

Annual Financial Report

City of Isanti
Isanti, Minnesota

For the Year Ended
December 31, 2019

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Annual Financial Report
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INTRODUCTORY SECTION

CITY OF ISANTI
ISANTI, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

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City of Isanti, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2019

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires December 31,</u>
Jeff Johnson	Mayor	2023
Jimmy Gordon	Council Member	2020
Steve Lundeen	Council Member	2020
Paul Bergley	Council Member	2023
Dan Collison	Council Member	2023

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, 2019

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Isanti, Minnesota

Report on the Financial Statements

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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2019, 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.

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Change in Accounting Standards

As described in Note 8 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 84, Fiduciary Activities, for the year ended December 31, 2019. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability and the Schedules of Employer's Contributions, the related note disclosures, and the Schedule of Changes in the City's OPEB Liability and Related Ratios starting on page 78 be presented to supplement the basic financial statements. Such information, 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

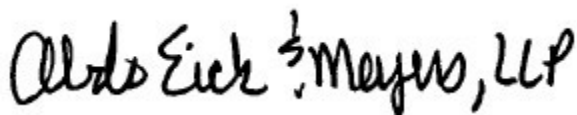
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and 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 1, 2020 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, EICK & MEYERS, LLP
Minneapolis, Minnesota
April 1, 2020

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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, 2019.

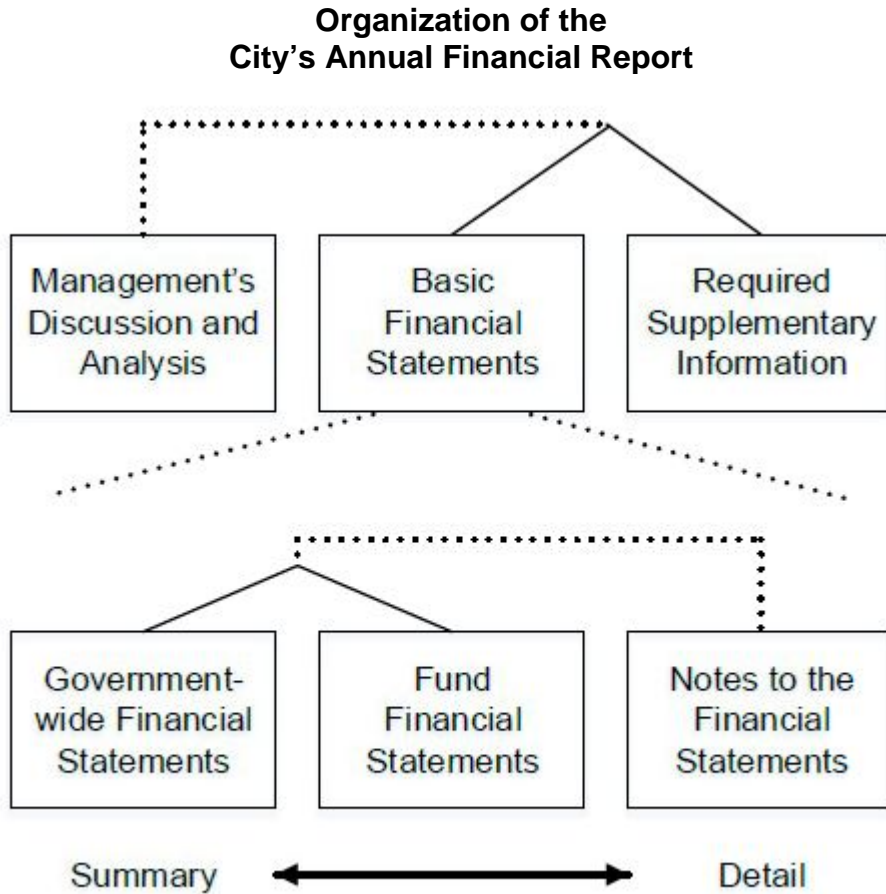
Financial Highlights

- 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 \$45,277,834. Of this amount, \$8,543,416 (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 \$704,441. This was largely a result of operating income within business-type activities of \$866,729 as well as capital contributions of \$660,344 from connection fees.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,546,376, an increase of \$471,632, in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$1,254,221, or 32.5 percent of 2019 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"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statements of Net Position • Statements of Revenues, Expenses and Changes in Fund Net Position • Statements of Cash Flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position
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/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	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 35 individual governmental funds, 7 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 and Debt Service fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

The 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 42 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 78 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 84 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$45,277,834 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (77.1 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		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Assets						
Current and other assets	\$ 6,631,435	\$ 6,104,257	\$ 527,178	\$ 8,017,400	\$ 6,984,348	\$ 1,033,052
Capital assets, net of depreciation	17,044,869	18,086,837	(1,041,968)	28,390,257	28,873,075	(482,818)
Total Assets	23,676,304	24,191,094	(514,790)	36,407,657	35,857,423	550,234
Deferred Outflows of Resources						
Deferred pension resource	1,067,006	1,144,849	(77,843)	46,583	81,352	(34,769)
Liabilities						
Noncurrent liabilities outstanding	3,398,898	5,620,888	(2,221,990)	7,354,545	8,533,521	(1,178,976)
Other liabilities	2,002,310	156,454	1,845,856	749,618	206,406	543,212
Total Liabilities	5,401,208	5,777,342	(376,134)	8,104,163	8,739,927	(635,764)
Deferred Inflows of Resources						
Resources received in advance	760,223	475,687	284,536	-	-	-
Deferred pension resource	1,545,974	1,598,249	(52,275)	108,148	110,120	(1,972)
Total Deferred Inflows of Resources	2,306,197	2,073,936	232,261	108,148	110,120	(1,972)
Net Position						
Net investment in capital assets	13,819,212	14,287,678	(468,466)	21,105,692	20,924,492	181,200
Restricted	1,809,514	2,821,511	(1,011,997)	-	-	-
Unrestricted	1,407,179	375,476	1,031,703	7,136,237	6,164,236	972,001
Total Net Position	\$ 17,035,905	\$ 17,484,665	\$ (448,760)	\$ 28,241,929	\$ 27,088,728	\$ 1,153,201

An additional portion of the City's net position (4.0 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, \$8,543,416, 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 \$704,441 during the current fiscal year. Governmental activities decreased the City's net position by \$448,760. Significant changes from the prior year are noted below:

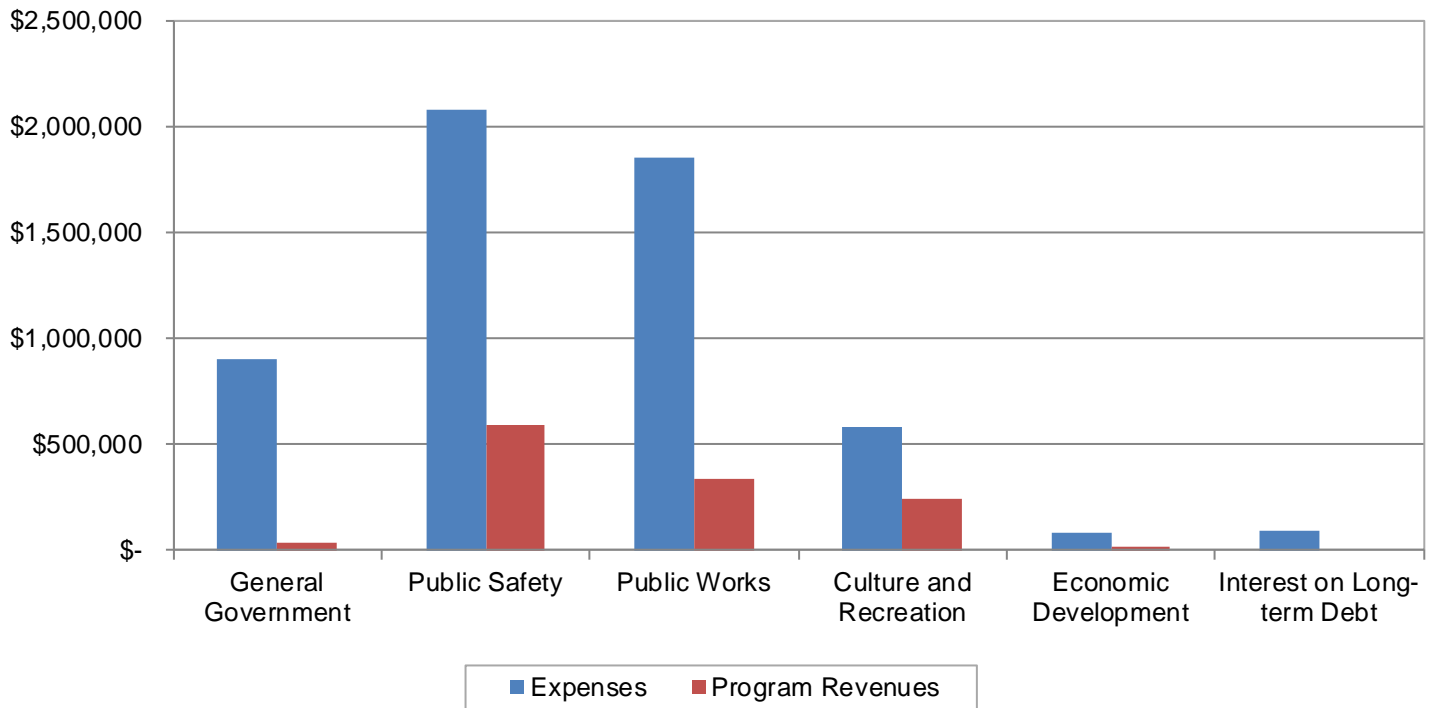
City of Isanti's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 667,789	\$ 703,113	\$ (35,324)	\$ 5,916,616	\$ 5,500,605	\$ 416,011
Operating grants and contributions	223,124	228,006	(4,882)	11,186	15,541	(4,355)
Capital grants and contributions	336,031	415,502	(79,471)	660,344	566,517	93,827
General Revenues						
Taxes						
Property taxes	2,340,623	2,812,032	(471,409)	-	-	-
Tax increment	28,074	15,479	12,595	-	-	-
Other taxes	333,619	325,236	8,383	-	-	-
Grants and contributions not restricted to specific programs	646,879	646,624	255	-	-	-
Unrestricted investment earnings	178,668	54,747	123,921	194,170	60,029	134,141
Gain on sale of capital assets	7,262	737	6,525	-	-	-
Total Revenues	<u>4,762,069</u>	<u>5,201,476</u>	<u>(439,407)</u>	<u>6,782,316</u>	<u>6,142,692</u>	<u>639,624</u>
Expenses						
General government	903,000	722,906	180,094	-	-	-
Public safety	2,083,053	1,807,152	275,901	-	-	-
Public works	1,854,836	1,638,261	216,575	-	-	-
Culture and recreation	586,995	558,939	28,056	-	-	-
Economic development	81,569	1,317,206	(1,235,637)	-	-	-
Interest on long-term debt	94,899	163,131	(68,232)	-	-	-
Water	-	-	-	935,191	937,988	(2,797)
Sewer	-	-	-	1,306,422	1,009,703	296,719
Storm Water	-	-	-	169,345	168,280	1,065
Liquor store	-	-	-	2,824,634	2,567,141	257,493
Total Expenses	<u>5,604,352</u>	<u>6,207,595</u>	<u>(603,243)</u>	<u>5,235,592</u>	<u>4,683,112</u>	<u>552,480</u>
Changes in Net Position Before Transfers and Special Items	(842,283)	(1,006,119)	163,836	1,546,724	1,459,580	87,144
Transfers - Capital Assets	-	(261,542)	261,542	-	261,542	(261,542)
Transfers - Internal Activities	393,523	734,250	(340,727)	(393,523)	(734,250)	340,727
Change in Net Position	(448,760)	(533,411)	84,651	1,153,201	986,872	166,329
Net Position, January 1	<u>17,484,665</u>	<u>18,018,076</u>	<u>(533,411)</u>	<u>27,088,728</u>	<u>26,101,856</u>	<u>986,872</u>
Net Position, December 31	<u>\$ 17,035,905</u>	<u>\$ 17,484,665</u>	<u>\$ (448,760)</u>	<u>\$ 28,241,929</u>	<u>\$ 27,088,728</u>	<u>\$ 1,153,201</u>

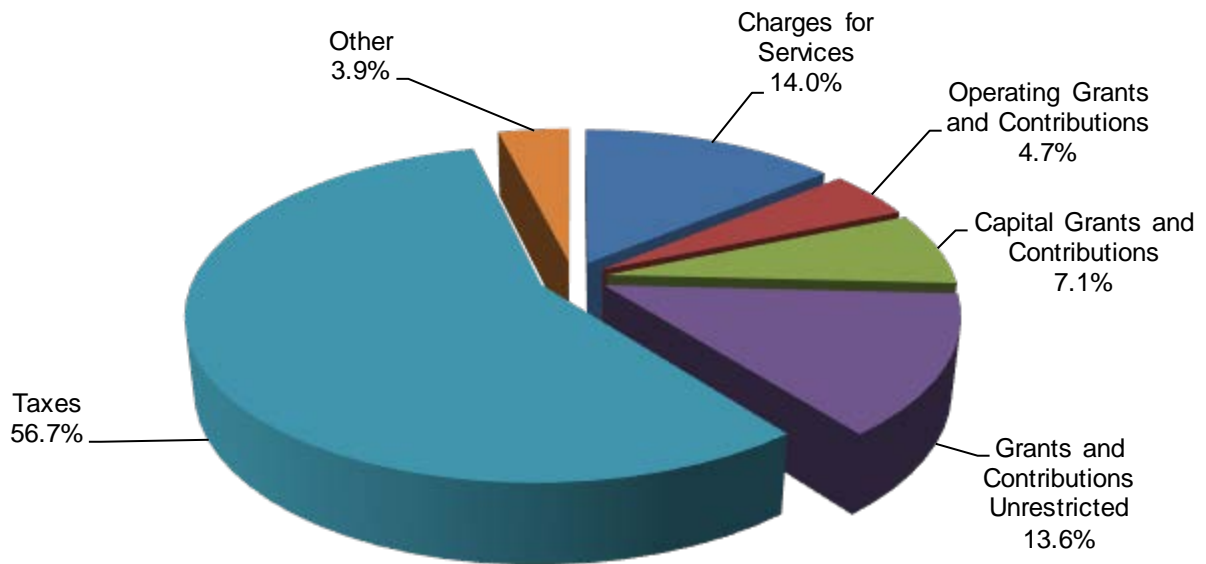
- Property taxes decreased \$471,409 from the prior year in line with the City's budget and capital improvement plan.
- Economic development expenses decreased \$1,235,637 during the year due to a business subsidy agreement the city had in 2018.

