



CITY COUNCIL MEETING AGENDA
TUESDAY SEPTEMBER 20, 2022

6:30 PM REGULAR MEETING

1. Call to Order
2. Pledge of Allegiance
3. Roll Call
4. ******Consent Agenda******
All items listed under Consent Agenda are considered to be routine by Council and will be acted on by one motion. There will be no separate discussion of these items. If discussion is desired, that item will be removed from the Consent Agenda and will be considered separately.
 - a. Approval of City Council Minutes from the September 6, 2022, Regular City Council Meeting.
 - b. Approval of Accounts Payable (Batch # 1; Checks Numbered 21474-21477, Batch # 2; Checks Numbered 21478-21507).
5. Set Agenda – Anyone Not on the Agenda can be Placed Under Open/Misc.
6. Reports of Boards and Committees by Council and Staff.
7. Presentation of the 2021 Financial Audit.
 - a. 2021 Financial Audit
 - b. 2021 Audit Presentation
8. Consider Approval of the 2023 Preliminary Budget and Tax Levy:
 - a. **RESOLUTION NO. 22-0920-01** – Establishing the General and Debt Service Preliminary Tax Levy and Setting a Date for the 2022 Truth in Taxation Meeting for December 6, 2022.
 - b. **RESOLUTION NO. 22-0920-02** – Establishing the Pioneer Sarah Creek Watershed Management Commission Preliminary Tax Levy.
9. Presentation by Orono School Board Member Ali Howe - Technology Levy
10. Consideration of Approval of the First Amendment to Development Agreement Between Gustavus Development LLC and the City of Independence.
11. Open/Misc.
12. Adjourn.

MINUTES OF A REGULAR MEETING OF THE
INDEPENDENCE CITY COUNCIL
TUESDAY, SEPTEMBER 6, 2022, 6:30 PM

1. CALL TO ORDER.

Pursuant to due call and notice thereof, a regular meeting of the Independence City Council was called to order by Mayor Johnson at 6:30 p.m.

2. PLEDGE OF ALLEGIANCE.

Mayor Johnson led the group in the Pledge of Allegiance.

3. ROLL CALL

PRESENT: Mayor Johnson, Councilors McCoy, Betts, Spencer, and Grotting
ABSENT: None.
STAFF: City Administrator Kaltsas, City Admin Assistant Simon, and Bob Vose (City Attorney)
VISITORS: See Sign-in Sheet.

4. ****Consent Agenda****

All items listed under Consent Agenda are considered to be routine by Council and will be acted on by one motion. There will be no separate discussion of these items. If discussion is desired, that item will be removed from the Consent Agenda and will be considered separately.

- a. Approval of City Council Minutes from the August 16, 2022, Regular City Council Meeting.
- b. Approval of Accounts Payable (Batch# 1; Checks Numbered 21422-21424, Batch# 2; Checks Numbered 21425-21431 and Batch# 3; Checks Numbered 21434-21473, Checks Numbered 21432 and 21433 have been voided).
- c. Pay Request# I BY Construction - WHPS/North Memorial Garage.
- d. Approval of a Solicitor Application for Curbside Waste (New Waste Hauler).
- e. Approval of Additional Election Judges for the 2022 General Election.

Motion by Spencer, second by Betts to approve the Consent Agenda. Ayes: Johnson, McCoy, Betts, Spencer, and Grotting. Nays: None. Absent: None. Abstain: None.

MOTION DECLARED CARRIED.

5. SET AGENDA - ANYONE NOT ON THE AGENDA CAN BE PLACED UNDER OPEN/ MISC.

6. REPORTS OF BOARDS AND COMMITTEES BY COUNCIL AND STAFF

Grotting attended the following meetings:

- Visiting properties on the agenda
- Planning
- Workshop

Spencer attended the following meetings:

- Workshop
- LMC webinar training on property tax
- Hwy 12 Safety Coalition

McCoy attended the following meetings:

- none

Betts attended the following meetings:

- Workshop
- Night To Unite
- Police Commission

Johnson attended the following meetings:

- Planning
- Workshop
- Mayors breakfast with Congressman Phillips at a Minnetonka pancake house
- NW Trails dinner (snowmobilers)
- West Hennepin Pioneer Museum Annual Meeting
- MN Dept of Transportation met w/ Commissioner regarding the future funding for Hwy 12
- Sent a retirement congratulations to Bonnie Waters (Sr Community Services)
- Police ride along with Maple Plain Mayor & Congressman Phillips
- Virtual interview of congressional seat candidates
- County Attorney candidate Martha Dimick
- Lake Minnetonka Veterans Island w/ Senate Committee and several past Orono Mayors & the statewide Vets organizations
- Hwy 12 Corridor Coalition Meeting

Kaltsas attended the following meetings:

- Three Rivers Park District (Baker Park long-term master plan)
- Planning
- Workshop

Simon attended the following meetings:

- Workshop
- Planning
- LMC webinar training on property tax

Johnson - Does Three Rivers Park District need to have a plan with MetCouncil, too?

Kaltsas- Yes, there is a limited amount of "active" recreation spaces they can have.

7. Russel Gilberg (Applicant) and David Vandeneinde (Owner) requests that the City consider the following action for the property located at 840 Wild Oak Trail, Independence, MN (PID No. 27-1 18-24-33-0003):

- a. RESOLUTION NO. 22-0906-01- Considering approval of a conditional use permit to allow a ground mounted solar array on the subject property.

CUP to allow ground mounted solar system/GMS, AG and guided in AG. 2 properties associated with this split by two separate PIDs, (same owner). GMS are required to have a CUP. Provisions - need to be 2.5 acres, noted setbacks, and limited to 500 sq ft. Within the number of maximum sq ft. side yard and rear yard setbacks are all met. GMS is 11 ft to highest point. Maximum height is 15ft in City ordinance. Zoning ordinance states it does not affect property or surrounding properties, and no public comments were made prior or after the PC. PC recommended approval due to no surround property structures being within 1000ft. Solar array sits at a lower elevation than the street and would not create an impact that could not be mitigated by the applicant. Owner agreed that what Kaltsas stated was correct.

Motion by McCoy, seconded by Spencer to approve RESOLUTION NO. 22-0906-01 - the of a conditional use permit to allow a ground mounted solar array on the subject property. Ayes: McCoy, Betts, Johnson, Spencer, and Grotting. Nays: None. Absent: None. Abstain. None. MOTION DECLARED CARRIED. 5:0

8. John Peterson (Applicant) and Jean P & A Sterner Etal (Owner) requests that the City consider the following action for the properties generally located at 8910 US Hwy 12, Independence, MN (PID No's. 07-118-24-41-0003 and 07-1 18-24-42-0004):

- a. RESOLUTION NO. 22-0906-02 - Considering approval of a minor subdivision to allow a lot line rearrangement which would adjust the line that separates the two properties.

Properties at and adjacent to 8910 US Hwy 12 and essentially allowing lot line adjustment to straighten off or square off a lot line that was adjusted years ago. The railroad bisects both properties. Also the North and South lot line jogs from the North side and South side of 12. On the North side of the property, there is a small piece to be included in their lot. It is an unclaimed piece of land there and the property to the north does not claim it either. The PC reviewed and discussed the unclaimed piece. Al Sterner owns the Western unclaimed piece but was uninterested in fixing that lot line, so that's why we are only talking about the unclaimed piece North of 8910 US Hwy 12. PC found it routine and recommended approval.

Peterson agreed that what Kaltsas stated was correct. Johnson asked why the railroad expanded further to the West. Kaltsas said they have 25ft more of ROW.

John Peterson- When my sister and husband bought the E piece of property, we were under the impression that the fence lines N-S and E-W were the property boundaries. When Jean and Al bought the property and found out it was in the E parcel 60ft, he had it changed and moved it West where the fence was, and my sister and husband had agreed to that. I use arial survey maps and found that my father never changed the North side. It makes an 80 ft difference when it gets back to the house. We wanted to change it to the historic fence line. That's what happened when they changed the boundaries. Kaltsas said the RR won't give you it.

Spencer- Do these boundaries happen a lot in the community? Johnson - I don't think we've had that many requests. One surveyor can differ from the next one.

Kaltsas -This is different since it doesn't follow a straight line. It could have been surveyed by two different surveyors from either side. Often missing a small piece.

Motion by Grotting, seconded by Betts to approve RESOLUTION NO. 22-0906-02- granting approval of a minor subdivision to allow a lot line rearrangement for the properties generally located at and adjacent 8910 US Hwy 12, Independence, MN (PID No's. 07-118-24-41-0003 and 07-118-24-42-0004). Ayes: McCoy, Betts, Johnson, Spencer, and Grotting. Nays: None. Absent: None. Abstain. None. MOTION DECLARED CARRIED. 5:0

Vose-The City's approval of approving the blue/unclaimed part is great, but it doesn't clear up title of that property. Let's just understand that and that the owner is working on that. The applicant will need to exchange with owners to the North and the South a quit claim deeds to clear that up to describe the property as the fence line.

9. Steve Bohl (Applicant) and Clifford L Otten Trust (Owner) request that the City consider the following actions for the properties generally located at 2236 South Lake Shore Drive, Independence, MN (PID No's. 24-118-24-14-0005, 24-118-24-11-0009 and 24-118-24-11- 0012):

- a. **RESOLUTION NO. 22-0906-03-** Considering approval of a comprehensive plan

amendment to allow the subject property to be re-guided to the RR-Rural Residential zoning district.

- b. **ORDINANCE 2022-05:** Considering rezoning of the subject property from AG-Agriculture to RR-Rural Residential.
- c. **RESOLUTION NO. 22-0906-04** - Considering approval of a preliminary plat for the proposed subdivision of the property into 28 single-family lots with a minimum lot size of 1 acre.

This is being brought to you after being tabled at last meeting and needing more clarification. There has been quite a bit of correspondence relating to the process. This started in 2018 when we sent out notice for a concept plan that came forward to the City. There were 6 different meetings, public hearings, council meeting, and neighborhood meetings of previous proposed developer. On the CompPlan, we had about 8 meetings for the development of CompPlan. About 15 public meetings have been held since 2018 since the first public meeting.

