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Other services and charges	2,782	2,782	3,285	(503)	6,307
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Total sanitation and waste control	24,875	24,875	23,633	1,242	23,024
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General City maintenance

Personnel services	36,886	36,886	36,722	164	29,124
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Supplies	4,140	4,140	1,224	2,916	2,203
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Other services and charges	18,410	18,410	16,021	2,389	15,890
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Total general city maintenance	59,436	59,436	53,967	5,469	47,217
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Total public works	517,390	517,390	464,856	52,534	479,468
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Culture and recreation

Parks and recreation

Personnel services	238,086	238,086	217,135	20,951	216,025
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Supplies	12,160	12,160	9,510	2,650	11,720
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Other services and charges	121,061	121,061	111,831	9,230	106,089
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Total parks and recreation	371,307	371,307	338,476	32,831	333,834
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Total culture and recreation	371,307	371,307	338,476	32,831	333,834
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Economic development

Other services and charges	13,852	13,852	14,987	(1,135)	24,528
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Total current	3,904,544	3,904,544	3,762,904	141,640	3,782,595
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**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, 2021**  
 (With Comparative Actual Amounts for the Year Ended December 31, 2020)

Expenditures (Continued)					
Capital outlay					
General government	\$ -	\$ -	\$ -	\$ -	\$ 69,575
Public safety	-	-	-	-	160,435
Public works	-	-	-	-	10,160
Culture and recreation	-	-	-	-	4,500
Total capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>244,670</u>
 Total Expenditures	 <u>3,904,544</u>	 <u>3,904,544</u>	 <u>3,762,904</u>	 <u>141,640</u>	 <u>4,027,265</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>(333,755)</u>	 <u>(326,005)</u>	 <u>(277,119)</u>	 <u>48,886</u>	 <u>(200,113)</u>
Other Financing Sources (Uses)					
Transfers in	494,150	486,400	486,400	-	455,976
Transfers out	<u>(113,944)</u>	<u>(113,944)</u>	<u>-</u>	<u>113,944</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>380,206</u>	<u>372,456</u>	<u>486,400</u>	<u>113,944</u>	<u>455,976</u>
 Net Change in Fund Balances	 46,451	 46,451	 209,281	 162,830	 255,863
 Fund Balances, January 1	 <u>1,519,137</u>	 <u>1,519,137</u>	 <u>1,519,137</u>	 <u>-</u>	 <u>1,263,274</u>
 Fund Balances, December 31	 <u>\$ 1,565,588</u>	 <u>\$ 1,565,588</u>	 <u>\$ 1,728,418</u>	 <u>\$ 162,830</u>	 <u>\$ 1,519,137</u>



City of Isanti, Minnesota  
Debt Service Funds  
Combining Balance Sheet  
December 31, 2021

	<b>929</b>	<b>930</b>	<b>931</b>
	2010B G.O. Improvement Bonds	2011A G.O. Improvement Bonds	2021A G.O. Tax Abatement Bonds
<b>Assets</b>			
Cash and temporary investments	\$ 49,521	\$ 37,229	\$ 79,511
Cash With fiscal agent	-	91,215	1,663,231
<b>Receivables</b>			
Accrued interest	33	25	52
Special assessments	282,392	14,470	-
<b>Total Assets</b>	<u><u>\$ 331,946</u></u>	<u><u>\$ 142,939</u></u>	<u><u>\$ 1,742,794</u></u>
<b>Liabilities</b>			
Accounts payable	<u>\$ 156</u>	<u>\$ 156</u>	<u>\$ 10,313</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - special assessments	<u>282,391</u>	<u>13,814</u>	<u>-</u>
<b>Fund Balances</b>			
Restricted for debt service	<u>49,399</u>	<u>128,969</u>	<u>1,732,481</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u><u>\$ 331,946</u></u>	<u><u>\$ 142,939</u></u>	<u><u>\$ 1,742,794</u></u>

**932**  
 2014B G.O.  
 Improvement  
 Bonds

Total

\$ 10,738	\$ 176,999
46,529	1,800,975
7	117
-	296,862
<u>\$ 57,274</u>	<u>\$ 2,274,953</u>
<u>\$ 156</u>	<u>\$ 10,781</u>
<u>-</u>	<u>296,205</u>
<u>57,118</u>	<u>1,967,967</u>
<u>\$ 57,274</u>	<u>\$ 2,274,953</u>