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

Expenses and Program Revenues - Governmental Activities

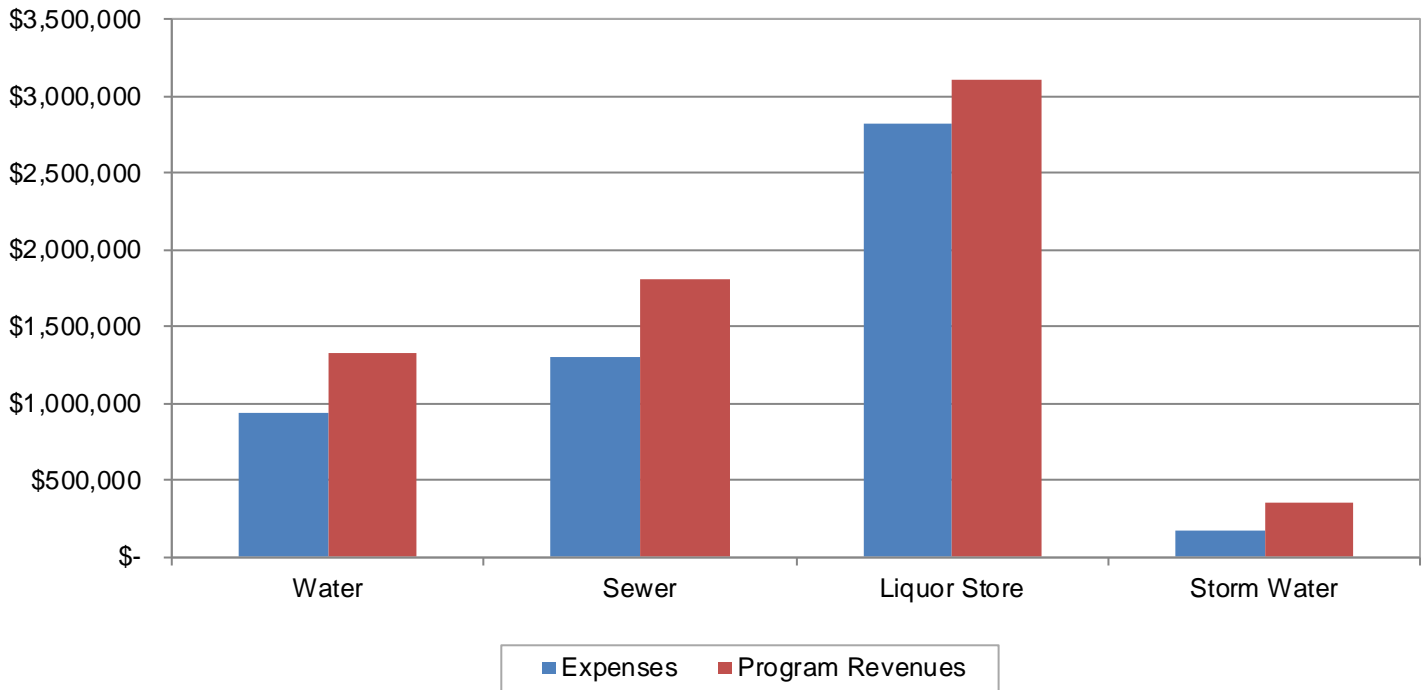


Revenues by Sources - Governmental Activities

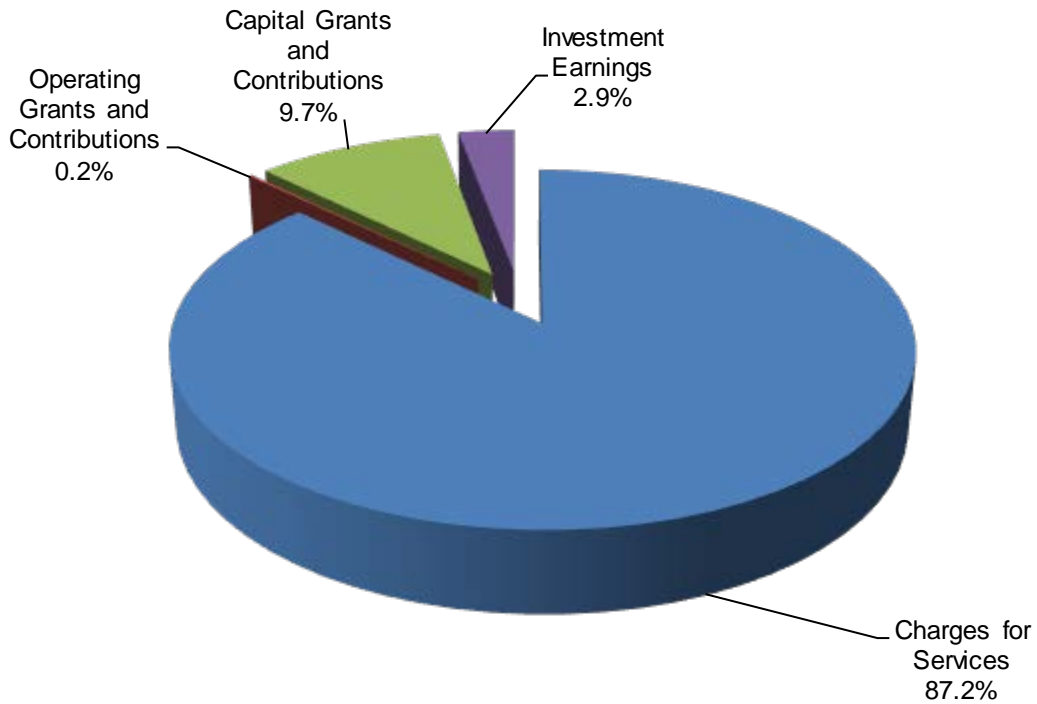


Business-type Activities. Business-type activities increased the City's net position by \$1,153,201. The main reason for the increase was charges for services increased \$416,011 from the prior year. Additional information noted below:

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 \$4,546,376, an increase of \$471,632 in comparison with the prior year. Of this total amount, 15.6 percent, or \$708,644, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance of \$3,837,732 is not available for new spending because it is either 1) nonspendable (\$9,058), 2) restricted (\$1,440,248), 3) Assigned (\$1,778,774) or 4) committed (\$609,652). For further classification, refer to Note 3F on page 68 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 31.0 percent of budgeted 2019 expenditures and transfers out. Of the fund balance, \$1,254,221 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 decreased \$145,105 during the year mainly due to regularly scheduled principal and interest payments exceeding sources during the year.

The Capital Replacement fund has an increase in fund balance of \$238,022 with an ending balance of \$797,706.

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 \$7,136,237. 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 amended during the year, increasing expenditures \$76,326 with a budget to decrease fund balance by \$598,703. Revenues were \$109,314 over budget. This is primarily due to licenses and permits being more than budgeted by \$43,798. Expenditures were under budget by \$189,299. The largest variance in the General fund expenditures is due to culture and recreation which was \$69,841 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, 2019, amounts to \$45,435,126 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads and highways.

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

- 2018 Street Improvements that were finished and capitalized in 2019.
- 2019 Stormwater Improvements
- SCADA System Upgrades
- Water Chlorination System
- A/V Equipment (Council Chambers)
- Squad Vehicles and Police Equipment.

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

	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Land	\$ 2,424,266	\$ 2,424,266	\$ -	\$ 94,237	\$ 94,237	\$ -
Construction in Progress	115,870	358,518	(242,648)	160,599	-	160,599
Land Improvements	-	6,279	(6,279)	67,408	87,660	(20,252)
Buildings	3,507,705	3,650,855	(143,150)	3,401,123	3,500,399	(99,276)
Infrastructure	10,319,975	11,131,462	(811,487)	23,997,898	24,603,014	(605,116)
Machinery and Equipment	499,087	379,752	119,335	605,634	515,502	90,132
Vehicles	177,966	135,705	42,261	63,358	72,263	(8,905)
Total	\$ 17,044,869	\$ 18,086,837	\$ (1,041,968)	\$ 28,390,257	\$ 28,873,075	\$ (482,818)

Additional information on the City's capital assets can be found in Note 3D starting on page 62 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$10,415,056. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

City of Isanti's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
G.O. Bonds	\$ 2,190,000	\$ 2,390,000	\$ (200,000)	\$ -	\$ -	\$ -
G.O. Improvement Bonds	1,000,000	1,370,000	(370,000)	335,000	370,000	(35,000)
G.O. Revenue Bonds	-	-	-	6,890,056	7,513,056	(623,000)
Bond Premium	35,657	39,159	(3,502)	59,509	65,527	(6,018)
Total	\$ 3,225,657	\$ 3,799,159	\$ (573,502)	\$ 7,284,565	\$ 7,948,583	\$ (664,018)

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, 2019, 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 64 of this report.

Economic Factors and Next Year's Budgets and Rates

- Property tax valuations within the City increased in 2019 and have continued to increase for 2020.
- The 2019 budget includes a property tax levy of \$2,721,006 which is 12.69% higher than the 2019 levy but left the tax rate unchanged.
- The 2020 budget includes an amount for Local Government Aid in the amount of \$737,393.
- Franchise fees were implemented in 2016 to offset capital improvements, specifically pavement management costs.
- Isanti County has an average unemployment rate for 2019 of 4.1%. This compares with unemployment rates of 3.2% for the State of Minnesota and 3.7% for the United States.

All of these factors were considered in preparing the City's budget for the 2019 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, 2019