The proposal in front of the City is for a 28-unit subdivision (BridgeVine). Planning Commission asked for more clarification and for applicant to look at (1) stormwater and other key items. Stormwater running off of this property heading to lake, the ravine to East, and the drainage to the West. Applicant agreed to strengthen the proposed stormwater system in several key locations by adding a rain garden filtration system to a low point as the water not collected running off of the rear Lots 1, 2, 3, and 4 and then ultimately swales towards Lake Independence and would go into the rain garden in the backside of Lot 3. This is additional measure would not be required by the City or Pioneer-Sarah Creek. Similarly, there was discussion relating to stormwater running off to the West under South Lake Shore Dr and ultimately further West along Perkinsville, under Budd and into the larger wetland complex. Applicant is proposing rain garden at the low point at outlot A to collect and filter to the W. Additionally, the Applicant provided pre and post peak runoff numbers - rate of runoff at key points is reduced by proposed development in after conditions vs now. (2) Common dock area - Applicant was proposing to dedicate an outlot with common dock at the bottom of the Maple St ROW. The Applicant revised the proposed common dock area to not have an outlot associated with it, so it would just be a trail access point and still include a singular dock that the HOA maintained and having a pontoon boat. The trail easement would come off the shared common access lot- Outlot D with the firepit structure. Now proposing to follow property lines between Lots 5 & 8 down to the lake with a trail easement down to the dock. Applicant is proposing to restrict through HOA and covenant documents to regulate the use of that easement and outlot, number of docks, how it can be used, and who can use it. It was discussed with the City Attorney to figure out provisions for restricting or regulating through the Plan Use Development or development agreement. Bob will address that. The Applicant is ready to add additional provisions in the HOA docs. With the removal of the outlot, there would not be a piece of land that the HOA would own, it would just be an easement access point. The dock would come off that, differently than common access Lake Sarah or owners have.

Johnson - How wide of an easement will it be?

Kaltsas - Each property line already has 10 ft drainage and utility easements, but the Trail could be 8.5 or 10 ft and we could define this further- narrow and more restrictive.

(3) Outlot E- the little finger towards the lake in between 2 lots off Maple, Applicant proposed to deed this outlot to the City. We do own an infrastructure/ lift station there, have an easement now for a structure, and have no other public purpose other than the lift station. We could accept it or not and need feedback from Council on that. (4) Trail/Sidewalk -The City talked with Three Rivers Park District regarding a master plan and the connection from Independence into Baker Park. Three Rivers will talk about this to see if they would allow it. It could connect via the campground, the closest point. Applicant would not like to see a connection into the campground from the public. It would not be desirable either way. They thought it would be good to connect a trail along Co Rd 19 and wrap in at pedestrian/bike underpass trail system without going into the campground area.

Johnson - Did they know about the past resolution or connection?

Kaltsas-They were not familiar with past approval. Their point is valid, and we don't want that access to bring campers into the City and vice versa. We would need to involve Hennepin County to utilize the ROW for the Co Rd 19 option noting there is a vegetative buffer, tree line and ditch, however there is a relatively flat grade there. Providing a trail along Perkinsville to Budd and back towards Maple Plain would be desirable for the City. It would be a major funding item in trying to get that solved with 3 different entities would be difficult. We could work with the developer to secure a trail easement on Perkinsville since we have a proposed Outlot and perhaps collect cash in lieu of until we have a better plan to get it all come together. It wouldn't be desirable to build a trail that doesn't go anywhere. The discussion would involve multiple entities, and Three Rivers will talk internally.

Johnson - Who did you discuss this with at Three Rivers.

Kaltsas - Initially, Maple Plain resident Stephen who is the landscape architect who does some of their master planning and trail planning.

Steve Bohl is virtual tonight as well as the engineer. If it were to move forward regarding accessory structure size, he has questions about accessory structure size language and standards associated with it. Some of the garages are getting in the 1000 sqft range and would limit the language for attached/detached. We're not looking to adopt that draft PUD language tonight.

Johnson- Not directly related, but we approved the CompPlan to go forward to MetCouncil. They're supposed to approve or make or recommend changes. Don't we have to make a final approval when they send it back to us?

Kaltsas- Yes, we approve it subject to their approval, and then they approve it subject to our approval of their approval. I am hopeful they will approve it with some recommendations and some required changes. We've met a couple of times in the last few weeks, and we have a robust submittal.

Spencer- On Lot 8 (adjacent to new proposed trail position), is that existing boat house a nonconforming structure?

Kaltsas - It is a nonconforming structure. Spencer- Is that to be left?

Kaltsas - It'd have to look at the setback. It's bigger than the allowed 120sqft.

Spencer - Intention is that would remain and be part of parcel 8.

McCoy - So it will not be for the general use of the association?

Kaltsas - That's correct. The association would have an easement for Lot 8 between 5 & 8. But that structure would be associated with Lot 8 and we would talk to that applicant about. I don't know that we'd want that structure to be maintained on a separate parcel.

Spencer - It looks like it would exceed what we would allow.

Kaltsas - 20x15' - bigger than what we'd allow. We could talk to the applicant.

Grotting - Regarding the level of traffic that we are going to see. There were a lot of letters written appreciative of your input. They say the average household makes 9 trips a day, so 250 some trips. The intersection at Co Rd 19 and Perkinsville. Is there a commitment to do some work there to upgrade that corner?

Kaltsas - It is a definite issue, but when we studied it with the 96-unit impact with the previous developer, they looked at that intersection noting there is a lot of intersection that already funnels through that area. There wasn't a significant impact with 28 units as it is a lot less. (56) We know that that intersection needs to be looked at and studied and hopefully improved. It has to be something the City looks at, but to fix it, we need Hennepin County and Medina and more money than the City of Independence has to fund this. A possible roundabout will cost about \$2- 2.5 million. It is on our radar to get a solution. This development isn't causing it to fail more than it is. We have had conversations with Hennepin County to get this on their radar to find a solution. Once Hwy 12 is finished, this is our next intersection that needs to be addressed. Grotting- Because we did some things on Hwy. 12 that brought down deaths with cars, motorcyclists, maybe there is some interim way to increase visibility and safety.

Kaltsas - When the City redid sewer, we helped with visibility by taking some trees down. Johnson - The lakeshore ordinance allows up to 24 homes within 1000 ft of the lake without going through a PUD, correct?

Kaltsas - The City did not approve a specific number of lots. When looking at a property, we look at spacial standards that the ordinance has in place for allowable lot size, shoreline, street width, frontage, lot depth ratios, so you have to draw a plan to identify what yield you can get on a property. We have a provision saying properties within 1000 lineal ft of high-water level/HWL, our shoreline ordinance allows a minimum lot size of 1 acre if having sewer connection. We don't have an allocation of sewer that supports 24 lots/homes, so we have to ask approval from the Quad City agreement to increase the sewer capacity which is not easily done. We have to ask Medina and Met Council to service this property, then you can go down to 1 acre lots. The layout done by the previous developer had a layout & concept plan that was never approved by the City and was a good baseline showing 24 lots within that 1000 linear ft. This plan shows the 3 lots could be septic with 2.5 min lot size.

Grotting - Of the letters you received, was anyone advocating for septic or sewer lots?

Kaltsas - I don't know anyone broke it down that way. This property has sewer on three sides: Lake Shore Drive, South Lake Shore Drive, and Perkinsville. This has always showed on CompPlan as sewer lot, just not 1 acre lots. Independence Rd has city sewer and in that there are lakeshore lots. We had negotiated for 12 additional sewer connections available. When Serenity Hills came in for development, that was 14 lots. We asked MetCouncil to sewer that and that was outside the 1000 lineal ft. because there's a major stormwater management contributor that goes into Lake Independence, and we didn't want to see systems potentially leaching into that drainage area and we were denied. But we got 1.

McCoy - The CompPlan amendment to allow additional sewer units, not density zoning?

Kaltsas - Yes. No change in zoning of that. We're proposing a change that would allow to make the sewer connections, and in that through a tool called Planned Unit Development/PU0. Our RR/Rural Residential has cluster development as a Conditional Use Permit/CUP and we would add PUD as a conditional use to ask MetCouncil to allow for additional sewered lots.

Johnson - We haven't talked about the access to the lake. They would dedicate the property that was originally for the public back to the City and now is just a trail down between 2 properties to the lake. It'd only be I dock for a pontoon.

Kaltsas - That's what is being proposed, and a concern is what happens as far as regulations.

Vose - The Planned Unit Development/PUD zoning tool allows you to make modifications to the zoning district. If you proceeded, it would allow you to make modifications to the Rural Residential/RR set of standards. One of the special provisions you might build in is very specific allowances and restrictions on the dock and boat for community use. You could use the CUP's PUD which is stronger than the typical CUP because it is an ordinance violation. No hearing is needed whether a permit is being complied with or not, and you can ultimately change the permit or revoke it. The process is not that cumbersome if a PUD set of rules gets violated. It's treated as a code enforcement issue where you can issue citations and be in court very quickly. You would want to have some controls on this dock and shared boat arrangement and easily enforceable, strict rules, so everyone knows what's expected around this property.

3 action items are before you tonight. After the CompPlan amendment and the rezoning is the approving of the preliminary plat. Question and comment for staff and council, you can see if you move forward, there are a lot of things that need to happen in order for this to occur the way it is proposed even if everything is approved tonight. As is typical, the resolution approving preliminary plat tracks your City Code stating, "A final plat would have to be submitted within 90 days." There are too many things needing to happen within that timeframe. Please consider if you want to be more flexible on that timeframe. For the benefit of the Applicant, the City's code requires that we get updated title work and that we have the party identified correctly. Although the resolution doesn't expressly say that, it is a requirement. So having both of these well in advance before considering the final plat is needed, as I'll need to take a little time to review the title work and issue a plat opinion to you. So just some timing issues to be aware of, we need to get an updated title commitment on the property well in advance.

Spencer - Back to the dock thing to add some clarifications. So we use the PUD to put restrictions on the dock, and I'm the new homeowner and think "I don't think so" and I put a lift and my wake board on the end of the dock and wait for you to come get me. What would be the process? Would we issue them a citation or fine for it, could we compel a change in action, or we couldn't revoke the PUD on the entire subdivision obviously or would we revoke the access point or what is that process?

Vose - These restrictions abstractly now would be embodied in development agreement, which is recorded against the property, so everyone who owns the property is subject to that. It would be in the CUP granting the PUD. Adding PUDs to your zoning code creates an ordinance making it the most efficient way to have law enforcement go out and issue a citation. Or is it the developer or the owner who's violating by putting 2 boats rather than 1? You'll have multiple ways to enforce these, mainly the law enforcement writing a citation and pursue it that way.

Spencer - The challenge for me is that we have some subdivisions with covenants in place and who's to enforce this with some teeth? There should be a way to deal with this without the City absorbing the cost. Along the same lines, stormwater ponds. So if a homeowner decides to test that, we can put the cost of defending that on them?