City of Isanti, Minnesota  
Debt Service Funds  
Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
For the Year Ended December 31, 2021

	<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
Revenues			
Property taxes	\$ -	\$ 9,367	\$ 222,036
Special assessments	-	16,166	-
Investment earnings	245	(30)	(102)
Total Revenues	<u>245</u>	<u>25,503</u>	<u>221,934</u>
Expenditures			
Debt service			
Principal	375,000	85,000	165,000
Interest and other	12,156	4,262	91,098
Total Expenditures	<u>387,156</u>	<u>89,262</u>	<u>256,098</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(386,911)</u>	<u>(63,759)</u>	<u>(34,164)</u>
Other Financing Sources (Uses)			
Bond issued	-	-	1,445,000
Premium on bonds issued	-	-	63,082
Transfers in	-	39,860	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>39,860</u>	<u>1,508,082</u>
Net Change in Fund Balances	(386,911)	(23,899)	1,473,918
Fund Balances, January 1	<u>436,310</u>	<u>152,868</u>	<u>258,563</u>
Fund Balances, December 31	<u>\$ 49,399</u>	<u>\$ 128,969</u>	<u>\$ 1,732,481</u>

**932**

2014B G.O.  
Improvement  
Bonds

Total

\$	50,227	\$	281,630
	-		16,166
	(31)		82
	<u>50,196</u>		<u>297,878</u>

	45,000		670,000
	3,362		110,878
	<u>48,362</u>		<u>780,878</u>

	<u>1,834</u>		<u>(483,000)</u>
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	-		1,445,000
	-		63,082
	-		<u>39,860</u>
	-		<u>1,547,942</u>

	1,834		1,064,942
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	<u>55,284</u>		<u>903,025</u>
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\$	<u>57,118</u>	\$	<u>1,967,967</u>
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City of Isanti, Minnesota  
 Summary Financial Report  
 Revenues and Expenditures for General Operations  
 Governmental Funds  
 For the Years Ended December 31, 2021 and 2020

	Total		Percent Increase (Decrease)
	2021	2020	
Revenues			
Taxes	\$ 3,343,998	\$ 3,090,463	8.20 %
Licenses and permits	348,714	445,053	(21.65)
Intergovernmental	1,235,283	1,995,676	(38.10)
Charges for services	453,730	305,715	48.42
Fines and forfeits	33,290	33,500	(0.63)
Special assessments	75,908	40,460	87.61
Investment earnings	1,946	88,317	(97.80)
Miscellaneous	59,406	55,220	7.58
	<u>5,552,275</u>	<u>6,054,404</u>	
Total Revenues	<u>\$ 5,552,275</u>	<u>\$ 6,054,404</u>	(8.29) %
Per Capita	<u>\$ 816</u>	<u>\$ 971</u>	(15.99) %
Expenditures			
Current			
General government	\$ 766,853	\$ 833,621	(8.01) %
Public safety	2,177,982	2,114,034	3.02
Public works	464,856	479,468	(3.05)
Culture and recreation	356,068	358,291	(0.62)
Economic development	121,139	127,098	(4.69)
Capital outlay			
General government	33,187	124,022	(73.24)
Public safety	1,577,386	245,028	543.76
Public works	1,076,565	1,873,743	(42.54)
Culture and recreation	322,577	31,438	926.07
Economic development	-	500	(100.00)
Debt service			
Principal	670,000	655,000	2.29
Interest and other	110,878	86,469	28.23
	<u>7,677,491</u>	<u>6,928,712</u>	
Total Expenditures	<u>\$ 7,677,491</u>	<u>\$ 6,928,712</u>	10.81 %
Per Capita	<u>\$ 1,128</u>	<u>\$ 1,112</u>	1.51 %
Total Long-term Indebtedness	\$ 3,310,000	\$ 2,535,000	30.57 %
Per Capita	486	407	19.61
General Fund Balance - December 31	\$ 1,728,418	\$ 1,519,137	13.78 %
Per Capita	254	244	4.23

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, 2021

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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, 2021, and the related notes to the financial statements, and have issued our report thereon dated April 13, 2022.

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 13, 2022



**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, 2021, 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 13, 2022.

**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 2021-001 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 13, 2022



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City of Isanti, Minnesota  
Schedule of Finding and Response  
For the Year Ended December 31, 2021

<u>Finding</u>	<u>Description</u>
<b>2021-001</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.