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City of Isanti, Minnesota

Statement of Net Position

December 31, 2019

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and temporary investments	\$ 6,401,905	\$ 6,261,379	\$ 12,663,284
Receivables			
Accrued interest	11,057	10,390	21,447
Taxes	43,819	-	43,819
Accounts	119,465	286,738	406,203
Loans	188,660	-	188,660
Special assessments	914,319	45,552	959,871
Internal balances	(1,082,628)	1,082,628	-
Due from other governments	1,880	-	1,880
Inventories	-	327,249	327,249
Prepaid items	9,058	3,464	12,522
Land held for resale	23,900	-	23,900
Capital assets			
Land and construction in progress	2,540,136	254,836	2,794,972
Depreciable assets (net of accumulated depreciation)	14,504,733	28,135,421	42,640,154
Total Assets	<u>23,676,304</u>	<u>36,407,657</u>	<u>60,083,961</u>
Deferred Outflows of Resources			
Deferred pension resources	<u>1,067,006</u>	<u>46,583</u>	<u>1,113,589</u>
Liabilities			
Accounts payable	79,341	128,549	207,890
Deposits payable	253,905	-	253,905
Due to other governments	5,408	32,198	37,606
Accrued salaries payable	45,778	17,964	63,742
Accrued interest payable	8,891	40,294	49,185
Noncurrent liabilities			
Due within one year	793,728	819,039	1,612,767
Due in more than one year	2,605,170	6,535,506	9,140,676
Net Pension Liability	1,410,848	415,400	1,826,248
Other postemployment benefits liability	198,139	115,213	313,352
Total Liabilities	<u>5,401,208</u>	<u>8,104,163</u>	<u>13,505,371</u>
Deferred Inflows of Resources			
Resources received in advance	760,223	-	760,223
Deferred pension resources	1,545,974	108,148	1,654,122
Total Deferred Inflows of Resources	<u>2,306,197</u>	<u>108,148</u>	<u>2,414,345</u>
Net Position			
Net investment in capital assets	13,819,212	21,105,692	34,924,904
Restricted for			
Debt service	1,595,627	-	1,595,627
Public safety	9,884	-	9,884
Community center improvements	10,000	-	10,000
Economic development	194,003	-	194,003
Unrestricted	<u>1,407,179</u>	<u>7,136,237</u>	<u>8,543,416</u>
Total Net Position	<u>\$ 17,035,905</u>	<u>\$ 28,241,929</u>	<u>\$ 45,277,834</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, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 903,000	\$ 37,436	\$ -	\$ -
Public safety	2,083,053	496,995	96,357	-
Public works	1,854,836	30,875	67,155	241,694
Culture and recreation	586,995	96,483	51,017	94,337
Economic development	81,569	6,000	8,595	-
Interest on long-term debt	94,899	-	-	-
Total Governmental Activities	<u>5,604,352</u>	<u>667,789</u>	<u>223,124</u>	<u>336,031</u>
Business-type Activities				
Water	935,191	1,077,961	7,719	240,279
Sewer	1,306,422	1,382,297	1,918	420,065
Liquor store	2,824,634	3,106,810	717	-
Stormwater	169,345	349,548	832	-
Total Business-type Activities	<u>5,235,592</u>	<u>5,916,616</u>	<u>11,186</u>	<u>660,344</u>
Total	<u>\$ 10,839,944</u>	<u>\$ 6,584,405</u>	<u>\$ 234,310</u>	<u>\$ 996,375</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
\$ (865,564)	\$ -	\$ (865,564)
(1,489,701)	-	(1,489,701)
(1,515,112)	-	(1,515,112)
(345,158)	-	(345,158)
(66,974)	-	(66,974)
(94,899)	-	(94,899)
<u>(4,377,408)</u>	<u>-</u>	<u>(4,377,408)</u>
-	390,768	390,768
-	497,858	497,858
-	282,893	282,893
-	181,035	181,035
<u>-</u>	<u>1,352,554</u>	<u>1,352,554</u>
<u>(4,377,408)</u>	<u>1,352,554</u>	<u>(3,024,854)</u>
1,806,411	-	1,806,411
534,212	-	534,212
28,074	-	28,074
333,619	-	333,619
646,879	-	646,879
178,668	194,170	372,838
7,262	-	7,262
393,523	(393,523)	-
<u>3,928,648</u>	<u>(199,353)</u>	<u>3,729,295</u>
(448,760)	1,153,201	704,441
<u>17,484,665</u>	<u>27,088,728</u>	<u>44,573,393</u>
<u>\$ 17,035,905</u>	<u>\$ 28,241,929</u>	<u>\$ 45,277,834</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, 2019

City of Isanti, Minnesota

Balance Sheet
Governmental Funds
December 31, 2019

	101 General	900's Debt Service	920 Capital Replacement	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and temporary investments	\$ 2,599,424	\$ 1,225,103	\$ 796,377	\$ 1,781,001	\$ 6,401,905
Receivables					
Accrued interest	3,944	1,990	1,329	3,794	11,057
Taxes	43,781	-	-	38	43,819
Accounts	33,516	-	-	85,949	119,465
Loans	-	-	-	188,660	188,660
Special assessments	2,333	378,953	533,033	-	914,319
Due from other governments	1,880	-	-	-	1,880
Advances to other funds	25,060	-	-	-	25,060
Prepaid items	9,053	-	-	5	9,058
Land held for resale	5,000	-	-	18,900	23,900
Total Assets	<u>\$ 2,723,991</u>	<u>\$ 1,606,046</u>	<u>\$ 1,330,739</u>	<u>\$ 2,078,347</u>	<u>\$ 7,739,123</u>
Liabilities					
Accounts payable	\$ 44,751	\$ 1,528	\$ -	\$ 33,062	\$ 79,341
Deposits payable	253,905	-	-	-	253,905
Due to other governments	5,408	-	-	-	5,408
Accrued salaries payable	44,811	-	-	967	45,778
Due to other funds	141,797	-	-	-	141,797
Advances from other funds	940,831	-	-	25,060	965,891
Total Liabilities	<u>1,431,503</u>	<u>1,528</u>	<u>-</u>	<u>59,089</u>	<u>1,492,120</u>
Deferred Inflows of Resources					
Unavailable revenue - delinquent taxes	27,604	-	-	-	27,604
Unavailable revenue - special assessments	1,610	378,157	533,033	-	912,800
Unavailable revenue - other	-	-	-	760,223	760,223
Total Deferred Inflows of Resources	<u>29,214</u>	<u>378,157</u>	<u>533,033</u>	<u>760,223</u>	<u>1,700,627</u>
Fund Balances					
Nonspendable	9,053	-	-	5	9,058
Restricted	-	1,226,361	10,000	203,887	1,440,248
Committed	-	-	-	609,652	609,652
Assigned	-	-	787,706	991,068	1,778,774
Unassigned	1,254,221	-	-	(545,577)	708,644
Total Fund Balances	<u>1,263,274</u>	<u>1,226,361</u>	<u>797,706</u>	<u>1,259,035</u>	<u>4,546,376</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,723,991</u>	<u>\$ 1,606,046</u>	<u>\$ 1,330,739</u>	<u>\$ 2,078,347</u>	<u>\$ 7,739,123</u>

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

City of Isanti, Minnesota
 Reconciliation of the Balance Sheet
 to the Statement of Net Position
 Governmental Funds
 December 31, 2019

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

Total Fund Balances - Governmental Funds	\$ 4,546,376
<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	34,624,682
Less: accumulated depreciation	(17,579,813)
<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	(3,190,000)
Plus bond premium	(35,657)
Compensated absences payable	(173,241)
Other postemployment benefits payable	(198,139)
Pension liability	(1,410,848)
<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	27,604
Special assessments receivable	912,800
<p>Governmental funds do not report long-term amounts related to pensions.</p>	
Deferred outflows of pension resources	1,067,006
Deferred inflows of pension resources	(1,545,974)
Governmental funds do not report a liability for accrued interest until due and payable.	(8,891)
Total Net Position - Governmental Activities	\$ 17,035,905

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, 2019

	101 General	900's Debt Service	920 Capital Replacement	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 1,844,385	\$ 534,212	\$ -	\$ 424,258	\$ 2,802,855
Licenses and permits	345,044	-	-	-	345,044
Intergovernmental	789,776	-	-	201,464	991,240
Charges for services	233,542	-	-	127,356	360,898
Fines and forfeitures	52,524	-	-	-	52,524
Special assessments	-	53,135	333,677	-	386,812
Investment earnings	63,798	35,238	24,043	55,589	178,668
Miscellaneous	10,075	-	1,200	83,126	94,401
Total Revenues	3,339,144	622,585	358,920	891,793	5,212,442
Expenditures					
Current					
General government	776,739	-	-	168	776,907
Public safety	2,059,164	-	-	2,699	2,061,863
Public works	479,717	-	-	-	479,717
Culture and recreation	313,073	-	-	89,146	402,219
Economic development	264	-	-	78,559	78,823
Capital outlay					
General government	20,774	-	62,190	13,648	96,612
Public safety	51,143	-	108,395	-	159,538
Public works	24,426	-	-	340,441	364,867
Culture and recreation	6,833	-	43,019	-	49,852
Economic development	-	-	-	500	500
Debt service					
Principal	-	570,000	-	-	570,000
Interest and other	341	100,356	-	-	100,697
Total Expenditures	3,732,474	670,356	213,604	525,161	5,141,595
Excess (Deficiency) of Revenues Over (Under) Expenditures	(393,330)	(47,771)	145,316	366,632	70,847
Other Financing Sources (Uses)					
Sale of capital assets	649	-	6,613	-	7,262
Transfers in	369,150	43,523	182,159	559,124	1,153,956
Transfers out	(123,624)	(140,857)	(96,066)	(399,886)	(760,433)
Total Other Financing Sources (Uses)	246,175	(97,334)	92,706	159,238	400,785
Net Change in Fund Balances	(147,155)	(145,105)	238,022	525,870	471,632
Fund Balances, January 1	1,410,429	1,371,466	559,684	733,165	4,074,744
Fund Balances, December 31	\$ 1,263,274	\$ 1,226,361	\$ 797,706	\$ 1,259,035	\$ 4,546,376

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, 2019

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

Total Net Change in Fund Balances - Governmental Funds	\$ 471,632
<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	346,218
Depreciation expense	(1,388,186)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>	
Principal repayments	570,000
Amortization of bond premium	3,502
<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>	
	2,296
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	(13,500)
Other post employment benefit expense	(14,375)
Pension other revenue	10,520
<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	(100,539)
Special assessments	(367,616)
<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>31,288</u>
Change in Net Position - Governmental Activities	<u><u>\$ (448,760)</u></u>

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

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City of Isanti, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,817,814	\$ 1,817,814	\$ 1,844,385	\$ 26,571
Licenses and permits	313,000	313,000	345,044	32,044
Intergovernmental	788,779	788,779	789,776	997
Charges for services	222,987	222,987	233,542	10,555
Fines and forfeitures	40,250	40,250	52,524	12,274
Investment earnings	20,000	20,000	63,798	43,798
Miscellaneous	27,000	27,000	10,075	(16,925)
Total Revenues	<u>3,229,830</u>	<u>3,229,830</u>	<u>3,339,144</u>	<u>109,314</u>
Expenditures				
Current				
General government	839,270	839,270	776,739	62,531
Public safety	1,993,456	2,071,156	2,059,164	11,992
Public works	507,982	507,982	479,717	28,265
Culture and recreation	382,914	382,914	313,073	69,841
Economic development	-	-	264	(264)
Capital outlay	121,484	120,110	103,176	16,934
Debt service				
Interest and other	341	341	341	-
Total Expenditures	<u>3,845,447</u>	<u>3,921,773</u>	<u>3,732,474</u>	<u>189,299</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(615,617)</u>	<u>(691,943)</u>	<u>(393,330)</u>	<u>298,613</u>
Other Financing Sources (Uses)				
Sale of capital assets	-	-	649	649
Transfers in	369,150	369,150	369,150	-
Transfers out	(275,910)	(275,910)	(123,624)	152,286
Total Other Financing Sources (Uses)	<u>93,240</u>	<u>93,240</u>	<u>246,175</u>	<u>152,935</u>
Net Change in Fund Balances	(522,377)	(598,703)	(147,155)	451,548
Fund Balances, January 1	<u>1,410,429</u>	<u>1,410,429</u>	<u>1,410,429</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 888,052</u>	<u>\$ 811,726</u>	<u>\$ 1,263,274</u>	<u>\$ 451,548</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, 2019

Business-type Activities - Enterprise Funds

	Nonmajor				Total
	601 Water	439, 602 Sewer	609 Liquor Store	603 Storm Water	
Assets					
Current Assets					
Cash and temporary investments	\$ 2,106,285	\$ 3,321,192	\$ 457,696	\$ 376,206	\$ 6,261,379
Receivables					
Accrued interest	3,501	5,511	752	626	10,390
Accounts	103,891	146,773	-	36,074	286,738
Special assessments	1,528	-	-	3,572	5,100
Due from other funds	29,919	58,259	53,619	-	141,797
Inventories	-	-	327,249	-	327,249
Prepaid items	630	1,419	1,180	235	3,464
Total Current Assets	<u>2,245,754</u>	<u>3,533,154</u>	<u>840,496</u>	<u>416,713</u>	<u>7,036,117</u>
Noncurrent Assets					
Special assessments receivable	-	40,452	-	-	40,452
Advances to other funds	228,230	454,950	257,651	-	940,831
Capital assets					
Land	11,078	5,000	57,159	21,000	94,237
Construction in progress	93,629	66,970	-	-	160,599
Buildings	37,156	3,349,403	337,305	-	3,723,864
Improvements other than buildings	-	-	268,238	-	268,238
Machinery and equipment	648,802	457,008	41,357	301,953	1,449,120
Infrastructure	14,868,679	19,749,269	-	533,016	35,150,964
Less accumulated depreciation	<u>(4,628,889)</u>	<u>(7,179,393)</u>	<u>(462,796)</u>	<u>(185,687)</u>	<u>(12,456,765)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>11,030,455</u>	<u>16,448,257</u>	<u>241,263</u>	<u>670,282</u>	<u>28,390,257</u>
Total Noncurrent Assets	<u>11,258,685</u>	<u>16,943,659</u>	<u>498,914</u>	<u>670,282</u>	<u>29,371,540</u>
Total Assets	<u>13,504,439</u>	<u>20,476,813</u>	<u>1,339,410</u>	<u>1,086,995</u>	<u>36,407,657</u>
Deferred Outflows of Resources					
Deferred pension resources	9,883	12,416	20,143	4,141	46,583