Vose - We have used covenants and they are useful. It is a good tool, however after covenants are put in place, the City doesn't have any say over enforcing it. PUDs are not like that at all. The City would be the prime enforcer of the CUP PUD tools, development agreement, and the ordinance PUD requirements.

McCoy - Where is the line between the City and the PUD regulations and the standard enforcers on the water and DNR? Who supersedes who?

Vose - Dock regulation is something that a lake is within City's boundaries. The City do have regulation over docks. State agencies are in that too, and there are surface use issues. The City can regulate in regard to the dock/boat issues.

Grotting- We have open files with the meter running regarding violations, and I see this as the same thing. The City is spending money chasing residents that are not following City rules.

Vose- Dealing with landowner rights are very difficult for cities. It is hard to enforce those things. It is intentionally difficult for the government to regulate landowner use. People are always going to test the City's willingness to enforce. We have to make it as efficient as we can, which is why making it an ordinance violation. Can people ignore that anyway? Sure. Some will test that.

Spencer- Moving this path away from the old road and outlot and in between 2 multimillion-dollar property owners is helpful since it will upset the two owners. The hope is that they will want to keep it legit. You can't prevent all nuisances in advance, but I'd like to see more detailed language and the tools on this in advance.

Vose- You are not deciding restrictions tonight. You are not being asked to approve the trail, dock, and boat and prelim plat. You will have another chance to make that decision and rules.

Spencer - Would you recommend 180 days or a year between preliminary plan to final plat?

Vose-This comes from the code, but it isn't feasible here. There is too much to apply for and get approved. You can leave in the 90 days since it's your code, but make it clear the City can extend that.

Johnson- We've previously approved extensions. The comments from watershed district have been sifted through from the beginning, but I'm wondering where we have these retention basins, do they have an outlet tile at a certain height from the top of the pond so if they should get full that there not washing it out?

Kaltsas - Dry basins with an overflow that will drain at a certain elevation are what's being proposed. As it relates to stormwater, the City approves prelim plat in the Pioneer Lake Sarah and they do their approval after we do our approval. Any proposed changes will come back with the final plat. Nothing stood out of the ordinary.

Johnson - If these need to be cleaned out, who is responsible?

Kaltsas -We would have a maintenance agreement with the owner to the HOA. Assess back costs with a stormwater blanket on top of the HOA. Ultimately, it's on the homeowners, but back on the City if they don't perform if they don't manage it.

Johnson- What is the life expectancy of a pond? It likely depends on the elevations around it.

Kaltsas -There's maintenance down the road. These are dry basin, with a filtration area and a sand medium and infrastructure. We don't have long enough experience on these. Wet basins have a 20-30 yrs. Some is how well are they protected during construction or managed during its life.

Grotting- Is it curb and gutter? (Yes.) Do we have any say on that?

Kaltsas -This developer prefers it to minimize the ditch size in the front of the homes. The amount of room you lose from a drainage system and swale, we find it objectionable. When you have paved portion and shoulder portion, people want to get rid of the shoulder portion of the road and which plows could damage. Curb and gutter protect that.

Johnson - For storm sewers, having curb and gutter is better.

Spencer- We appreciate the 2 additional rain gardens that came from the last meeting in the suggested areas which came from the sub watershed study with Anoka County for Lake Independence 's water quality. It'll run by the Pioneer-Sarah Creek, the document holder and they'll likely be pleased with the editions.

Motion by Betts, second by Grotting to approve RESOLUTION 22-0906-03 – approval of a comprehensive plan amendment to allow the subject property to be re-guided to the RR-Rural Residential zoning district. Ayes: McCoy, Betts, Johnson, Spencer, and Grotting. Nays: None. Absent: None. Abstain. None. MOTION DECLARED CARRIED. 5:0

Motion by Spencer, second by McCoy to approve ORDINANCE 2022-05 – rezoning the property from AG to RR/Rural Residential. Ayes: McCoy, Betts, Johnson, Spencer, and Grotting. Nays: None. Absent: None. Abstain. None. MOTION DECLARED CARRIED. 5:0

Motion by Spencer, second by Betts to approve RESOLUTION 22-0906-04 for a preliminary plat for the proposed subdivision into 28 single family lots with a minimum lot size of 1 acre. Applicant shall submit the final plat to the City withing ninety (90) days of the City Council approval of the Preliminary Plat, or such longer as may be approved by City Council. Ayes: McCoy, Betts, Johnson, Spencer, and Grotting. Nays: None. Absent: None. Abstain. None. MOTION DECLARED CARRIED. 5:0

10. Open/Misc.

Johnson – We should continue working on creating a Fire District as there have been issues mentioned publicly in the papers. Medina Mayor asked how we were feeling about it.

McCoy – I want to make sure with the City Council on board with it being discussed.

Betts - I am very much on board with it going forward as we need to look to the future. Volunteer fire departments are hard to maintain. We'd all benefit by having something more comprehensive.

Johnson - A gentleman who worked with state of Washington is speaking into it and is for it as a resident. Interestingly, both Loretto and Hamel are private depts and in negotiations. It would end up like a watershed district, taxing authority, etc. We don't need to decide tonight on details, but I want to know how we are feeling about it.

Spencer – Which version is this? There have been a few or is it just in general if we're in supportive of a Fire District?

McCoy – I don't think there's been any one version settled on.

Kaltsas - There is a group that meets Maple Plain, Loretto, Hamel, and now Independence. District includes Loretto and Maple Plain potentially as a smaller option. We did quite a bit of analysis on that district, but Loretto and Hamel decided to join. Then Loretto stepped back a little to get all the kinks worked out of the deal. It would benefit the City to continue to explore the smaller deal. The bigger one got complicated with too many cooks in the kitchen. I like a pragmatic view asking how can we best provide the best service for our residents and maintain or increase our level of service with a more efficient fire cost. We do need Medina to join with Loretto and Maple Plain. How do we do it best for Independence? We have very little say in purchasing, etc. with Delano, Maple Plain, Loretto.

Johnson – I would cause us to look at Delano's coverage in our City and explore the position.

Kaltsas - We have no say or control. We are subjected to the number they give us. There is a lot of overlap in the services. I do hope we can get back to have Loretto on track as they were a driver and wanting to further it. We had great discussions but not the next step. I wasn't attending the Medina, Orono, and Long Lake as we don't have a dog in the hunt and we were staying back a bit.

McCoy- The Fire District with Loretto, Maple Plain, and Independence is a natural fit since we do so much together as it is and have similar philosophies.

Betts – And we'd save money as it's more efficient. We've had seminars 10 years ago and still haven't done anything.

Spencer – The concept is definitely fitting for the City.

Johnson – We'll let them know we are definitely interested in a District, but which one, we don't know yet.

McCoy - Most districts start out small with 2-3 departments and naturally grow over time. Most begin with a Joint Powers (dating) and then move into a District which is very difficult to break up. It could be done fairly quick.

Johnson – We have a meeting in the morning. Rick Denneson's Dad's funeral is tomorrow also at Silver Lake. The former City Planner also passed away.

11. Adjourn.

Motion carried by Spencer, second by McCoy to adjourn the meeting at 8:18pm.

Respectfully Submitted,
Linda Johnson/ Recording Secretary

City of Independence

2021 Financial Summary and Audit

To: City Council
From: Mark Kaltsas, Administrator
Meeting Date: September 20, 2022

Summary:

The City Council is annually presented with the audit findings and receives quarterly financial reports detailing the current financial status of the City. The reports are typically presented for information to the Council. The City's Auditor, Chris Knopik with Clifton Larson Allen has prepared the 2021 Year End Financial Audit. There are a few key points that are further detailed in the audit report that I would like to highlight.

- The City received an unmodified opinion for the state of the City's financials. This is the highest opinion that can be obtained.
- It was noted that the City had three entries that needed adjustment. The City and ABDO reviewed the findings and found the finding to be warranted. The primary issue related to the year that the entries were made (2020 v. 2021).
 - Prior Period Adjustment related to retainage payable and fund balance for the 2020 Street Improvement Fund in the amount of \$45,491.
 - Prior Period Adjustment for construction in progress and net position for the government-wide fund for \$132,092.
 - Accounts payable adjustment for missing disbursement in the general fund for \$15,700.
- The City's year-ending actual versus budget again shows that the City's expenditures came in less than revenues by \$57,557. As a result of the City Hall construction and Cares act funding, there were some unplanned expenditures made throughout the year. These expenditures were offset by the additional \$360,000 in revenue realized in 2021.

Attachments:

1. 2021 Audit Report
2. 2021 Audit Presentation

CITY OF INDEPENDENCE. MINNESOTA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2021



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INTRODUCTORY SECTION

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Marvin Johnson	Mayor	12/31/2023
Lynn Betts	Council Member	12/31/2025
Brad Spencer	Council Member	12/31/2025
Ray McCoy	Council Member	12/31/2023
Steve Grotting	Council Member	12/31/2023

APPOINTED

Mark Kaltsas	City Administrator	Appointed
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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of the City Council
City of Independence
Independence, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Independence (the City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

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 of Independence as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison schedule for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of a Matter

As discussed in Note 11, the city restated beginning fund balance and net position related to construction in progress and recording of retainage payable. The error was corrected through beginning balances. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Report on Summarized Comparative Information

We have previously audited the City's 2020 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information in our report dated May 27, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit for the year ended December 31, 2021 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Independence's basic financial statements. The combining and individual nonmajor fund financial statements and schedule for the year ended December 31, 2021 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended December 31, 2021 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended December 31, 2021.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the City of Independence as of and for the year ended December 31, 2020 (not presented herein), and have issued our report thereon dated May 27, 2020 which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The general fund schedule of revenue, expenditures, and changes in fund balances – budget to actual for the year ended December 31, 2020 is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the 2020 financial statements. The information was subjected to the audit procedures applied

in the audit of the 2020 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended December 31, 2020.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2022, on our consideration of the City of Independence's internal control over financial reporting and on 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 City of Independence's 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 City of Independence's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Minneapolis, Minnesota
August 9, 2022

REQUIRED SUPPLEMENTARY INFORMATION

This section of the City of Independence's (the City) annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on December 31, 2021. Certain comparative information between the current year, 2021, and the prior year, 2020, is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2021 include the following:

- ◆ The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$8,800,428 (net position). After providing for restrictions related to debt service, park improvements, and general government (\$468,178) and net investment in capital assets (\$4,815,244), the City has net position remaining of \$3,517,006.
- ◆ The City's total net position increased \$539,648. This net increase related to governmental activities increasing \$482,091, and an increase in the business-type activities which of \$57,557.
- ◆ As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,549,018, a decrease of \$1,414,830, in comparison with the prior year.
- ◆ At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,791,937.

OVERVIEW OF THE FINANCIAL STATEMENTS

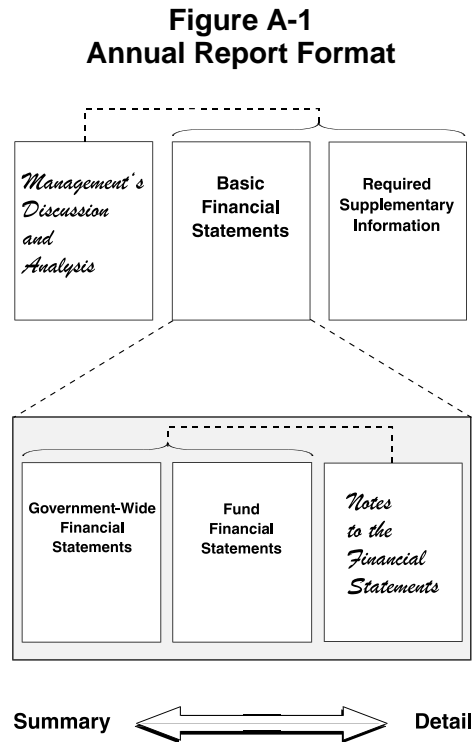
The financial section of the annual report consists of four parts – independent auditors' report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- ◆ The first two statements are City-wide financial statements which provide both short-term and long-term information about the City's overall financial status.
- ◆ The remaining statements are fund financial statements which focus on individual parts of the City, reporting the City's operations in more detail than the Citywide statements.
- ◆ The governmental funds statements tell how basic services such as general government, public safety, and public works were financed in the short-term as well as what remains for future spending.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure A-2 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 highlights the structure and contents of each of the statements.

Figure A-2
Major Features of the Government-Wide and Fund Financial Statements

Type of Statements	Government-wide	Governmental Funds	Proprietary Funds
Scope	Entire City's government and the City's component units.	The activities of the City that are not proprietary or fiduciary, such as police, fire, and parks.	The activities of the City that operate similar to private businesses, such as the sewer system.
Required Financial Statements	Statement of net position.	Balance sheet.	Statement of net position.
	Statement of activities.	Statement of revenues, expenditures, and changes in fund balances.	Statement of revenues, expenses, and changes in net position and statement of cash flows.
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of Asset and Deferred Outflow of Resources/ Liability and Deferred Inflow of Resources Information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term.	Only assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter, no capital assets included.	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, and short-term and long-term.
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Statements

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies.

- ◆ The statement of net position includes all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the difference between the two reported as net position. Over time, increases or decreases in the City's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- ◆ 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.
- ◆ To assess the overall health of the City, you need to consider additional nonfinancial factors such as changes in the City's property tax base and the condition of City buildings and other facilities.

In the Citywide financial statements the City's activities are shown in two categories:

- ◆ Governmental activities – The City's basic services are included here. Property taxes, special assessments, and state aids finance most of these activities.
- ◆ Business-type activities – The City's enterprise fund operations are included here. Charges for services finance most of these activities.

The government-wide financial statements include not only the City itself – known as primary government – but also a legally separate Housing and Economic Development Authority (HRA) for which the City is financially accountable. The HRA, although legally separate, functions for all practical purposes as a department of the City and, therefore, has been included as an integral part of the primary government.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's funds – focusing on its most significant or “major” funds – not the City as a whole. Funds are accounting devices the City uses to keep track of specific sources of funding and spending for particular purposes. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

The City's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the Citywide statements, we provide additional information after the governmental funds statements that explain the relationship (or differences) between them.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Governmental Funds (Continued)

The City maintains eleven funds, two of which are special revenue. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Water Resource Depot fund, the COVID-19 Relief fund, the Debt Service Fund, the Permanent Capital Fund, 2020 Street Improvement Project fund, the City Hall Remodel fund, and the Escrow fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregate 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.

Proprietary Funds

The City reports one 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 the enterprise fund to account for its sanitary sewer. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

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.

Other Information

The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$8,780,556 at the close of the most recent fiscal year. The governmental activities make up 76.6% of the total (\$6,728,179).

By far, the largest portion of the City's net position (\$4,815,244) reflects its investment in capital assets (e.g., land, buildings, vehicles, and infrastructure); 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 asset themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (\$468,178) represents resources that are subject to external restrictions related to debt issuance and park dedication fees. The remaining balance of unrestricted net position is \$3,497,134.

City of Independence's Summary of Net Position

The City's net position was \$8,780,556 on December 31, 2021. Overall, the statement of net position changes that were significant relate to a reduction in long-term liabilities due to scheduled repayment of bonds and a change in the net pension liability and related deferred outflows and inflows of resources.

	Governmental Activities			Business-Type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Assets:						
Current and Other Assets	\$ 4,634,152	\$ 5,820,565	\$ (1,186,413)	\$ 803,559	\$ 679,053	\$ 124,506
Capital Assets	7,754,652	5,848,580	1,906,072	1,635,588	1,767,522	(131,934)
Total Assets	12,388,804	11,669,145	719,659	2,439,147	2,446,575	(7,428)
Deferred Outflows of Resources	169,632	33,135	136,497	23,875	4,854	19,021
Liabilities:						
Long-Term Liabilities Outstanding	4,525,493	4,740,233	(214,740)	270,000	332,937	(62,937)
Other Liabilities	1,065,345	866,147	199,198	109,745	119,659	(9,914)
Total Liabilities	5,590,838	5,606,380	(15,542)	379,745	452,596	(72,851)
Deferred Inflows of Resources	219,547	27,395	192,152	30,900	4,013	26,887
Net Position:						
Net Investment in Capital Assets	3,509,656	3,319,180	190,476	1,305,588	1,452,178	(146,590)
Restricted for General Government	7,674	6,721	953	-	-	-
Restricted for Debt Service	309,168	310,771	(1,603)	-	-	-
Restricted for Park Improvements	151,336	102,870	48,466			
Unrestricted	2,770,217	2,328,963	441,254	746,789	542,642	204,147
Total Net Position	<u>\$ 6,748,051</u>	<u>\$ 6,068,505</u>	<u>\$ 679,546</u>	<u>\$ 2,052,377</u>	<u>\$ 1,994,820</u>	<u>\$ 57,557</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Changes in Net Position

The Citywide total revenues were \$4,534,705 the year ended December 31, 2021. Property taxes and intergovernmental revenues accounted for 78.6% of total revenue for the year.

	Governmental Activities			Business-Type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
REVENUES						
Program Revenues:						
Charges for Services	\$ 538,451	\$ 344,993	\$ 193,458	\$ 288,819	\$ 233,398	\$ 55,421
Operating Grants and Contributions	34,917	286,913	(251,996)	-	-	-
Capital Grants and Contributions	47,931	34,920	13,011	58,418	34,485	23,933
General Revenues:						
Taxes:						
Property Taxes, Levied for						
General Purposes	3,080,527	2,825,756	254,771	-	-	-
Debt Service	298,258	275,663	22,595	12,272	15,111	(2,839)
Grants and Contributions						
Not Restricted to						
Specific Programs	171,230	28,415	142,815	-	-	-
Unrestricted Investment Earnings	3,636	9,981	(6,345)	246	276	(30)
Total Revenues	4,174,950	3,806,641	368,309	359,755	283,270	76,485
EXPENSES						
General Government	791,608	962,168	(170,560)	-	-	-
Public Safety	1,780,520	1,741,016	39,504	-	-	-
Public Works	939,893	841,826	98,067	-	-	-
Culture and Recreation	59,286	76,164	(16,878)	-	-	-
Interest on Long-Term Debt	101,680	68,496	33,184	-	-	-
Sanitary Sewer	-	-	-	302,198	307,940	(5,742)
Total Expenses	3,672,987	3,689,670	(16,683)	302,198	307,940	(5,742)
Change in Net Position	501,963	116,971	384,992	57,557	(24,670)	82,227
Net Position, Beginning of Year	6,068,505	5,951,534	116,971	1,994,820	2,019,490	(24,670)
Prior Period Restatement	177,583	-	177,583	-	-	-
Net Position, End of Year	<u>\$ 6,748,051</u>	<u>\$ 6,068,505</u>	<u>\$ 679,546</u>	<u>\$ 2,052,377</u>	<u>\$ 1,994,820</u>	<u>\$ 57,557</u>

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The most significant changes from year to year are listed below:

Governmental type activities –

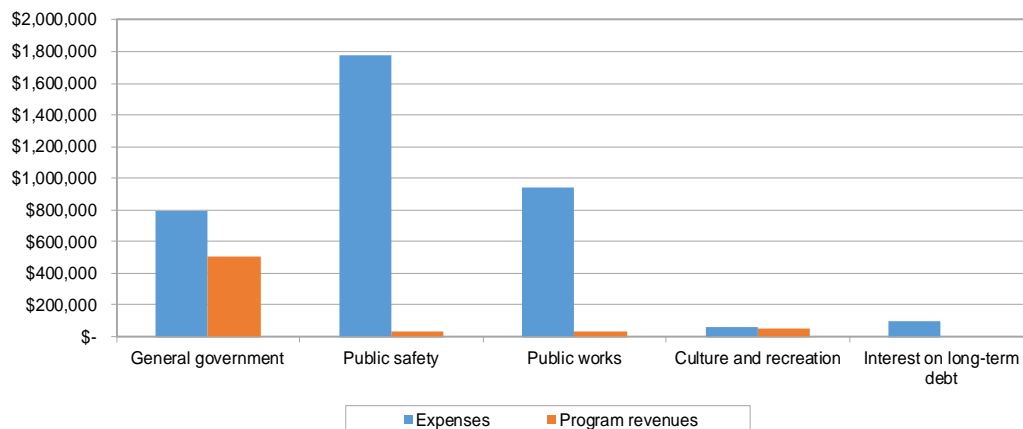
- The increase in governmental activities net position is primarily due to increases property tax revenues.

Business-type activities –

- The decrease in business-type activities net position is due to increased expenses related to the replacement of the Ox Yoke septic system. This expense will be assessed to upcoming property taxes.