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, 2019

	Business-type Activities - Enterprise Funds				Total
	601	439, 602	609	Nonmajor 603	
	Water	Sewer	Liquor Store	Storm Water	
Liabilities					
Current Liabilities					
Accounts payable	\$ 14,070	\$ 40,398	\$ 69,888	\$ 4,193	\$ 128,549
Due to other governments	5,372	-	26,826	-	32,198
Accrued salaries payable	4,397	5,023	7,582	962	17,964
Accrued interest payable	34,675	5,619	-	-	40,294
Current portion of compensated absences payable	13,056	17,753	22,864	2,366	56,039
Current portion of bonds payable	408,000	355,000	-	-	763,000
Total Current Liabilities	479,570	423,793	127,160	7,521	1,038,044
Noncurrent Liabilities					
Compensated absences payable	3,248	4,417	5,688	588	13,941
Other postemployment benefits payable	29,136	36,314	42,467	7,296	115,213
Net pension liability	88,133	110,715	179,624	36,928	415,400
Bonds payable	3,592,056	2,929,509	-	-	6,521,565
Total Noncurrent Liabilities	3,712,573	3,080,955	227,779	44,812	7,066,119
Total Liabilities	4,192,143	3,504,748	354,939	52,333	8,104,163
Deferred Inflows of Resources					
Deferred pension resources	22,945	28,824	46,765	9,614	108,148
Net Position					
Net investment in capital assets	7,030,399	13,163,748	241,263	670,282	21,105,692
Unrestricted	2,268,835	3,791,909	716,586	358,907	7,136,237
Total Net Position	\$ 9,299,234	\$ 16,955,657	\$ 957,849	\$ 1,029,189	\$ 28,241,929

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

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City of Isanti, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds				Total
	601	439, 602	609	Nonmajor 603	
	Water	Sewer	Liquor Store	Storm Water	
Operating Revenues					
Sales	\$ -	\$ -	\$ 3,106,770	\$ -	\$ 3,106,770
Cost of sales	-	-	(2,270,724)	-	(2,270,724)
Gross Profit	-	-	836,046	-	836,046
Charges for services	1,077,961	1,382,297	-	349,533	2,809,791
Total Operating Revenues	<u>1,077,961</u>	<u>1,382,297</u>	<u>836,046</u>	<u>349,533</u>	<u>3,645,837</u>
Operating Expenses					
Personnel services	225,622	280,629	421,659	78,636	1,006,546
Supplies	57,910	55,023	5,502	6,458	124,893
Professional services	40,938	33,665	4,144	24,324	103,071
Communications	3,595	3,180	2,249	636	9,660
Insurance	10,876	19,382	6,203	374	36,835
Utilities	53,217	239,625	14,243	4,444	311,529
Repairs and maintenance	23,819	44,271	5,290	13,473	86,853
Depreciation	399,781	564,320	21,245	41,000	1,026,346
Other services and charges	-	-	73,375	-	73,375
Total Operating Expenses	<u>815,758</u>	<u>1,240,095</u>	<u>553,910</u>	<u>169,345</u>	<u>2,779,108</u>
Operating Income	<u>262,203</u>	<u>142,202</u>	<u>282,136</u>	<u>180,188</u>	<u>866,729</u>
Nonoperating Revenues (Expenses)					
Other revenues	7,719	1,918	757	847	11,241
Investment earnings	66,493	103,188	12,476	12,013	194,170
Interest expense and other	(119,433)	(66,327)	-	-	(185,760)
Total Nonoperating Revenues (Expenses)	<u>(45,221)</u>	<u>38,779</u>	<u>13,233</u>	<u>12,860</u>	<u>19,651</u>
Income Before Contributions and Transfers	216,982	180,981	295,369	193,048	886,380
Capital Contributions	240,279	420,065	-	-	660,344
Transfers Out	(4,333)	(39,190)	(350,000)	-	(393,523)
Change in Net Position	452,928	561,856	(54,631)	193,048	1,153,201
Net Position, January 1	<u>8,846,306</u>	<u>16,393,801</u>	<u>1,012,480</u>	<u>836,141</u>	<u>27,088,728</u>
Net Position, December 31	<u>\$ 9,299,234</u>	<u>\$ 16,955,657</u>	<u>\$ 957,849</u>	<u>\$ 1,029,189</u>	<u>\$ 28,241,929</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, 2019

	Business-type Activities - Enterprise Funds				Total
	601 Water	439, 602 Sewer	609 Liquor Store	Nonmajor 603 Storm Water	
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 1,081,169	\$ 1,381,138	\$ 3,106,940	\$ 349,267	\$ 5,918,514
Other receipts	7,719	1,918	757	847	11,241
Payments to suppliers	(162,780)	(377,410)	(2,393,318)	(48,018)	(2,981,526)
Payments to employees	(227,265)	(285,183)	(375,293)	(66,738)	(954,479)
Net Cash Provided by Operating Activities	<u>698,843</u>	<u>720,463</u>	<u>339,086</u>	<u>235,358</u>	<u>1,993,750</u>
Cash Flows from Noncapital Financing Activities					
Receipt on advance to other funds	1,589	68,731	53,619	-	123,939
Transfers to other funds	(4,333)	(39,190)	(350,000)	-	(393,523)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(2,744)</u>	<u>29,541</u>	<u>(296,381)</u>	<u>-</u>	<u>(269,584)</u>
Cash Flows from Capital and Related Financing Activities					
Connection fees received	240,279	313,018	-	-	553,297
Acquisition of capital assets	(130,548)	(192,067)	-	(220,913)	(543,528)
Interest paid on bonds	(122,199)	(72,818)	-	-	(195,017)
Principal paid on bonds	(398,000)	(152,953)	-	-	(550,953)
Net Cash Used by Capital and Related Financing Activities	<u>(410,468)</u>	<u>(104,820)</u>	<u>-</u>	<u>(220,913)</u>	<u>(736,201)</u>
Cash Flows from Investing Activities					
Interest received	67,583	103,222	13,049	12,081	195,935
Net Increase (Decrease) in Cash and Cash Equivalents	353,214	748,406	55,754	26,526	1,183,900
Cash and Cash Equivalents, January 1	<u>1,753,071</u>	<u>2,572,786</u>	<u>401,942</u>	<u>349,680</u>	<u>5,077,479</u>
Cash and Cash Equivalents, December 31	<u>\$ 2,106,285</u>	<u>\$ 3,321,192</u>	<u>\$ 457,696</u>	<u>\$ 376,206</u>	<u>\$ 6,261,379</u>

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

City of Isanti, Minnesota
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds				Total
	601 Water	439, 602 Sewer	609 Liquor Store	Nonmajor 603 Storm Water	
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating income	\$ 262,203	\$ 142,202	\$ 282,136	\$ 180,188	\$ 866,729
Adjustments to reconcile operating income to net cash provided by operating activities					
Depreciation	399,781	564,320	21,245	41,000	1,026,346
Other receipts	7,719	1,918	757	847	11,241
(Increase) decrease in assets					
Accounts receivable	2,415	(1,918)	170	146	813
Special assessments	793	759	-	(412)	1,140
Due from other governments	28,330	-	-	-	28,330
Inventories	-	-	(4,224)	-	(4,224)
Prepaid items	317	(455)	183	(172)	(127)
(Increase) in deferred outflows of resources					
Deferred pension resources	9,252	11,875	12,066	1,576	34,769
Increase (decrease) in liabilities					
Accounts payable	(1,406)	18,191	(9,929)	1,863	8,719
Due to other governments	334	-	2,382	-	2,716
Accrued salaries payable	849	462	2,145	159	3,615
Compensated absences payable	1,139	1,361	8,022	(428)	10,094
Other postemployment benefits payable	3,926	4,559	13,013	2,260	23,758
Pension liability	(13,853)	(18,754)	7,954	6,456	(18,197)
Increase (decrease) in deferred inflows of resources					
Deferred pension resources	(2,956)	(4,057)	3,166	1,875	(1,972)
 Net Cash Provided by Operating Activities	 <u>\$ 698,843</u>	 <u>\$ 720,463</u>	 <u>\$ 339,086</u>	 <u>\$ 235,358</u>	 <u>\$ 1,993,750</u>
 Schedule of Noncash Capital and Related Financing Activities					
Forgiveness of loan principal from prior year	<u>\$ -</u>	<u>\$ 107,047</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,047</u>
Amortization of bond premium	<u>\$ -</u>	<u>\$ 6,018</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,018</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, 2019

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, 2019

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

The City reports the following major proprietary funds:

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

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

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

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

Deposits and Investments

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

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

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City's recurring fair value measurements are listed in detail on page 59.

The City has the following recurring fair value measurements as of December 31, 2019:

- US Treasury securities of \$798,820 are valued using quoted market prices (Level 2 inputs)
- Negotiable certificates of deposit of \$5,204,058 are valued using a matrix pricing model (Level 1 inputs)

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2019

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 limits investments in any one institution to 5%. The City has invested more than 5 percent of investments in the following issuers: Federal Home Loan Mortgage Corporation (8.31%).
- *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.

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 2019. 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, 2019

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 only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

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 GERP and PEPFP was as follows:

	GERP	PEPFP	Total Pension Expense
Pension Expense	\$ 242,525	\$ 143,822	\$ 386,347

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.

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, 2019. The General fund is typically used to liquidate governmental other postemployment benefits payable.

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.

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, *unavailable revenue* and *resources received in advance*, and *deferred pension resources*.

- *Unavailable revenue* arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- *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.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

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, 2019

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 in 2019 increasing expenditures \$76,326 for a total budgeted decrease in fund balance of \$598,703.

B. Deficit Fund Equity

The following funds had deficit fund equity at December 31, 2019:

Fund	Amount
Nonmajor	
Isanti Indoor Arena	\$ 167,588
Street Construction	15,328
City Parking Improvements	74,687
2017 Palomino Road Southeast Improvements	287,974

These deficits will be eliminated with future state aid, franchise taxes and transfers from other funds.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2019

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 \$6,642,742 and the bank balance was \$6,843,987. Of the bank balance, \$500,000 was covered by Federal depository insurance, \$2,241 was covered by National Credit Union Share Insurance Fund coverage, and the remaining balance was collateral held in the City's name.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2019

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
Pooled Investments at Amortized Cost					
Broker Money Markets	N/A	Less than 1 year	\$ 14,439	\$ -	\$ -
Non-pooled Investments at Fair Value					
Negotiable CDs	N/A	Less than 1 year	1,138,021	1,138,021	-
Negotiable CDs	N/A	1 to 5 years	3,809,240	3,809,240	-
Negotiable CDs	N/A	More than 5 years	256,797	256,797	-
U.S. Government Agency Securities	AAA	1 to 5 years	798,820	-	798,820
Total Investments			\$ 6,017,317	\$ 5,204,058	\$ 798,820

(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	\$ 6,642,742
Investments	6,017,317
Cash on Hand	<u>3,225</u>
Total	<u>\$ 12,663,284</u>
Cash and Temporary Investments	
Unrestricted	<u>\$ 12,663,284</u>

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

B. Loans Receivable

In 2011, the City's Revolving Loan fund loaned \$50,000 to H.M. Chris, LLC for 10 years at 3 percent interest. The monthly payment is \$529. As of December 31, 2019, the loan receivable was \$9,297.

In 2012, the City's Revolving Loan fund loaned \$22,500 to K & D Investments for 10 years at 3 percent interest. The monthly payment is \$298. The loan was paid in full in 2019.

In 2013, the City's Revolving Loan fund loaned \$25,000 to the Isanti Parkway Center for 7 years at 3 percent interest. The monthly payment is \$331. As of December 31, 2019, the loan receivable was \$2,286.

In 2015, the City's Revolving Loan fund loaned \$427,000 to Mom's Food Co-op Inc. for 7 years at zero percent interest. The monthly payment is \$321. As of December 31, 2019, the loan receivable was \$169,167.

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, 2019, the loan receivable was \$7,910.

C. Interfund Receivables, Payables and Transfers

In 2009, the Sewer enterprise fund advanced funds to the General fund to cover the City portion of the 2009 Street Improvements. Future General fund property tax levies will be utilized to repay the advance. Repayments will include interest of 3.25 percent. An additional \$23,274 was borrowed between the funds in 2010. The loan was paid in full in 2019.

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 outstanding balance at December 31, 2019 is \$6,357.

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, 2019 is \$25,060.

In 2017, the Liquor fund loaned \$107,237 to the General fund to cover land purchase costs. Future land sale proceeds will be utilized to repay these advances. Repayments are interest free. The outstanding balance at December 31, 2019 is \$53,619.

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, 2019 is \$257,652.