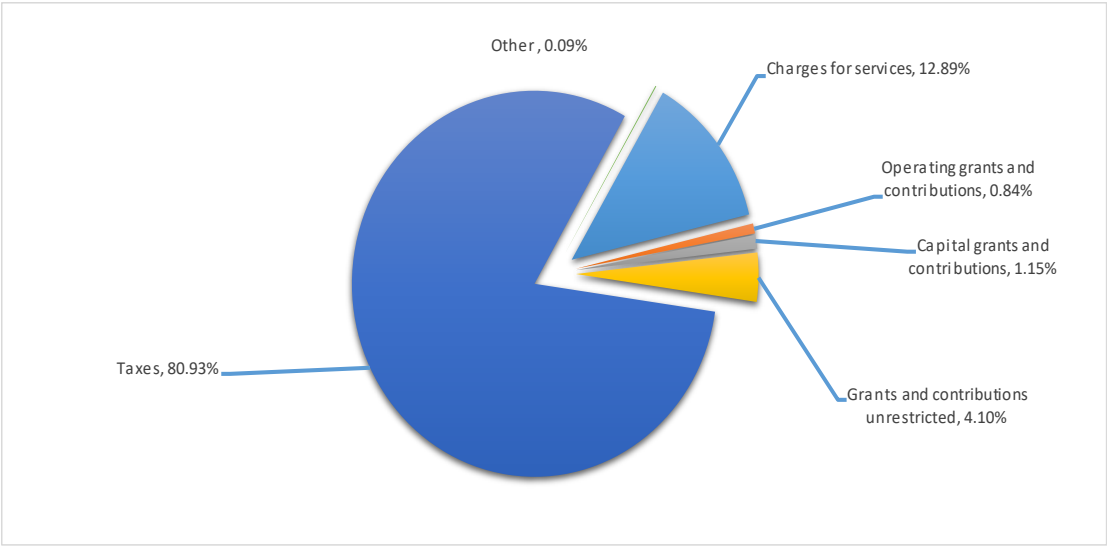
The following graphs depict various governmental activities and show the revenue and expenses directly related to those activities.

2021 Expenses and Program Revenues – Governmental Activities



GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

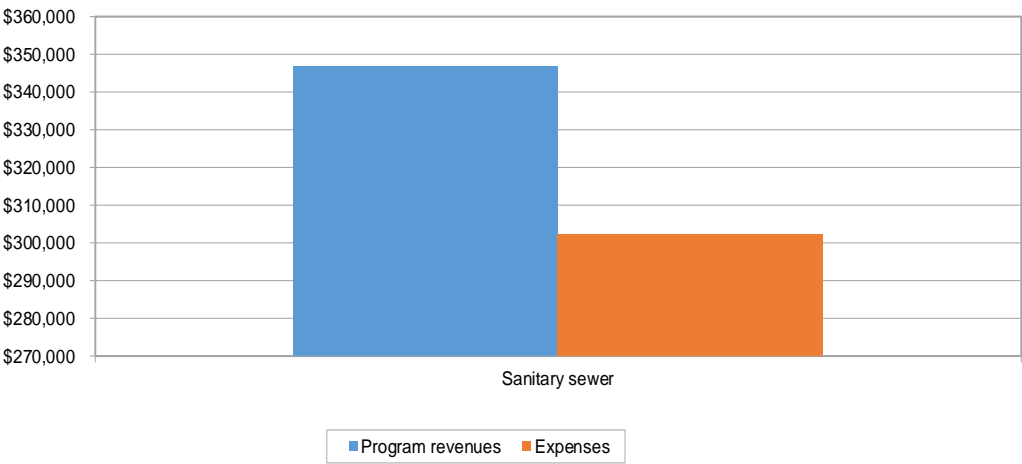
2021 Revenues by Source – Governmental Activities



Business-Type Activities

Business-type activities increased the City’s net position by \$57,557.

2021 Expenses and Program Revenues – Business-type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'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 short-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 the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,549,018, a decrease of \$1,414,830 in comparison with the prior year.

The General Fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General Fund was \$1,962,227. The fund balance of the City's General Fund increased \$331,459 during the current fiscal year. This was mainly due to an increase in revenues related to property taxes and a decrease in public safety spending.

The Debt Service Fund has a total fund balance of \$350,442. This is a decrease of \$12,348 from the prior year as a result of debt payments during 2021.

The Permanent Capital Fund had a total balance of \$404,692. This is an increase of \$174,713 from the prior year. The increase is primarily the result of a budget transfer from the General Fund to the Capital Fund that offset purchases for budget projects.

Proprietary Fund

The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Net position of the enterprise fund at the end of the year totaled \$2,052,377. Overall, the change in net position was an increase of \$57,557 from the prior year due to an increase in nonoperating revenues.

General Fund Budgetary Highlights

During the year, expenditures were over budget by \$8,572. Public safety, public works, and culture and recreation functions were under budget during the year by \$66,981 which were offset by general government expenditures being over budget by \$75,553.

In addition, revenues exceeded budget \$359,903. This excess over budget is primarily due to the licenses and permits revenues, local government aid, and refunds and reimbursement being higher than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2021 totaled \$9,390,240 (net of accumulated depreciation). The investment in capital assets includes land, buildings, vehicles, equipment, and infrastructure.

City of Independence's Capital Assets

	Governmental Activities			Business-Type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Land	\$ 591,591	\$ 591,591	\$ -	\$ -	\$ -	\$ -
Construction in Progress	2,220,209	1,206,099	1,014,110	-	-	-
Buildings	2,291,506	1,274,918	1,016,588	-	-	-
Infrastructure	2,152,554	2,249,767	(97,213)	1,632,617	1,754,172	(121,555)
Equipment	119,215	160,287	(41,072)	1,088	3,938	(2,850)
Vehicles	379,577	365,918	13,659	1,883	9,412	(7,529)
Total	<u>\$ 7,754,652</u>	<u>\$ 5,848,580</u>	<u>\$ 1,906,072</u>	<u>\$ 1,635,588</u>	<u>\$ 1,767,522</u>	<u>\$ (131,934)</u>

Long-Term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$4,882,479. 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 Independence's Outstanding Debt

	Governmental Activities			Business-Type Activities		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
General Obligation Improvement Bonds	\$ -	\$ -	\$ -	\$ 330,000	\$ 390,000	\$ (60,000)
General Obligation Tax Abatement	790,000	940,000	(150,000)	-	-	-
Capital Lease	2,479	5,698	(3,219)	-	-	-
General Obligation Equipment Certificates	3,760,000	3,760,000	-	-	-	-
Total	<u>\$ 4,552,479</u>	<u>\$ 4,705,698</u>	<u>\$ (153,219)</u>	<u>\$ 330,000</u>	<u>\$ 390,000</u>	<u>\$ (60,000)</u>

The City's total noncurrent liabilities decreased \$302,642 during the current fiscal year due to scheduled repayment on bonds.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Property market valuations increase in total for 2021, the market values of Cities are expected to increase again in 2022 into 2023.
- The City continues to update a comprehensive financial plan that addresses future capital needs and other growth related issues.

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 City Administrator, City of Independence, 1920 County Road 90, Independence, Minnesota 55359-9448.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 3,305,504	\$ 329,255	\$ 3,634,759
Restricted Cash	559,422	-	559,422
Receivables:			
Delinquent Taxes	139,760	-	139,760
Accounts	3,579	50,960	54,539
Special Assessments	40,112	416,844	456,956
Due from Other Governments	6,150	-	6,150
Investment in Joint Venture	409,335	-	409,335
Prepays	170,290	6,500	-
Capital Assets:			
Land and Construction in Progress	2,811,800	-	2,811,800
Depreciable Capital Assets (Net of Accumulated Depreciation)	4,942,852	1,635,588	6,578,440
Total Assets	<u>12,388,804</u>	<u>2,439,147</u>	<u>14,827,951</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	169,632	23,875	193,507
LIABILITIES			
Accounts Payable	370,641	4,779	375,420
Accrued Salaries Payable	26,030	2,712	28,742
Due to Other Governments	20,106	-	20,106
Accrued Interest Payable	41,274	5,294	46,568
Unearned Revenue	154,621	-	154,621
Noncurrent Liabilities:			
Net Pension Liability	228,356	32,141	260,497
Due within One Year	224,317	64,819	289,136
Due in More than One Year	4,525,493	270,000	4,795,493
Total Liabilities	<u>5,590,838</u>	<u>379,745</u>	<u>5,970,583</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Related	219,547	30,900	250,447
NET POSITION			
Net Investment in Capital Assets	3,509,656	1,305,588	4,815,244
Restricted for General Government	7,674	-	7,674
Restricted for Debt Service	309,168	-	309,168
Restricted for Park Improvements	151,336	-	151,336
Unrestricted	2,770,217	746,789	3,517,006
Total Net Position	<u>\$ 6,748,051</u>	<u>\$ 2,052,377</u>	<u>\$ 8,800,428</u>

Functions/Programs	Program Revenues				Net Revenues (Expenses) and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General Government	\$ 791,608	\$ 502,169	\$ -	\$ -	\$ (289,439)	\$ -	\$ (289,439)
Public Safety	1,780,520	35,451	-	-	(1,745,069)	-	(1,745,069)
Public Works	939,893	631	34,917	-	(904,345)	-	(904,345)
Culture and Recreation	59,286	200	-	47,931	(11,155)	-	(11,155)
Interest on Long-Term Debt	101,680	-	-	-	(101,680)	-	(101,680)
Total Governmental Activities	3,672,987	538,451	34,917	47,931	(3,051,688)	-	(3,051,688)
Business-Type Activities:							
Sanitary Sewer	302,198	288,819	-	58,418	-	45,039	45,039
Total	<u>\$ 3,975,185</u>	<u>\$ 827,270</u>	<u>\$ 34,917</u>	<u>\$ 106,349</u>	(3,051,688)	45,039	(3,006,649)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes					3,080,527	-	3,080,527
Property Taxes, Levied for Debt Service					298,258	12,272	310,530
Grants and Contributions Not Restricted to Specific Programs					171,230	-	171,230
Unrestricted Investment Earnings					3,636	246	3,882
Total General Revenues					<u>3,553,651</u>	<u>12,518</u>	<u>3,566,169</u>
CHANGE IN NET POSITION					501,963	57,557	559,520
Net Position - Beginning of Year					6,068,505	1,994,820	8,063,325
Prior Period Restatement, See Note 11					177,583	-	177,583
Net Position as Restated - Beginning of Year					<u>6,246,088</u>	<u>1,994,820</u>	<u>8,240,908</u>
NET POSITION - END OF YEAR					<u>\$ 6,748,051</u>	<u>\$ 2,052,377</u>	<u>\$ 8,800,428</u>

FUND FINANCIAL STATEMENTS

	General	Water Resource Depot	COVID-19 Relief	Debt Service	Permanent Capital	2020 Street Improvement Project	City Hall Remodel	Escrow	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS										
Cash and Investments	\$ 1,854,628	\$ 72,783	\$ 154,621	\$ 350,442	\$ 404,692	\$ 303,590	\$ 464,484	\$ 64,107	\$ 195,579	\$ 3,864,926
Receivables:										
Delinquent Taxes	128,517	11,243	-	-	-	-	-	-	-	139,760
Accounts	3,177	-	-	-	-	-	-	-	402	3,579
Special Assessments	40,112	-	-	-	-	-	-	-	-	40,112
Prepaid Items	170,290	-	-	-	-	-	-	-	-	170,290
Due from Other Governments	6,150	-	-	-	-	-	-	-	-	6,150
Total Assets	<u>\$ 2,202,874</u>	<u>\$ 84,026</u>	<u>\$ 154,621</u>	<u>\$ 350,442</u>	<u>\$ 404,692</u>	<u>\$ 303,590</u>	<u>\$ 464,484</u>	<u>\$ 64,107</u>	<u>\$ 195,981</u>	<u>\$ 4,224,817</u>
LIABILITIES										
Accounts Payable	\$ 80,622	\$ 5,881	\$ -	\$ -	\$ -	\$ -	\$ 208,652	\$ 75,486	\$ -	\$ 370,641
Accrued Salaries Payable	26,030	-	-	-	-	-	-	-	-	26,030
Due to Other Governments	20,106	-	-	-	-	-	-	-	-	20,106
Unearned Revenue	-	-	154,621	-	-	-	-	-	-	154,621
Total Liabilities	<u>126,758</u>	<u>5,881</u>	<u>154,621</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>208,652</u>	<u>75,486</u>	<u>-</u>	<u>571,398</u>
DEFERRED INFLOWS OF RESOURCES										
Unavailable Revenue - Property Taxes	53,905	10,384	-	-	-	-	-	-	-	64,289
Unavailable Revenue - Special Assessments	40,112	-	-	-	-	-	-	-	-	40,112
Total Deferred Inflows of Resources	<u>94,017</u>	<u>10,384</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,401</u>
FUND BALANCES										
Nonspendable	170,290	-	-	-	-	-	-	-	-	170,290
Restricted for:										
General Government	-	-	-	-	-	-	-	-	7,674	7,674
Debt Service	-	-	-	350,442	-	-	-	-	-	350,442
COVID-19 Relief	-	-	-	-	-	-	-	-	-	-
Park Improvements	-	-	-	-	-	-	-	-	151,336	151,336
Assigned to:										
Buildings Capital	-	-	-	-	103,078	-	-	-	-	103,078
Roads Capital	-	-	-	-	61,516	303,590	-	-	36,971	402,077
Equipment Capital	-	-	-	-	156,499	-	-	-	-	156,499
Administration Capital	-	-	-	-	83,599	-	-	-	-	83,599
City Hall Remodel	-	-	-	-	-	-	255,832	-	-	255,832
Water Resource Department	-	67,761	-	-	-	-	-	-	-	67,761
Unassigned	1,811,809	-	-	-	-	-	-	(11,379)	-	1,800,430
Total Fund Balances	<u>1,982,099</u>	<u>67,761</u>	<u>-</u>	<u>350,442</u>	<u>404,692</u>	<u>303,590</u>	<u>255,832</u>	<u>(11,379)</u>	<u>195,981</u>	<u>3,549,018</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,202,874</u>	<u>\$ 84,026</u>	<u>\$ 154,621</u>	<u>\$ 350,442</u>	<u>\$ 404,692</u>	<u>\$ 303,590</u>	<u>\$ 464,484</u>	<u>\$ 64,107</u>	<u>\$ 195,981</u>	<u>\$ 4,224,817</u>

Total Fund Balances - Governmental	\$ 3,549,018
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Amounts reported for the governmental activities in the statement of net position are different because:

Governmental funds do not report an asset for equity interest in the joint venture	409,335
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Cost of Capital Assets	12,240,354
Less Accumulated Depreciation	(4,485,702)

The City's net pension liability and related deferred outflows and inflows of resources are recorded only on the statement of net position. Balances at year-end are:

Net Pension Liability	(228,356)
Deferred Inflows of Resources - Pension Related	(219,547)
Deferred Outflows of Resources - Pension Related	169,632

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Capital Lease Payable	(2,479)
Bonds Payable	(4,550,000)
Plus Premium Net of Accumulated Amortization	(160,493)
Compensated Absences Payable	(36,838)

Some receivables are not available soon enough to pay for the current-period's expenditures and, therefore, are unavailable in the funds.

Property Taxes	64,289
Special Assessments	40,112

Governmental funds do not report a liability for accrued interest until due and payable.	<u>(41,274)</u>
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Total Net Position - Governmental Activities	<u><u>\$ 6,748,051</u></u>
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	General	Water Resource Depot	COVID-19 Relief	Debt Service	Permanent Capital	2020 Street Improvement Project	City Hall Remodel	Escrow	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES										
Property Taxes	\$ 3,022,621	\$ 63,762	\$ -	\$ 298,258	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,384,641
Licenses and Permits	247,346	-	-	-	-	-	-	-	-	247,346
Intergovernmental	151,613	-	53,179	-	-	-	-	-	-	204,792
Charges for Services	47,151	-	-	-	-	-	-	29,500	-	76,651
Fines and Forfeitures	35,451	-	-	-	-	-	-	-	-	35,451
Interest on Investments	2,846	52	-	277	288	-	-	-	173	3,636
Park Dedication Fees	-	-	-	-	-	-	-	-	47,931	47,931
Miscellaneous	179,003	-	-	-	-	-	-	-	1,355	180,358
Total Revenues	3,686,031	63,814	53,179	298,535	288	-	-	29,500	49,459	4,180,806
EXPENDITURES										
Current:										
General Government	695,539	67,191	-	-	-	495	1,397,122	36,321	-	2,196,668
Public Safety	1,709,167	-	53,179	-	-	-	-	-	-	1,762,346
Public Works	726,481	-	-	-	-	86	-	-	-	726,567
Culture and Recreation	8,897	-	-	-	-	-	-	-	-	8,897
Capital Outlay:										
General Government	7,391	-	-	-	-	-	570,084	-	-	577,475
Public Works	58,455	-	-	-	2,803	-	-	-	-	61,258
Debt Service:										
Principal	-	-	-	150,000	-	-	-	-	-	150,000
Interest and Other	-	-	-	112,425	-	-	-	-	-	112,425
Total Expenditures	3,205,930	67,191	53,179	262,425	2,803	581	1,967,206	36,321	-	5,595,636
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	480,101	(3,377)	-	36,110	(2,515)	(581)	(1,967,206)	(6,821)	49,459	(1,414,830)
OTHER FINANCING SOURCES (USES)										
Transfers in	-	-	-	-	177,228	-	-	-	-	177,228
Transfers Out	(128,770)	-	-	(48,458)	-	-	-	-	-	(177,228)
Total Other Financing Sources (Uses)	(128,770)	-	-	(48,458)	177,228	-	-	-	-	-
NET CHANGE IN FUND BALANCES	351,331	(3,377)	-	(12,348)	174,713	(581)	(1,967,206)	(6,821)	49,459	(1,414,830)
Fund Balance - Beginning of Year	1,630,768	71,138	-	362,790	229,979	258,680	2,223,038	(4,558)	146,522	4,918,357
Prior Period Restatement, See Note 11	-	-	-	-	-	45,491	-	-	-	45,491
Fund Balance Beginning of Year - as Restated	1,630,768	71,138	-	362,790	229,979	304,171	2,223,038	(4,558)	146,522	4,963,848
FUND BALANCE - END OF YEAR	<u>\$ 1,982,099</u>	<u>\$ 67,761</u>	<u>\$ -</u>	<u>\$ 350,442</u>	<u>\$ 404,692</u>	<u>\$ 303,590</u>	<u>\$ 255,832</u>	<u>\$ (11,379)</u>	<u>\$ 195,981</u>	<u>\$ 3,549,018</u>

Total Net Change in Fund Balance - Governmental Funds	\$	(1,414,830)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital Outlays	2,061,365
Depreciation Expense	(287,385)

Pension expenditures on the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in net pension liability and the related deferred inflows and outflows of resources.

14,067

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of bonds payable consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.

Principal Repayments	150,000
Amortization of Premium on Bonds	10,431
Principal Payments for Capital Leases	3,219

Interest on bonds payable in the statement of activities differs from the amount reported in the governmental fund 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.

10,745

Certain revenues are recognized as soon as it is earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.

Property Taxes	(5,856)
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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 governmental funds.

Compensated Absences	(2,348)
Change in Joint Venture investment	(37,445)

Change in Net Position - Governmental Activities	\$	<u>501,963</u>
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	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Property Taxes	\$ 3,020,168	\$ 3,020,168	\$ 3,022,621	\$ 2,453
Licenses and Permits	190,070	190,070	247,346	57,276
Intergovernmental	16,000	16,000	151,613	135,613
Charges for Services	41,150	41,150	47,151	6,001
Fines and Forfeitures	47,740	47,740	35,451	(12,289)
Interest on Investments	5,000	5,000	2,846	(2,154)
Miscellaneous	6,000	6,000	179,003	173,003
Total Revenues	3,326,128	3,326,128	3,686,031	359,903
EXPENDITURES				
Current:				
General Government	619,986	619,986	695,539	(75,553)
Public Safety	1,711,923	1,711,923	1,709,167	2,756
Public Works	753,589	753,589	726,481	27,108
Culture and Recreation	21,430	21,430	8,897	12,533
Capital Outlay	90,430	90,430	65,846	24,584
Total Expenditures	3,197,358	3,197,358	3,205,930	(8,572)
EXCESS OF REVENUES OVER EXPENDITURES	128,770	128,770	480,101	351,331
OTHER FINANCING USES				
Transfers out	(128,770)	(128,770)	(128,770)	-
Total Other Financing Uses	(128,770)	(128,770)	(128,770)	-
NET CHANGE IN FUND BALANCES	-	-	351,331	351,331
Fund Balances - Beginning of Year	1,630,768	1,630,768	1,630,768	-
FUND BALANCES - END OF YEAR	<u>\$ 1,630,768</u>	<u>\$ 1,630,768</u>	<u>\$ 1,982,099</u>	<u>\$ 351,331</u>