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 outstanding balance at December 31, 2019 is \$765,000.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

Interfund Transfers

The following interfund transfers were made during 2019:

Fund	Transfer in				Total
	General	Debt Service	Capital Replacement	Nonmajor Governmental	
Transfer Out					
General	\$ -	\$ -	\$ 36,500	\$ 87,124	\$ 123,624
Debt Service	-	-	140,857	-	140,857
Capital Replacement	-	-	-	96,066	96,066
Nonmajor Governmental	19,150	-	4,802	375,934	399,886
Water	-	4,333	-	-	4,333
Sewer	-	39,190	-	-	39,190
Liquor Store	350,000	-	-	-	350,000
Total Transfers In	<u>\$ 369,150</u>	<u>\$ 43,523</u>	<u>\$ 182,159</u>	<u>\$ 559,124</u>	<u>\$ 1,153,956</u>

During the year ended December 31, 2019, the City made the following one-time transfer:

- Transfer of \$375,394 from nonmajor governmental funds to nonmajor governmental funds to close fund 420.
- Transfer of \$4,802 from nonmajor governmental funds to Capital Replacement fund to close fund 434.
- Transfer of \$96,066 from Capital Replacement fund to nonmajor governmental funds for future road improvements.
- Transfer of \$140,857 from Debt Service fund to Capital Replacement fund for future capital projects.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

D. Capital Assets

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Adjustment/ Reclassification	Increases	Decreases	Ending Balance
Governmental Activities					
Capital Assets not being Depreciated					
Land	\$ 2,424,266	\$ -	\$ -	\$ -	\$ 2,424,266
Construction in progress	358,518	-	73,382	(316,030)	115,870
Total Capital Assets not being Depreciated	<u>2,782,784</u>	<u>-</u>	<u>73,382</u>	<u>(316,030)</u>	<u>2,540,136</u>
Capital Assets being Depreciated					
Land improvements	440,300	-	-	-	440,300
Buildings	5,616,339	-	-	-	5,616,339
Infrastructure	23,609,706	-	329,520	-	23,939,226
Machinery and equipment	1,358,156	41,614	164,282	-	1,564,052
Vehicles	413,792	18,771	92,066	-	524,629
Total Capital Assets being Depreciated	<u>31,438,293</u>	<u>60,385</u>	<u>585,868</u>	<u>-</u>	<u>32,084,546</u>
Less Accumulated Depreciation for					
Land improvements	(434,021)	(6,279)	-	-	(440,300)
Buildings	(1,965,484)	-	(143,150)	-	(2,108,634)
Infrastructure	(12,478,244)	-	(1,141,007)	-	(13,619,251)
Machinery and equipment	(978,404)	(14,442)	(72,119)	-	(1,064,965)
Vehicles	(278,087)	(36,666)	(31,910)	-	(346,663)
Total Accumulated Depreciation	<u>(16,134,240)</u>	<u>(57,387)</u>	<u>(1,388,186)</u>	<u>-</u>	<u>(17,579,813)</u>
Total Capital Assets being Depreciated, Net	<u>15,304,053</u>	<u>2,998</u>	<u>(802,318)</u>	<u>-</u>	<u>14,504,733</u>
Governmental Activities Capital Assets, Net	<u>\$ 18,086,837</u>	<u>\$ 2,998</u>	<u>\$ (728,936)</u>	<u>\$ (316,030)</u>	<u>\$ 17,044,869</u>

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

General Government	\$ 73,766
Public Safety	31,592
Public Works	1,110,845
Culture and Recreation	<u>171,983</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,388,186</u>

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not being Depreciated				
Land	\$ 94,237	\$ -	\$ -	\$ 94,237
Construction in progress	-	160,599	-	160,599
Total Capital Assets not being Depreciated	<u>94,237</u>	<u>160,599</u>	<u>-</u>	<u>254,836</u>
Capital Assets being Depreciated				
Land improvements	268,238	-	-	268,238
Buildings	3,723,864	-	-	3,723,864
Infrastructure	34,941,403	209,561	-	35,150,964
Machinery and equipment	1,168,509	173,368	-	1,341,877
Vehicles	107,243	-	-	107,243
Total Capital Assets being Depreciated	<u>40,209,257</u>	<u>382,929</u>	<u>-</u>	<u>40,592,186</u>
Less Accumulated Depreciation for				
Land improvements	(180,578)	(20,252)	-	(200,830)
Buildings	(223,465)	(99,276)	-	(322,741)
Infrastructure	(10,338,389)	(814,677)	-	(11,153,066)
Machinery and equipment	(653,007)	(83,236)	-	(736,243)
Vehicles	(34,980)	(8,905)	-	(43,885)
Total Accumulated Depreciation	<u>(11,430,419)</u>	<u>(1,026,346)</u>	<u>-</u>	<u>(12,456,765)</u>
Total Capital Assets being Depreciated, Net	<u>28,778,838</u>	<u>(643,417)</u>	<u>-</u>	<u>28,135,421</u>
Business-type Activities Capital Assets, Net	<u>\$ 28,873,075</u>	<u>\$ (482,818)</u>	<u>\$ -</u>	<u>\$ 28,390,257</u>

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

Water	\$ 399,781
Sewer	564,320
Stormwater	41,000
Liquor store	<u>21,245</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 1,026,346</u>

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

E. 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	02/01/30	\$ 1,965,000
G.O. Bonds, Series 2014B	1,420,000	0.50 - 2.50	10/01/14	02/01/24	<u>225,000</u>
Total G.O. Bonds					<u>\$ 2,190,000</u>

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2020	\$ 205,000	\$ 55,266	\$ 260,266
2021	210,000	51,319	261,319
2022	210,000	47,220	257,220
2023	215,000	42,545	257,545
2024	220,000	37,243	257,243
2025 - 2029	930,000	108,681	1,038,681
2030	<u>200,000</u>	<u>3,500</u>	<u>203,500</u>
Total	<u>\$ 2,190,000</u>	<u>\$ 345,774</u>	<u>\$ 2,535,774</u>

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2019

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 expected to require over 87 and 51 percent of net revenues from the Water and Sewer funds, respectively. Principal and interest paid for 2019 and total customer net revenues for the Water fund were \$520,199 and \$1,077,961, respectively. Principal and interest paid for 2019 and total customer net revenues for the Sewer fund were \$225,771 and \$1,382,297 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	\$ 415,000
MPFA - Water Revenue Bonds, Series 2008	5,064,256	3.04	10/07/08	08/20/28	2,693,056
G.O. Utility Revenue Bonds, Series 2010A	835,000	2.00 - 3.70	07/01/10	12/01/24	310,000
MPFA - Water Revenue Bonds, Series 2011	479,047	1.533	11/23/11	08/20/31	437,000
G.O. Utility Revenue Bonds, Series 2014B	1,030,000	0.50 - 2.50	10/01/14	02/01/25	645,000
MPFA - Sewer Revenue Bonds, Series 2016A	2,525,000	2.00	07/15/16	12/01/29	<u>2,390,000</u>
Total G.O. Revenue Bonds					<u><u>\$ 6,890,056</u></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
2020	\$ 728,000	\$ 170,504	\$ 898,504
2021	753,000	152,684	905,684
2022	774,000	133,922	907,922
2023	789,000	114,284	903,284
2024	805,000	93,949	898,949
2025 - 2029	2,963,056	196,311	3,159,367
2030 - 2031	<u>78,000</u>	<u>1,794</u>	<u>79,794</u>
Total	<u><u>\$ 6,890,056</u></u>	<u><u>\$ 863,448</u></u>	<u><u>\$ 7,753,504</u></u>

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2019

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 Refunding Bonds, Series 2010B	\$ 1,825,000	2.00 - 3.20 %	12/01/10	12/01/21	\$ 740,000
G.O. Improvement Bonds, Series 2011A	790,000	0.60 - 2.70	09/29/11	02/01/22	260,000
G.O. Refunding Bonds, Series 2013A	2,160,000	0.35 - 2.50	02/01/13	12/01/28	335,000
 Total G.O. Improvement Bonds					 <u><u>\$ 1,335,000</u></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
2020	\$ 450,000	\$ 28,631	\$ 478,631	\$ 35,000	\$ 6,990	\$ 41,990
2021	460,000	15,578	475,578	35,000	6,430	41,430
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 - 2028	-	-	-	155,000	9,735	164,735
 Total	 <u><u>\$ 1,000,000</u></u>	 <u><u>\$ 45,424</u></u>	 <u><u>\$ 1,045,424</u></u>	 <u><u>\$ 335,000</u></u>	 <u><u>\$ 38,805</u></u>	 <u><u>\$ 373,805</u></u>

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds Payable					
General obligation bonds	\$ 2,390,000	\$ -	\$ (200,000)	\$ 2,190,000	\$ 205,000
G.O. improvement bonds	1,370,000	-	(370,000)	1,000,000	450,000
Unamortized premium on bonds	39,159	-	(3,502)	35,657	-
Total Bonds Payable	<u>3,799,159</u>	<u>-</u>	<u>(573,502)</u>	<u>3,225,657</u>	<u>655,000</u>
Compensated Absences					
Payable	<u>204,529</u>	<u>84,152</u>	<u>(115,440)</u>	<u>173,241</u>	<u>138,728</u>
Governmental Activities Long-term Liabilities	<u>\$ 4,003,688</u>	<u>\$ 84,152</u>	<u>\$ (688,942)</u>	<u>\$ 3,398,898</u>	<u>\$ 793,728</u>
Business-type Activities					
Bonds Payable					
G.O. revenue bonds	\$ 7,513,056	\$ -	\$ (623,000)	\$ 6,890,056	\$ 728,000
G.O. improvement bonds	370,000	-	(35,000)	335,000	35,000
Unamortized premium on bonds	65,527	-	(6,018)	59,509	-
Total Bonds Payable	<u>7,948,583</u>	<u>-</u>	<u>(664,018)</u>	<u>7,284,565</u>	<u>763,000</u>
Compensated Absences					
Payable	<u>59,886</u>	<u>33,992</u>	<u>(23,898)</u>	<u>69,980</u>	<u>56,039</u>
Business-type Activities Long-term Liabilities	<u>\$ 8,008,469</u>	<u>\$ 33,992</u>	<u>\$ (687,916)</u>	<u>\$ 7,354,545</u>	<u>\$ 819,039</u>

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 3: Detailed Notes on All Funds (Continued)

F. Components of Fund Balance

At December 31, 2019, 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:

	<u>General</u>	<u>Debt Service</u>	<u>Capital Replacement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable					
Prepaid items	\$ 9,053	\$ -	\$ -	\$ 5	\$ 9,058
Restricted for					
Debt service	\$ -	\$ 1,226,361	\$ -	\$ -	\$ 1,226,361
Public safety	-	-	-	9,884	9,884
Community center improvements	-	-	-	10,000	10,000
Economic development	-	-	-	194,003	194,003
Total Restricted	<u>\$ -</u>	<u>\$ 1,226,361</u>	<u>\$ -</u>	<u>\$ 213,887</u>	<u>\$ 1,440,248</u>
Committed to					
Culture and recreation	\$ -	\$ -	\$ -	\$ 110,119	\$ 110,119
Economic development	-	-	-	490,787	490,787
City technology improvements	-	-	-	8,746	8,746
Total Committed	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 609,652</u>	<u>\$ 609,652</u>
Assigned to					
Capital projects	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,778,774</u>	<u>\$ -</u>	<u>\$ 1,778,774</u>
Unassigned	<u>\$ 1,254,221</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (545,577)</u>	<u>\$ 708,644</u>

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). 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 (GERP)

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

Public Employees Police and Fire Plan (PEPFP)

The PEPFP, 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 PEPFP also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

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

B. Benefits Provided

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

GERP Benefits

GERP 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. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90 percent funded for two consecutive years, benefit recipients are given a 2.5 percent increase. If the plan has not exceeded 90 percent funded, or have fallen below 80 percent, benefit recipients are given a one percent increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

PEPFP Benefits

Benefits for the PEPFP 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 PEPFP 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 3.0 percent of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be 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 2019 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, 2019, 2018 and 2017 were \$112,189, \$108,556 and \$104,864, respectively. The City's contributions were equal to the required contributions for each year as set by state statute.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2019

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

Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 10.80 percent of pay to 11.30 percent and employer rates increased from 16.20 percent to 16.95 percent on January 1, 2019. The City's contributions to the Police and Fire Fund for the years ending December 31, 2019, 2018 and 2017 were \$113,940, \$104,226 and \$113,975, 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, 2019, the City reported a liability of \$1,127,870 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 to the fund in 2019. 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 \$35,165. The net pension liability was measured as of June 30, 2019, 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, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0204 percent which was a decrease of 0.0014 percent from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the City recognized pension expense of \$239,891 for its proportionate share of General Employees Fund's pension expense. In addition, the City recognized an additional \$2,634 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, 2019, the City reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 44,212	\$ 2,305
Changes in Actuarial Assumptions	6,525	98,420
Net Difference Between Projected and Actual Earnings on Plan Investments	-	127,569
Changes in Proportion	14,062	65,340
Contributions Paid to PERA Subsequent to the Measurement Date	61,682	-
Total	\$ 126,481	\$ 293,634

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2019

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

The \$61,682 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2020	\$ (71,796)
2021	(110,959)
2022	(47,896)
2023	1,816

Police and Fire Fund Pension Costs

At December 31, 2019, the City reported a liability of \$698,378 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0656 percent which was an increase of 0.0014 percent from its proportionate share measured as of June 30, 2018.

For the year ended December 31, 2019, the City recognized pension expense of \$134,966 for its proportionate share of the Police and Fire Plan's pension expense. The City also recognized \$8,856 for the year ended December 31, 2019, 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. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year until the plan is 90 percent funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

At December 31, 2019, the City reported its proportionate share of Police and Fire Plan's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 59,253	\$ 130,261
Changes in Actuarial Assumptions	761,222	975,882
Net Difference Between Projected and Actual Earnings on Plan Investments	-	150,516
Changes in Proportion	107,686	103,829
Contributions Paid to PERA Subsequent to the Measurement Date	<u>58,947</u>	<u>-</u>
Total	<u>\$ 987,108</u>	<u>\$ 1,360,488</u>

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2019

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

The \$58,947 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2020	\$ (40,266)
2021	(91,796)
2022	(290,805)
2023	(19,902)
2024	10,442

E. Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1.25 percent per year for General Employees Plan and 1.0 percent per year for Police and Fire Plan.

Actuarial assumptions used in the June 30, 2019 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 most recent four-year experience study for Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions and plan provisions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- 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.

Police and Fire Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2019

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	35.5 %	5.10 %
Private Markets	25.0	5.30
Fixed Income	20.0	0.75
International Equity	17.5	5.90
Cash Equivalents	2.0	-
Total	<u>100.00 %</u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50 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:

	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
General Employees Fund	\$ 1,854,158	\$ 1,127,870	\$ 528,175
Police and Fire Fund	1,526,525	698,378	14

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.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2019

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, 2019, 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 3.30%.

C. Actuarial Methods and Assumptions

The City's total OPEB liability of \$313,352 was measured as of December 31, 2019, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of January 1, 2019. Roll forward procedures were used to roll forward the total OPEB liability to the measurement date.

The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.30%
20-Year Municipal Bond Yield	3.30%
Inflation Rate	2.50%
Salary Increases	3.00%
Medical Trend Rate	6.50% as of January 1, 2019 grading to 5.00% over 6 years

The discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds. The overall single discount rate is 3.30%. Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale. The actuarial assumptions used in the December 31, 2018 valuation were based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

D. Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balances at December 31, 2018	\$ 275,219
Changes for the Year:	
Service cost	28,959
Interset	10,024
Benefit payments	(850)
Net Changes	<u>38,133</u>
Balances at December 31, 2019	<u>\$ 313,352</u>

There are no assumption changes.

City of Isanti, Minnesota
Notes to the Financial Statements
December 31, 2019

Note 5: Postemployment Benefits other than Pensions (Continued)

E. Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.30 percent) or 1-percentage-point higher (4.30 percent) than the current discount rate:

1 Percent Decrease (2.3%)	Current (3.3%)	1 Percent Increase (4.3%)
\$ 341,858	\$ 313,352	\$ 286,752

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

1 Percent Decrease (5.5% Decreasing to 4%)	Healthcare Cost Trend Rates (6.5% Decreasing to 5%)	1 Percent Increase (7.5% Decreasing to 6%)
\$ 271,483	\$ 313,352	\$ 362,887

F. OPEB Expense

For the year ended December 31, 2019, the City recognized OPEB expense of \$38,983. There are no deferred inflows or outflows associated with the OPEB plan.

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, 2019, the City is under the legal debt margin.

B. Risk Management

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

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

Note 6: Other Information (Continued)

C. Isanti Area Joint Operating Fire Board District

In October of 2002, the City and the towns of Athens, Bradford, Isanti, Oxford, Spencer Brook and Stanford, entered a joint powers agreement 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. Upon termination of the agreement, any real property or buildings owned by the Board shall become the sole property of the City or Township in which the property lies. The City contributed \$231,246 to the Board in 2019. 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.

D. Cambridge-Isanti Bike-Walk Trail

On September 8, 2008, the City entered into a joint and cooperative agreement with Isanti County, Isanti Township, and the City of Cambridge for the construction, operation, and maintenance of a bike-walk trail that connects the cities of Cambridge and Isanti. The trail was constructed with Federal and State grants received by Isanti County and the City of Cambridge. Isanti is responsible for maintaining and operating the part of the trail lying south of the centerline of the right of way of 301st Avenue. The agreement will terminate after 20 years. The City contributed \$7,500 to the cooperative during 2019.

E. North Trunk Highway 65 Corridor Coalition

On September 19, 2006, the City of Isanti joined the North Trunk Highway 65 Corridor Coalition. The Coalition consists of cities, counties, and towns from Highway 10 in Blaine to the northern reaches of Kanabec County. The agreement states that the City must support the preservation and upgrade of the corridor to meet future transportation needs for various modes including, but not limited to, highway improvements, bus improvements, commuter, freight rail, multi-use paths, and Intelligent Transportation Systems (ITS).

Note 7: Commitments and Contingencies

A. Concentrations

The City receives a significant amount of its annual General fund revenue from the State of Minnesota from the Local Government Aid (LGA). The amount received in 2019 was \$635,435 for LGA. This accounted for 19.0 percent of General fund revenues.

B. 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.

Note 8: Subsequent Event

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Company is unable to determine if it will have a material impact to its operations.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ISANTI
ISANTI, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

City of Isanti, Minnesota
 Required Supplementary Information
 For the Year Ended December 31, 2019

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

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/19	0.0204 %	\$ 1,127,870	\$ 35,165	\$ 1,163,035	\$1,390,803	83.6 %	80.2 %
06/30/18	0.0218	1,209,375	39,643	1,249,018	1,465,877	85.2	79.5
06/30/17	0.0216	1,378,930	17,319	1,396,249	1,389,926	100.5	75.9
06/30/16	0.0211	1,713,216	22,401	1,735,617	1,310,966	132.4	68.9
06/30/15	0.0219	1,134,972	-	1,134,972	1,284,497	88.4	78.2

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

Schedule of Employer's PERA Contributions - General Employees Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/19	\$ 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, 2019

Notes to the Required Supplementary Information - General Employee Fund

Changes in Actuarial Assumptions

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.

Changes in plan provisions

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.

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, 2019

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+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/19	0.0656 %	\$ 698,378	\$ -	\$ 698,378	\$ 668,403	104.5 %	89.3 %
06/30/18	0.0617	657,658	-	657,658	649,935	101.2	88.8
06/30/17	0.0700	945,083	-	945,083	723,699	130.6	85.4
06/30/16	0.0660	2,648,695	-	2,648,695	637,473	415.5	63.9
06/30/15	0.0620	704,465	-	704,465	563,393	125.0	86.6

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

Schedule of Employer's PERA Contributions - Police And Fire Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/19	\$ 113,940	\$ 113,940	\$ -	\$ 672,213	16.9 %
12/31/18	104,266	104,266	-	643,617	16.2
12/31/17	113,975	113,975	-	703,552	16.2
12/31/16	110,692	110,692	-	683,285	16.2
12/31/15	98,214	98,214	-	606,260	16.2

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

City of Isanti, Minnesota
Required Supplementary Information (Continued)
For the Year Ended December 31, 2019

Notes to the Required Supplementary Information - Police and Fire Fund

Changes in Actuarial Assumptions

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.

Changes in plan provisions

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.

City of Isanti, Minnesota
 Required Supplementary Information (Continued)
 For the Year Ended December 31, 2019

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

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.

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.

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

	2019	2018
Total OPEB Liability		
Service cost	\$ 28,959	\$ 28,116
Interest	10,024	8,792
Benefit payments	(850)	-
Net Change in Total OPEB Liability	38,133	36,908
Total OPEB Liability - Beginning	275,219	238,311
Total OPEB Liability - Ending	\$ 313,352	\$ 275,219
Covered - Employee Payroll	\$ 2,059,503	\$ 1,999,517
City's total OPEB liability as a percentage of covered employee payroll	15 %	14 %

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

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF ISANTI
ISANTI, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2019

City of Isanti, Minnesota
 Nonmajor Governmental Funds
 Combining Balance Sheet
 December 31, 2019

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Cash and temporary investments	\$ 457,306	\$ 1,323,695	\$ 1,781,001
Receivables			
Accrued interest	1,031	2,763	3,794
Taxes	38	-	38
Accounts	8,922	77,027	85,949
Loans	188,660	-	188,660
Prepaid items	5	-	5
Land held for resale	18,900	-	18,900
	<u>\$ 674,862</u>	<u>\$ 1,403,485</u>	<u>\$ 2,078,347</u>
Liabilities			
Accounts payable	\$ 2,879	\$ 30,183	\$ 33,062
Accrued salaries payable	967	-	967
Advances from other funds	25,060	-	25,060
Total Liabilities	<u>28,906</u>	<u>30,183</u>	<u>59,089</u>
Deferred Inflows of Resources			
Unavailable revenue - other	<u>-</u>	<u>760,223</u>	<u>760,223</u>
Fund Balances			
Nonspendable	5	-	5
Restricted	203,887	-	203,887
Committed	609,652	-	609,652
Assigned	-	991,068	991,068
Unassigned	(167,588)	(377,989)	(545,577)
Total Fund Balances	<u>645,956</u>	<u>613,079</u>	<u>1,259,035</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 674,862</u></u>	<u><u>\$ 1,403,485</u></u>	<u><u>\$ 2,078,347</u></u>

City of Isanti, Minnesota
 Nonmajor Governmental Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balances
 For the Year Ended December 31, 2019

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ 124,024	\$ 300,234	\$ 424,258
Intergovernmental	-	201,464	201,464
Charges for services	127,356	-	127,356
Investment earnings	18,084	37,505	55,589
Miscellaneous	66,367	16,759	83,126
Total Revenues	<u>335,831</u>	<u>555,962</u>	<u>891,793</u>
Expenditures			
Current			
General government	168	-	168
Public safety	2,699	-	2,699
Culture and recreation	89,146	-	89,146
Economic development	78,559	-	78,559
Capital outlay			
General government	13,648	-	13,648
Public works	-	340,441	340,441
Economic development	500	-	500
Total Expenditures	<u>184,720</u>	<u>340,441</u>	<u>525,161</u>
Excess of Revenues Over Expenditures	<u>151,111</u>	<u>215,521</u>	<u>366,632</u>
Other Financing Sources (Uses)			
Transfers in	87,124	472,000	559,124
Transfers out	(19,150)	(380,736)	(399,886)
Total Other Financing Sources (Uses)	<u>67,974</u>	<u>91,264</u>	<u>159,238</u>
Net Change in Fund Balances	219,085	306,785	525,870
Fund Balances, January 1	<u>426,871</u>	<u>306,294</u>	<u>733,165</u>
Fund Balances, December 31	<u>\$ 645,956</u>	<u>\$ 613,079</u>	<u>\$ 1,259,035</u>

City of Isanti, Minnesota
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 December 31, 2019

	104	108	214	219	220
	Redbirds Maintenance	Economic Development Authority	Park	Revolving Loan	Forfeiture
Assets					
Cash and temporary investments	\$ 1,868	\$ 153,932	\$ 103,332	\$ 141,047	\$ 9,868
Receivables					
Accrued interest	3	253	172	234	16
Taxes	-	-	-	-	-
Accounts	-	7,809	-	-	-
Loans	-	-	-	188,660	-
Prepaid items	-	5	-	-	-
Land held for resale	-	-	-	-	-
Total Assets	<u>\$ 1,871</u>	<u>\$ 161,999</u>	<u>\$ 103,504</u>	<u>\$ 329,941</u>	<u>\$ 9,884</u>
Liabilities					
Accounts payable	\$ -	\$ 181	\$ -	\$ -	\$ -
Accrued salaries payable	-	967	-	-	-
Advance from other funds	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>1,148</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances					
Nonspendable	-	5	-	-	-
Restricted	-	-	-	-	9,884
Committed	1,871	160,846	103,504	329,941	-
Unassigned	-	-	-	-	-
Total Fund Balances	<u>1,871</u>	<u>160,851</u>	<u>103,504</u>	<u>329,941</u>	<u>9,884</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,871</u>	<u>\$ 161,999</u>	<u>\$ 103,504</u>	<u>\$ 329,941</u>	<u>\$ 9,884</u>

223 Youth Rec Education Safety	224 Cambridge Isanti Joint Event	226 Isanti Indoor Arena	409 TIF 9	410 TIF 10	411 TIF 11	614 City Technology Improvement	Total
\$ 3,267	\$ 1,472	\$ (167,315)	\$ 143,933	\$ 57,758	\$ 524	\$ 7,620	\$ 457,306
5	-	-	239	96	-	13	1,031
-	-	-	38	-	-	-	38
-	-	-	-	-	-	1,113	8,922
-	-	-	-	-	-	-	188,660
-	-	-	-	-	-	-	5
-	-	-	18,900	-	-	-	18,900
<u>\$ 3,272</u>	<u>\$ 1,472</u>	<u>\$ (167,315)</u>	<u>\$ 163,110</u>	<u>\$ 57,854</u>	<u>\$ 524</u>	<u>\$ 8,746</u>	<u>\$ 674,862</u>
\$ -	\$ -	\$ 273	\$ 1,901	\$ -	\$ 524	\$ -	\$ 2,879
-	-	-	-	-	-	-	967
-	-	-	25,060	-	-	-	25,060
-	-	273	26,961	-	524	-	28,906
-	-	-	-	-	-	-	5
-	-	-	136,149	57,854	-	-	203,887
3,272	1,472	-	-	-	-	8,746	609,652
-	-	(167,588)	-	-	-	-	(167,588)
<u>3,272</u>	<u>1,472</u>	<u>(167,588)</u>	<u>136,149</u>	<u>57,854</u>	<u>-</u>	<u>8,746</u>	<u>645,956</u>
<u>\$ 3,272</u>	<u>\$ 1,472</u>	<u>\$ (167,315)</u>	<u>\$ 163,110</u>	<u>\$ 57,854</u>	<u>\$ 524</u>	<u>\$ 8,746</u>	<u>\$ 674,862</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, 2019