	Sanitary Sewer	
	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Investments	\$ 329,255	\$ 183,733
Accounts Receivable	50,960	29,111
Prepaid Items	6,500	51
Total Current Assets	<u>386,715</u>	<u>212,895</u>
NONCURRENT ASSETS		
Special Assessments Receivable - Delinquent	1,252	710
Special Assessments Receivable - Noncurrent	415,592	465,448
Capital Assets:		
Machinery and Equipment	17,340	17,340
Vehicles	37,649	37,649
Infrastructure	4,876,873	4,876,873
Less: Accumulated Depreciation	<u>(3,296,274)</u>	<u>(3,164,340)</u>
Net Capital Assets	<u>1,635,588</u>	<u>1,767,522</u>
Total Noncurrent Assets	<u>2,052,432</u>	<u>2,233,680</u>
Total Assets	2,439,147	2,446,575
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related	23,875	4,854
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	4,779	2,766
Accrued Salaries Payable	2,712	3,498
Due to Other Governments	-	2,460
Accrued Interest Payable	5,294	5,294
Compensated Absences Payable - Current	4,819	1,978
Bonds Payable - Current	<u>60,000</u>	<u>60,000</u>
Total Current Liabilities	<u>77,604</u>	<u>75,996</u>
NONCURRENT LIABILITIES		
Compensated absences payable	-	2,937
Net Pension Liability	32,141	43,663
Bonds Payable	<u>270,000</u>	<u>330,000</u>
Total Noncurrent Liabilities	<u>302,141</u>	<u>376,600</u>
Total Liabilities	379,745	452,596
DEFERRED INFLOW OF RESOURCES		
Pension Related	30,900	4,013
NET POSITION		
Net Investment in Capital Assets	1,305,588	1,377,522
Unrestricted	<u>746,789</u>	<u>617,298</u>
Total Net Position	<u>\$ 2,052,377</u>	<u>\$ 1,994,820</u>

	Sanitary Sewer	
	2021	2020
OPERATING REVENUES		
Charges for Services	\$ 288,819	\$ 233,398
OPERATING EXPENSES		
Personal Services	70,284	63,984
Supplies	15,821	2,167
Repairs and Maintenance	480	8,312
Other Services and Charges	49,936	59,342
Insurance	642	655
Utilities	21,326	25,981
Depreciation	131,934	134,656
Total Operating Expenses	290,423	295,097
OPERATING LOSS	(1,604)	(61,699)
NONOPERATING REVENUES (EXPENSES)		
Property Taxes	12,272	15,111
Special Assessments	29,768	34,254
Connection Fees	28,650	231
Interest Income	246	276
Interest Expense	(11,775)	(12,843)
Total Nonoperating Revenues (Expenses)	59,161	37,029
CHANGE IN NET POSITION	57,557	(24,670)
Net Position - Beginning of Year	1,994,820	2,019,490
NET POSITION - END OF YEAR	<u>\$ 2,052,377</u>	<u>\$ 1,994,820</u>

	Sanitary Sewer	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 266,970	\$ 232,168
Payments to Suppliers, Contractors, and Other Governments	(95,101)	(111,541)
Payments to Employees	(74,822)	(80,482)
Net Cash Provided by Operating Activities	97,047	40,145
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Special Assessments	79,082	82,900
Property Taxes	12,272	15,111
Connection Fees Received	28,650	231
Principal Paid on Bonds Payable	(60,000)	(60,000)
Interest Paid on Bonds Payable	(11,775)	(13,530)
Net Cash Provided by Capital and Related Financing Activities	48,229	24,712
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	246	276
NET INCREASE IN CASH AND CASH EQUIVALENTS	145,522	65,133
Cash and Cash Equivalents - Beginning of Year	183,733	118,600
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 329,255</u>	<u>\$ 183,733</u>

	Sanitary Sewer	
	2021	2020
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (1,604)	\$ (61,699)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation	131,934	134,656
(Increase) Decrease in Assets and Deferred Outflows of Resources:		
Accounts Receivable	(21,849)	(1,230)
Prepaid Items	(6,449)	(51)
Deferred Outflows of Resources	(19,021)	3,885
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:		
Accounts Payable	2,013	(15,008)
Due to Other Governments	(2,460)	(25)
Accrued Salaries Payable	(786)	385
Compensated Absences Payable	(96)	1,753
Net Pension Liability	(11,522)	(14,678)
Deferred Inflows of Resources	26,887	(7,843)
Net Cash Provided by Operating Activities	<u>\$ 97,047</u>	<u>\$ 40,145</u>

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Independence's (the City) financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is responsible for establishing accounting principles generally accepted in the United States of America for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in accounting principles generally accepted in the United States of America and used by the City are discussed below.

A. Financial Reporting Entity

The City of Independence is a statutory City governed by an elected Mayor and four City Council Members. The City includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separated from such. Component units are legally separate organizations for which the elected officials for the City are financially accountable and are included within the basic financial statements of the City because of the significance of their operational or financial relationships within the City.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Independence (Primary Government) and its component units for which the City is financially accountable. There is financial accountability if the Primary Government appoints a voting majority of an organization's governing body and has the ability to impose its will on that governing body; or there is the potential for the organization to provide specific financial benefits or to impose specific financial burden on the Primary Government. As a result of applying the component unit definition criteria above, the following component unit was identified:

The Independence Housing and Redevelopment Authority (the HRA) is a legal entity separate from the City. Although legally separate, the HRA is reported as if it were part of the Primary Government because its governing body is substantively the same as the governing body of the primary Government. Separate financial statements are not prepared for the HRA.

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 about the Primary Government. These statements include the financial activities of the overall City government. Eliminations have been made to minimize the double counting of internal activities. 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 to external parties for support.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of each function of the City's governmental activities and different business-type activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

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. The City considers all revenues to be available if they are collected within 60 days after the end of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, as well as expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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 generally within one year.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, special assessments, 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 nonexchange transactions must also be available before it can be recognized.

Property and other taxes, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual. 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 government.

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

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 Water Resource Depot accounts for the operations of the City's water resource depot.

The Covid-19 Relief Fund accounts for the expenditures related to the City's state and local fiscal recovery fund grant.

The Debt Service Fund accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources.

The Permanent Capital Fund accounts for resources set aside for future capital improvements.

The 2020 Street Improvement Project fund accounts for resources set aside for that capital improvement.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

The City Hall Remodel fund accounts for resources set aside for that capital improvement.

The Escrow Fund is used to account for the tracking and recognition of escrow payments received for residential improvements within the City.

The City reports the following major proprietary fund:

The Sanitary Sewer Fund accounts for the operations of the City's sanitary sewer utility.

As a general rule the effort 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 revenue of the City's enterprise funds are charges to customers for sales of goods and services. 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.

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.

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

1. Deposits and Investments

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and various securities as authorized by Minnesota Statutes. Investment earnings are allocated to the individual funds based upon applicable cash balance participation. Investments are stated at fair value.

Cash equivalents are considered to be cash on hand, demand deposits, and investments. Certain restricted assets are included in cash and cash equivalents.

For the purposes of the statement of cash flows of the proprietary fund's portion in the government-wide cash and investments pool is considered to be cash and cash equivalents.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

1. Deposits and Investments (Continued)

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

- a. Direct obligations or obligations guaranteed by the United States or its agencies.
- b. 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.
- c. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rate "AA" or better.
- d. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
- e. Bankers' acceptances of United States bank eligible for purchase by the Federal Reserve System.
- f. Commercial paper issued by United States bank corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
- g. 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.
- h. 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 rating categories by a nationally recognized rating agency.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

2. Property Taxes

The City Council annually adopts a tax levy and certifies it to the County in December for collection 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 Treasurer and tax settlements are made to the City during January, June, and November each year.

Taxes payable on homestead property, as defined by Minnesota Statutes, are partially reduced by a market value credit aid. The credit is paid to the City by the state of Minnesota (the state) in lieu of taxes levied against the homestead property. The state remits this credit in two equal installments in October and December each year.

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

3. Accounts Receivable

Accounts receivable include amounts billed for services provided before year-end. Unbilled utility enterprise fund receivables are also included for services provided in 2021. There have been no allowances for doubtful accounts established as management believes all receivables are fully collectible.

4. Special Assessments

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

5. 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 estimated useful life in excess of one year and a cost based upon the following asset categories:

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

6. Capital Assets (Continued)

Assets	Threshold
Buildings	\$ 25,000
Equipment	5,000
Vehicles	5,000
Land	10,000
Infrastructure	100,000

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Assets	Useful Lives in Years
Buildings	40
Equipment	3 to 15
Vehicles	3 to 12
Infrastructure	20 to 60

7. Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate section represents a consumption of net position that applies to a future period. The City will not recognize the related outflow until a future event occurs. More detailed information about pension related deferred outflows of resources can be found in Note 4 to the financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

8. Deferred Inflows of Resources

The City's governmental activities and governmental fund financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position of fund balance that applies to a future period. The City will not recognize the related revenue until a future event occurs. The City has one type of item, which occurs under the 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. The second type relates to pension liabilities as described in Note 4 to the financial statements.

9. Net Pension Liability

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. For this purpose, plan contributions (including refunds of contributions) are recognized as of employer payroll paid dates and in accordance with the benefit terms. Investments are reported at fair value.

10. Compensated Absences

Employees are granted vacation based on their years of service. With approval, vacation pay may be carried into the following year from the time it is earned in an amount equal to the employee's annual amount earned. Vacation pay is charge to expenditures in the year earned.

The City Council has adopted a policy that will compensate retired or terminated employees 100% (based on years of service) of their unused vacation and compensatory time and 50% of their unused sick time. The liability is recorded as a liability on the government-wide statement of net position and the proprietary fund statement of net position. This is recorded as salaries expense on the fund level statements as the costs are incurred each year. The General Fund is typically used to liquidate governmental compensated absences payable.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

11. 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, in the period the bonds are issued. The face amount of debt issued is reported as other financing sources.

12. 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) or 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 City Administrator.

Unassigned – The residual classification for the General Fund and also negative residual amounts in other funds.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance (Continued)

12. Fund Balance (Continued)

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% of budgeted operating expenditures for cash-flow timing needs.

13. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is displayed in three components:

Net investment in capital assets – consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.