	104	108	214	219	220
	Redbirds Maintenance	Economic Development Authority	Park	Revolving Loan	Forfeiture
Revenues					
Taxes					
Property taxes	\$ -	\$ 62,565	\$ -	\$ -	\$ -
Tax increments	-	-	-	-	-
Franchise taxes	-	20,031	-	-	-
Charges for services	-	6,000	94,337	803	-
Investment earnings	726	2,971	2,650	4,569	220
Miscellaneous	25,500	7,792	200	-	7,558
Total Revenues	<u>26,226</u>	<u>99,359</u>	<u>97,187</u>	<u>5,372</u>	<u>7,778</u>
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	2,699
Culture and recreation	48,197	-	-	-	-
Economic development	-	52,074	-	10,833	-
Capital outlay					
General government	-	-	-	-	-
Economic development	-	-	-	-	-
Total Expenditures	<u>48,197</u>	<u>52,074</u>	<u>-</u>	<u>10,833</u>	<u>2,699</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(21,971)</u>	<u>47,285</u>	<u>97,187</u>	<u>(5,461)</u>	<u>5,079</u>
Other Financing Sources (Uses)					
Transfers in	-	87,124	-	-	-
Transfers out	-	(19,150)	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>67,974</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(21,971)	115,259	97,187	(5,461)	5,079
Fund Balances, January 1	<u>23,842</u>	<u>45,592</u>	<u>6,317</u>	<u>335,402</u>	<u>4,805</u>
Fund Balances, December 31	<u>\$ 1,871</u>	<u>\$ 160,851</u>	<u>\$ 103,504</u>	<u>\$ 329,941</u>	<u>\$ 9,884</u>

223 Youth Rec Education Safety	224 Cambridge Isanti Joint Event	226 Isanti Indoor Arena	409 TIF 9	410 TIF 10	411 TIF 11	614 City Technology Improvement	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62,565
-	-	-	16,984	-	11,090	-	28,074
-	-	-	-	-	-	13,354	33,385
-	-	26,216	-	-	-	-	127,356
110	-	-	4,530	1,971	132	205	18,084
-	-	25,317	-	-	-	-	66,367
<u>110</u>	<u>-</u>	<u>51,533</u>	<u>21,514</u>	<u>1,971</u>	<u>11,222</u>	<u>13,559</u>	<u>335,831</u>
-	-	-	-	-	-	168	168
-	-	-	-	-	-	-	2,699
-	-	40,949	-	-	-	-	89,146
-	-	-	3,801	500	11,351	-	78,559
-	-	-	-	-	-	13,648	13,648
-	-	-	500	-	-	-	500
<u>-</u>	<u>-</u>	<u>40,949</u>	<u>4,301</u>	<u>500</u>	<u>11,351</u>	<u>13,816</u>	<u>184,720</u>
<u>110</u>	<u>-</u>	<u>10,584</u>	<u>17,213</u>	<u>1,471</u>	<u>(129)</u>	<u>(257)</u>	<u>151,111</u>
-	-	-	-	-	-	-	87,124
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,150)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,974</u>
110	-	10,584	17,213	1,471	(129)	(257)	219,085
<u>3,162</u>	<u>1,472</u>	<u>(178,172)</u>	<u>118,936</u>	<u>56,383</u>	<u>129</u>	<u>9,003</u>	<u>426,871</u>
<u>\$ 3,272</u>	<u>\$ 1,472</u>	<u>\$ (167,588)</u>	<u>\$ 136,149</u>	<u>\$ 57,854</u>	<u>\$ -</u>	<u>\$ 8,746</u>	<u>\$ 645,956</u>

City of Isanti, Minnesota
 Nonmajor Capital Projects Funds
 Combining Balance Sheet
 December 31, 2019

	420 Signal Light Improvement	425 Street Construction	427 Fairway Blvd/ County 5 Signal	434 2013 Railroad Avenue and Walk Improvements	438 City Parking Improvements
Assets					
Cash and temporary investments	\$ -	\$ (6,253)	\$ 200,515	\$ -	\$ (74,687)
Receivables					
Accrued interest	-	-	333	-	-
Accounts	-	-	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ (6,253)</u>	<u>\$ 200,848</u>	<u>\$ -</u>	<u>\$ (74,687)</u>
Liabilities					
Accounts payable	\$ -	\$ 9,075	\$ -	\$ -	\$ -
Deferred Inflows of Resources					
Unavailable revenue - other	-	-	-	-	-
Fund Balances					
Assigned	-	-	200,848	-	-
Unassigned	-	(15,328)	-	-	(74,687)
Total Fund Balances	<u>-</u>	<u>(15,328)</u>	<u>200,848</u>	<u>-</u>	<u>(74,687)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ -</u>	<u>\$ (6,253)</u>	<u>\$ 200,848</u>	<u>\$ -</u>	<u>\$ (74,687)</u>

440 Pavement Management Improvements	441 2017 Palomino Road Southeast Improvements	444 Highway 64 and Cajima	Total
\$ 374,431	\$ (13,764)	\$ 843,453	\$ 1,323,695
1,017	13	1,400	2,763
<u>77,027</u>	<u>-</u>	<u>-</u>	<u>77,027</u>
<u>\$ 452,475</u>	<u>\$ (13,751)</u>	<u>\$ 844,853</u>	<u>\$ 1,403,485</u>
<u>\$ 21,108</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,183</u>
<u>-</u>	<u>274,223</u>	<u>486,000</u>	<u>760,223</u>
431,367	-	358,853	991,068
<u>-</u>	<u>(287,974)</u>	<u>-</u>	<u>(377,989)</u>
<u>431,367</u>	<u>(287,974)</u>	<u>358,853</u>	<u>613,079</u>
<u>\$ 452,475</u>	<u>\$ (13,751)</u>	<u>\$ 844,853</u>	<u>\$ 1,403,485</u>

City of Isanti, Minnesota
 Nonmajor Capital Projects Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balances
 For the Year Ended December 31, 2019

	420 Signal Light Improvement	425 Street Construction	427 Fairway Blvd/ County 5 Signal	434 2013 Railroad Avenue and Walk Improvements	438 City Parking Improvements
Revenues					
Franchise taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	9,963	-
Investment earnings	9,358	-	6,828	155	-
Miscellaneous	16,759	-	-	-	-
Total Revenues	<u>26,117</u>	<u>-</u>	<u>6,828</u>	<u>10,118</u>	<u>-</u>
Expenditures					
Capital outlay					
Public works	-	15,328	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>26,117</u>	<u>(15,328)</u>	<u>6,828</u>	<u>10,118</u>	<u>-</u>
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	(375,934)	-	-	(4,802)	-
Total Other Financing Sources (Uses)	<u>(375,934)</u>	<u>-</u>	<u>-</u>	<u>(4,802)</u>	<u>-</u>
Net Change in Fund Balances	(349,817)	(15,328)	6,828	5,316	-
Fund Balances, January 1	<u>349,817</u>	<u>-</u>	<u>194,020</u>	<u>(5,316)</u>	<u>(74,687)</u>
Fund Balances, December 31	<u>\$ -</u>	<u>\$ (15,328)</u>	<u>\$ 200,848</u>	<u>\$ -</u>	<u>\$ (74,687)</u>

440 Pavement Management Improvements	441 2017 Palomino Road Southeast Improvements	444 Highway 64 and Cajima	Total
\$ 300,234	\$ -	\$ -	\$ 300,234
-	191,501	-	201,464
18,206	164	2,794	37,505
-	-	-	16,759
<u>318,440</u>	<u>191,665</u>	<u>2,794</u>	<u>555,962</u>
<u>251,534</u>	<u>124</u>	<u>73,455</u>	<u>340,441</u>
<u>66,906</u>	<u>191,541</u>	<u>(70,661)</u>	<u>215,521</u>
-	-	472,000	472,000
-	-	-	(380,736)
-	-	472,000	91,264
66,906	191,541	401,339	306,785
<u>364,461</u>	<u>(479,515)</u>	<u>(42,486)</u>	<u>306,294</u>
<u>\$ 431,367</u>	<u>\$ (287,974)</u>	<u>\$ 358,853</u>	<u>\$ 613,079</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, 2019
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019			Variance with Final Budget	2018
	Budget Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Revenues					
Property taxes	\$ 1,817,814	\$ 1,817,814	\$ 1,844,385	\$ 26,571	\$ 2,170,166
Licenses and permits					
Business	13,000	13,000	14,385	1,385	13,325
Nonbusiness	300,000	300,000	330,659	30,659	375,496
Total licenses and permits	<u>313,000</u>	<u>313,000</u>	<u>345,044</u>	<u>32,044</u>	<u>388,821</u>
Intergovernmental					
Federal					
Other	10,000	10,000	8,102	(1,898)	6,477
State					
Local government aid	635,435	635,435	635,435	-	631,811
Property tax credits	-	-	164	164	391
Police aid	76,275	76,275	77,715	1,440	83,753
Municipal state aid					
street maintenance	65,864	65,864	67,155	1,291	65,864
Other	1,205	1,205	1,205	-	1,205
Total intergovernmental	<u>788,779</u>	<u>788,779</u>	<u>789,776</u>	<u>997</u>	<u>789,501</u>
Charges for services					
General government	125,137	125,137	34,444	(90,693)	48,838
Public safety	79,300	79,300	116,387	37,087	96,965
Public works	4,700	4,700	12,444	7,744	12,227
Culture and recreation	13,850	13,850	70,267	56,417	67,683
Total charges for services	<u>222,987</u>	<u>222,987</u>	<u>233,542</u>	<u>10,555</u>	<u>225,713</u>
Fines and forfeitures	<u>40,250</u>	<u>40,250</u>	<u>52,524</u>	<u>12,274</u>	<u>56,808</u>
Investment earnings	<u>20,000</u>	<u>20,000</u>	<u>63,798</u>	<u>43,798</u>	<u>22,482</u>
Miscellaneous					
Refunds and reimbursements	24,000	24,000	9,099	(14,901)	7,748
Other	3,000	3,000	976	(2,024)	5,469
Total miscellaneous	<u>27,000</u>	<u>27,000</u>	<u>10,075</u>	<u>(16,925)</u>	<u>13,217</u>
Total Revenues	<u>3,229,830</u>	<u>3,229,830</u>	<u>3,339,144</u>	<u>109,314</u>	<u>3,666,708</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, 2019
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019				2018
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and city council					
Personnel services	\$ 26,834	\$ 26,834	\$ 27,265	\$ (431)	\$ 24,304
Supplies	4,875	4,875	849	4,026	707
Other services and charges	9,947	9,947	7,910	2,037	8,815
Total mayor and city council	<u>41,656</u>	<u>41,656</u>	<u>36,024</u>	<u>5,632</u>	<u>33,826</u>
Elections					
Personnel services	-	-	-	-	3,592
Supplies	100	100	-	100	661
Other services and charges	1,250	1,250	154	1,096	5,373
Total elections	<u>1,350</u>	<u>1,350</u>	<u>154</u>	<u>1,196</u>	<u>9,626</u>
Financial administration					
Personnel services	484,694	484,694	472,791	11,903	354,017
Supplies	60,502	60,502	38,288	22,214	12,942
Other services and charges	96,214	96,214	123,336	(27,122)	80,464
Total finance administration	<u>641,410</u>	<u>641,410</u>	<u>634,415</u>	<u>6,995</u>	<u>447,423</u>
Planning and zoning					
Personnel services	95,656	95,656	38,358	57,298	87,616
Supplies	3,170	3,170	2,229	941	2,157
Other services and charges	14,092	14,092	24,832	(10,740)	13,389
Total planning and zoning	<u>112,918</u>	<u>112,918</u>	<u>65,419</u>	<u>47,499</u>	<u>103,162</u>
Municipal building					
Personnel services	5,000	5,000	3,984	1,016	-
Supplies	1,890	1,890	2,214	(324)	1,060
Other services and charges	35,046	35,046	34,529	517	33,259
Total municipal building	<u>41,936</u>	<u>41,936</u>	<u>40,727</u>	<u>1,209</u>	<u>34,319</u>
Total general government	<u>839,270</u>	<u>839,270</u>	<u>776,739</u>	<u>62,531</u>	<u>628,356</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, 2019
 (With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019			Variance with Final Budget	2018
	Budget Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public safety					
Police					
Personnel services	\$ 1,220,209	\$ 1,295,209	\$ 1,237,916	\$ 57,293	\$ 1,025,703
Supplies	19,856	19,856	22,274	(2,418)	22,078
Other services and charges	150,463	153,163	163,254	(10,091)	147,619
Total police	<u>1,390,528</u>	<u>1,468,228</u>	<u>1,423,444</u>	<u>44,784</u>	<u>1,195,400</u>
Fire protection					
Other services and charges	<u>233,789</u>	<u>233,789</u>	<u>234,662</u>	<u>(873)</u>	<u>224,513</u>
Building inspection					
Personnel services	72,026	72,026	63,921	8,105	56,557
Supplies	3,015	3,015	1,428	1,587	1,440
Other services and charges	237,569	237,569	289,391	(51,822)	304,051
Total building inspection	<u>312,610</u>	<u>312,610</u>	<u>354,740</u>	<u>(42,130)</u>	<u>362,048</u>
Code enforcement					
Personnel services	44,574	44,574	41,043	3,531	40,424
Supplies	450	450	91	359	90
Other services and charges	6,618	6,618	3,617	3,001	3,266
Total code enforcement	<u>51,642</u>	<u>51,642</u>	<u>44,751</u>	<u>6,891</u>	<u>43,780</u>
Animal control					
Supplies	270	270	124	146	-
Other services and charges	4,617	4,617	1,443	3,174	3,722
Total animal control	<u>4,887</u>	<u>4,887</u>	<u>1,567</u>	<u>3,320</u>	<u>3,722</u>
Total public safety	<u>1,993,456</u>	<u>2,071,156</u>	<u>2,059,164</u>	<u>11,992</u>	<u>1,829,463</u>
Public works					
Streets and highways					
Personnel services	203,562	203,562	214,237	(10,675)	202,462
Supplies	96,052	96,052	102,604	(6,552)	100,087
Other services and charges	69,607	69,607	53,590	16,017	77,453
Total streets and highways	<u>369,221</u>	<u>369,221</u>	<u>370,431</u>	<u>(1,210)</u>	<u>380,002</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, 2019
(With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019			Variance with Final Budget	2018
	Budget Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public works (continued)					
Street lighting					
Other services and charges	\$ 60,000	\$ 60,000	\$ 48,239	\$ 11,761	\$ 46,738
Sanitation and waste control					
Personnel services	14,889	14,889	15,092	(203)	13,793
Supplies	900	900	1,280	(380)	1,057
Other services and charges	3,881	3,881	687	3,194	2,876
Total sanitation and waste control	19,670	19,670	17,059	2,611	17,726
General city maintenance					
Personnel services	32,768	32,768	27,057	5,711	28,177
Supplies	7,525	7,525	1,228	6,297	4,095
Other services and charges	18,798	18,798	15,703	3,095	16,160
Total general city maintenance	59,091	59,091	43,988	15,103	48,432
Total public works	507,982	507,982	479,717	28,265	492,898
Culture and recreation					
Parks and recreation					
Personnel services	223,849	223,849	201,320	22,529	202,927
Supplies	15,595	15,595	9,156	6,439	13,883
Other services and charges	143,470	143,470	102,597	40,873	103,126
Total parks and recreation	382,914	382,914	313,073	69,841	319,936
Total culture and recreation	382,914	382,914	313,073	69,841	319,936
Economic development					
Other services and charges	-	-	264	(264)	963,684
Total current	3,723,622	3,801,322	3,628,957	172,365	4,234,337

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, 2019
 (With Comparative Actual Amounts for the Year Ended December 31, 2018)

	2019				2018
	Budget Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Capital outlay					
General government	\$ 25,834	\$ 24,521	\$ 20,774	\$ 3,747	\$ 4,950
Public safety	58,700	58,639	51,143	7,496	-
Public works	26,450	26,450	24,426	2,024	32,486
Culture and recreation	10,500	10,500	6,833	3,667	44,823
Total capital outlay	<u>121,484</u>	<u>120,110</u>	<u>103,176</u>	<u>16,934</u>	<u>82,259</u>
Debt service					
Interest and other	341	341	341	-	962
Total Expenditures	<u>3,845,447</u>	<u>3,921,773</u>	<u>3,732,474</u>	<u>189,299</u>	<u>4,317,558</u>
Deficiency of Revenues					
Under Expenditures	<u>(615,617)</u>	<u>(691,943)</u>	<u>(393,330)</u>	<u>298,613</u>	<u>(650,850)</u>
Other Financing Sources (Uses)					
Sale of capital assets	-	-	649	649	737
Transfers in	369,150	369,150	369,150	-	369,150
Transfers out	<u>(275,910)</u>	<u>(275,910)</u>	<u>(123,624)</u>	<u>152,286</u>	<u>(390,195)</u>
Total Other Financing Sources (Uses)	<u>93,240</u>	<u>93,240</u>	<u>246,175</u>	<u>152,935</u>	<u>(20,308)</u>
Net Change in Fund Balances	(522,377)	(598,703)	(147,155)	451,548	(671,158)
Fund Balances, January 1	<u>1,410,429</u>	<u>1,410,429</u>	<u>1,410,429</u>	-	<u>2,081,587</u>
Fund Balances, December 31	<u>\$ 888,052</u>	<u>\$ 811,726</u>	<u>\$ 1,263,274</u>	<u>\$ 451,548</u>	<u>\$ 1,410,429</u>

City of Isanti, Minnesota
Debt Service Funds
Combining Balance Sheet
December 31, 2019

	918 2006A Improvement Bonds	919 2008A Improvement Bonds	928 2009A Crossover Refunding Bonds	929 2011A G.O. Improvement Bonds
Assets				
Cash and temporary investments	\$ -	\$ -	\$ -	\$ 727,511
Receivables				
Accrued interest	-	-	-	1,206
Special assessments	-	-	-	282,479
	-	-	-	282,479
Total Assets	\$ -	\$ -	\$ -	\$ 1,011,196
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 382
Deferred Inflows of Resources				
Unavailable revenue - special assessments	-	-	-	282,392
	-	-	-	282,392
Fund Balances				
Restricted for debt service	-	-	-	728,422
	-	-	-	728,422
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ -	\$ -	\$ -	\$ 1,011,196

930 2011A G.O. Improvement Bonds	931 2014A G.O. Tax Abatement Bonds	932 2014B G.O. Improvement Bonds	933 2014B G.O. Improvement Bonds	Total
\$ 176,196	\$ 243,555	\$ 53,679	\$ 24,162	\$ 1,225,103
291	404	89	-	1,990
53,046	-	-	43,428	378,953
<u>\$ 229,533</u>	<u>\$ 243,959</u>	<u>\$ 53,768</u>	<u>\$ 67,590</u>	<u>\$ 1,606,046</u>
\$ 382	\$ 382	\$ 382	\$ -	\$ 1,528
52,337	-	-	43,428	378,157
176,814	243,577	53,386	24,162	1,226,361
<u>\$ 229,533</u>	<u>\$ 243,959</u>	<u>\$ 53,768</u>	<u>\$ 67,590</u>	<u>\$ 1,606,046</u>

City of Isanti, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2019

	918 2006A Improvement Bonds	919 2008A Improvement Bonds	928 2009A Crossover Refunding Bonds	929 2011A G.O. Improvement Bonds
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ 250,000
Special assessments	-	-	-	1,907
Investment earnings	-	-	-	27,085
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>278,992</u>
Expenditures				
Debt service				
Principal	-	-	-	290,000
Interest and other	-	-	-	32,092
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>322,092</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,100)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	(88,380)	(2,109)	(50,368)	-
Total Other Financing Sources (Uses)	<u>(88,380)</u>	<u>(2,109)</u>	<u>(50,368)</u>	<u>-</u>
Net Change in Fund Balances	(88,380)	(2,109)	(50,368)	(43,100)
Fund Balances, January 1	<u>88,380</u>	<u>2,109</u>	<u>50,368</u>	<u>771,522</u>
Fund Balances, December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 728,422</u>

930 2011A G.O. Improvement Bonds	931 2014A G.O. Tax Abatement Bonds	932 2014B G.O. Improvement Bonds	933 2017 Palamino Road	Total
\$ 8,909	\$ 223,611	\$ 51,692	\$ -	\$ 534,212
27,066	-	-	24,162	53,135
4,473	3,110	570	-	35,238
<u>40,448</u>	<u>226,721</u>	<u>52,262</u>	<u>24,162</u>	<u>622,585</u>
80,000	155,000	45,000	-	570,000
8,488	54,894	4,882	-	100,356
<u>88,488</u>	<u>209,894</u>	<u>49,882</u>	<u>-</u>	<u>670,356</u>
(48,040)	16,827	2,380	24,162	(47,771)
43,523	-	-	-	43,523
-	-	-	-	(140,857)
<u>43,523</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(97,334)</u>
(4,517)	16,827	2,380	24,162	(145,105)
181,331	226,750	51,006	-	1,371,466
<u>\$ 176,814</u>	<u>\$ 243,577</u>	<u>\$ 53,386</u>	<u>\$ 24,162</u>	<u>\$ 1,226,361</u>

City of Isanti, Minnesota
 Summary Financial Report
 Revenues and Expenditures For General Operations
 Governmental Funds
 For the Years Ended December 31, 2019 and 2018

	Total		Percent Increase (Decrease)
	2019	2018	
Revenues			
Taxes	\$ 2,802,855	\$ 3,098,144	(9.53) %
Licenses and permits	345,044	388,821	(11.26)
Intergovernmental	991,240	987,094	0.42
Charges for services	360,898	332,872	8.42
Fines and forfeits	52,524	56,808	(7.54)
Special assessments	386,812	156,340	147.42
Investment earnings	178,668	54,747	226.35
Miscellaneous	94,401	79,864	18.20
	<u>\$ 5,212,442</u>	<u>\$ 5,154,690</u>	
Total Revenues	<u>\$ 5,212,442</u>	<u>\$ 5,154,690</u>	1.12 %
Per Capita	\$ 864	\$ 891	(2.99) %
Expenditures			
Current			
General government	\$ 776,907	\$ 636,129	22.13 %
Public safety	2,061,863	1,829,944	12.67
Public works	479,717	492,898	(2.67)
Culture and recreation	402,219	358,868	12.08
Economic development	78,823	1,327,518	(94.06)
Capital outlay			
General government	96,612	7,415	1,202.93
Public safety	159,538	-	100.00
Public works	364,867	744,532	(50.99)
Culture and recreation	49,852	55,291	(9.84)
Economic development	500	946	(47.15)
Debt service			
Principal	570,000	560,000	1.79
Interest and other	100,697	162,872	(38.17)
	<u>\$ 5,141,595</u>	<u>\$ 6,176,413</u>	
Total Expenditures	<u>\$ 5,141,595</u>	<u>\$ 6,176,413</u>	(16.75) %
Per Capita	\$ 853	\$ 1,067	(20.14) %
Total Long-term Indebtedness	\$ 3,190,000	\$ 3,760,000	(15.16) %
Per Capita	529	650	(18.61)
General Fund Balance - December 31	\$ 1,263,274	\$ 1,410,429	(10.43) %
Per Capita	209	244	(14.07)

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, 2019

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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, 2019, and the related notes to the financial statements, and have issued our report thereon dated April 1, 2020.

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, EICK & MEYERS, LLP
Minneapolis, Minnesota
April 1, 2020



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, 2019, 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 1, 2020.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the 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.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Finding and Response as item 2019-001 to be a significant deficiency.

Compliance and Other Matters

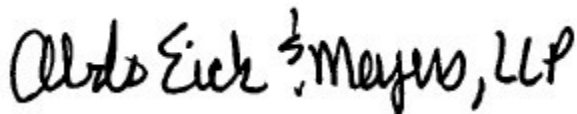
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

The City's 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, EICK & MEYERS, LLP
Minneapolis, Minnesota
April 1, 2020

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City of Isanti, Minnesota
Schedule of Finding and Response
For the Year Ended December 31, 2019

<u>Finding</u>	<u>Description</u>
2019-001	Preparation of Financial Statements
<i>Condition:</i>	As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Recent auditing standards require auditors to communicate this situation to the City Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over the reliability of financial records and reporting.
<i>Cause:</i>	From a practical standpoint, we both prepare your statements and determine the fairness of that presentation at the same time in connection with our audit. This is not unusual for us to do with organizations of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting. We have instructed management to review a draft of the auditor prepared financials in detail for accuracy; we have answered any questions that management might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosures in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.
<i>Recommendation:</i>	Under these circumstances, the most effective controls lie in management's knowledge of the City's financial operations. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations. Regarding the specific situations listed above, we would offer the following specific recommendations: 1) Utilize a disclosure checklist to ensure all required disclosures are present and agree to work papers, and 2) Agree your accounting information from your accounting software to the amounts reported in the financial statements.
<i>Management Response:</i>	
	For now, the City accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.