Restricted net position – consist of net position balances restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Unrestricted net position – all other net position that does not meet the definition of "restricted" or "net investment in capital assets".

14. Use of Estimates

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

15. Comparative Data

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

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. All annual appropriations lapse at year-end. The City does not use encumbrance accounting.

In August 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 15, 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 Administrator. The legal level of budgetary control is the department level. Budgeted amounts are as originally adopted or as amended by the City Council.

B. Deficit Fund Balance

As of December 31, 2021, the Escrow nonmajor special revenue fund had a deficit fund balance of \$11,379. This deficit will be funded in future years by additional charges and collections.

NOTE 3 DEPOSITS AND INVESTMENTS

A. Cash and Investments - Deposits

The City's cash surpluses are pooled and invested in accordance with State Statute and City investment policy. Investment values are stated at amortized cost. The investments are not identified with specific funds with the exception for bond proceeds related to the bond series 2020A. Restricted cash amounts include unspent bond proceeds which have restrictions placed on them in accordance with the debt agreements in place.

The city's cash and investments as of December 31, 2021 consist of the following:

	Primary
	Government
Carrying Value of Deposits	\$ 1,816,303
Value of Investments	2,377,878
Cash and Investments	<u>\$ 4,194,181</u>

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

A. Cash and Investments – Deposits (Continued)

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council, including checking accounts and certificates of deposit. The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – in the case of deposits, this is the risk that in the event of a bank failure, the city's deposits may be lost. Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The value of collateral pledged must equal 110% of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligation rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank or in an account at a trust department of a commercial bank or other institution that is not owned or controlled by the financial institution furnishing the collateral. The City has a policy in place to minimize credit risk.

Minnesota Statutes requires 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 \$1,816,302 and the bank balance was \$2,092,775. The entire bank balance was covered by federal depository insurance or covered by collateral held by the City's agent in the City's name.

B. Investments

The City's investments as of December 31, 2021 consisted of \$2,377,878 invested in the 4M fund. The 4M Fund is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows guidance under GASB Statement NO. 79. The City's investment in the 4M Fund is measured at an amortized cost and not subject to fair value leveling. The City's investment policy does not place any further limitations beyond the state statute requirements for the risk categories described below. Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have any custodial credit risk for its investments since all of the City's investments are in the City's name and insured.

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes authorize investments in money market funds, certificates of deposit, commercial paper, U.S. treasury securities, U.S. government agencies, and other securities provided they meet the two highest quality ratings of nationally recognized rating agencies.

Concentration Risk – This is the risk associated with investing a significant portion of the City's investments (considered 5% or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds

As of December 31, 2021, the City's investment portfolio includes a 100% investment in the 4M fund which is an external investment pool.

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). This risk is minimal with the City being full invested in the 4M fund.

C. Investments Policy

The City's investment policy limits exposure to interest rate risk by investing in shorter term securities (maturing in one year or less) to meet current operating cash requirements. Longer-term investments are to be purchased with the intent to match maturity periods with future funding needs for capital replacement and debt obligations. The City will not purchase investments that, at the time of investment, cannot be held to maturity. This does not mean that an investment cannot be sold prior to maturity. Investment activity will focus upon protection of taxpayer dollars and investment income, consistent with statutory authorization and financial prudence.

NOTE 4 CAPITAL ASSETS

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

	Beginning Balance *	Increases	Decreases / Transfers	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 591,591	\$ -	\$ -	\$ 591,591
Construction in Progress	1,338,191	1,967,294	(1,085,276)	2,220,209
Total Capital Assets Not Being Depreciated	1,929,782	1,967,294	(1,085,276)	2,811,800
Capital Assets, Being Depreciated:				
Equipment	821,830	43,166	-	864,996
Vehicles	592,776	50,905	-	643,681
Buildings	2,653,446		1,085,276	3,738,722
Infrastructure	4,181,155	-	-	4,181,155
Total Capital Assets, Being Depreciated	8,249,207	94,071	1,085,276	9,428,554
Less Accumulated Depreciation for:				
Equipment	(661,543)	(84,238)	-	(745,781)
Vehicles	(226,858)	(37,246)	-	(264,104)
Buildings	(1,378,528)	(68,688)	-	(1,447,216)
Infrastructure	(1,931,388)	(97,213)	-	(2,028,601)
Total Accumulated Depreciation	(4,198,317)	(287,385)	-	(4,485,702)
Total Capital Assets, Being Depreciated, Net	4,050,890	(193,314)	1,085,276	4,942,852
Governmental Activities Capital Assets, Net	<u>\$ 5,980,672</u>	<u>\$ 1,773,980</u>	<u>\$ -</u>	<u>\$ 7,754,652</u>

* As restated, see Note 11 for additional information.

NOTE 4 CAPITAL ASSETS (CONTINUED)

Business-Type Activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Being Depreciated:				
Equipment	\$ 17,340	\$ -	\$ -	\$ 17,340
Vehicles	37,649	-	-	37,649
Infrastructure	<u>4,876,873</u>	<u>-</u>	<u>-</u>	<u>4,876,873</u>
Total Capital Assets, Being Depreciated	4,931,862	-	-	4,931,862
Less Accumulated Depreciation for:				
Equipment	(13,402)	(2,850)	-	(16,252)
Vehicles	(28,237)	(7,529)	-	(35,766)
Infrastructure	<u>(3,122,701)</u>	<u>(121,555)</u>	<u>-</u>	<u>(3,244,256)</u>
Total Accumulated Depreciation	<u>(3,164,340)</u>	<u>(131,934)</u>	<u>-</u>	<u>(3,296,274)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,767,522</u>	<u>(131,934)</u>	<u>-</u>	<u>1,635,588</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,767,522</u>	<u>\$ (131,934)</u>	<u>\$ -</u>	<u>\$ 1,635,588</u>

Depreciation expense was charged to functions/programs of the City as follows:

Governmental Activities:	
General Government	\$ 29,845
Public Safety	37,233
Public Works	217,395
Culture and Recreation	<u>2,912</u>
Total Depreciation Expense - Governmental Activities	287,385
Business-Type Activities:	
Sanitary Sewer	<u>131,934</u>
Total Depreciation Expense	<u>\$ 419,319</u>

NOTE 5 CAPITAL LEASES

The City entered into a lease agreement for financing the acquisition of a copier in 2017. At December 31, 2021, the City has total assets under capital lease of \$15,508 with the accumulated depreciation of \$13,182. The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2021, were as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	<u>\$ 2,511</u>
Total Minimum Lease Payments	2,511
Less: Amount Representing Interest	(32)
Present Value of Minimum Lease Payments	<u><u>\$ 2,479</u></u>

NOTE 6 LONG-TERM DEBT

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

General Obligation Improvement 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 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% of the amount required for debt service. The excess of 5% is to cover any delinquencies in tax or assessment payments.

General Obligation Improvement Bonds – Business-Type

The G.O. Bonds, Series 2010A is report as a liability in the Sanitary Sewer Fund.

<u>Description</u>	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year-End</u>
General Obligation Improvement Bonds, Series 2010A	\$ 855,000	1.00 - 3.40 %	10/21/10	02/01/26	<u><u>\$ 330,000</u></u>

NOTE 6 LONG TERM DEBT (CONTINUED)General Obligation Improvement Bonds – Business-Type (Continued)

Annual debt service requirements to maturity for general obligation improvement bonds are as follows:

<u>Year Ending December 31,</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 60,000	\$ 9,915	\$ 69,915
2023	65,000	7,929	72,929
2024	65,000	5,816	70,816
2025	70,000	3,570	73,570
2026	70,000	1,190	71,190
Total	<u>\$ 330,000</u>	<u>\$ 28,420</u>	<u>\$ 358,420</u>

General Obligation Tax Abatement Bonds

These bonds were issued for a street reconstruction project in 2015. The debt is a general obligation of the City.

<u>Description</u>	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year-End</u>
General Obligation Tax Abatement Bond Plan Bonds, Series 2015A	\$ 1,495,000	2.00 - 2.25 %	08/19/15	02/01/26	<u>\$ 790,000</u>

Requirements to maturity for equipment certificates follow:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 150,000	\$ 15,513	\$ 165,513
2023	155,000	12,463	167,463
2024	160,000	9,112	169,112
2025	160,000	5,513	165,513
2026	165,000	1,856	166,856
Total	<u>\$ 790,000</u>	<u>\$ 44,457</u>	<u>\$ 834,457</u>

General Obligation Improvement 2020A Street Bonds

These bonds were issued for street construction project during 2020. The debt is a general obligation of the City.

<u>Description</u>	<u>Authorized and Issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year-End</u>
General Obligation Improvement 2020A Street Reconstruction	\$ 3,760,000	2.00 - 3.00 %	06/11/20	02/01/41	<u>\$ 3,760,000</u>

NOTE 6 LONG TERM DEBT (CONTINUED)

General Obligation Improvement 2020A Street Bonds (Continued)

Requirements to maturity for equipment certificates follow:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 35,000	\$ 81,517	\$ 116,517
2023	35,000	80,467	115,467
2024	35,000	79,417	114,417
2025	40,000	78,293	118,293
2026-2030	755,000	349,937	1,104,937
2031-2035	1,225,000	226,463	1,451,463
2036-2040	1,350,000	97,712	1,447,712
2041	285,000	2,921	287,921
Total	<u>\$ 3,760,000</u>	<u>\$ 996,727</u>	<u>\$ 4,756,727</u>

Changes in General Long-Term Liabilities

During the year ended December 31, 2021, the following changes occurred in long-term liabilities:

	<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					
Tax Abatement Bond	\$ 940,000	\$ -	\$ (150,000)	\$ 790,000	\$ 150,000
General Obligation Equipment					
Street Reconstruction	3,760,000	-	-	3,760,000	35,000
Bond Premium	170,924	-	(10,431)	160,493	-
Total Bonds Payable	4,870,924	-	(160,431)	4,710,493	185,000
Capital Leases	5,698	-	(3,219)	2,479	2,479
Compensated Absences					
Payable	34,490	34,769	(32,421)	36,838	36,838
Governmental Activity					
Long-Term Liabilities	<u>\$ 4,911,112</u>	<u>\$ 34,769</u>	<u>\$ (196,071)</u>	<u>\$ 4,749,810</u>	<u>\$ 224,317</u>
Business-Type Activities					
Bonds Payable:					
General Obligation					
Improvement Bonds	\$ 390,000	\$ -	\$ (60,000)	\$ 330,000	\$ 60,000
Total Bonds Payable	390,000	-	(60,000)	330,000	60,000
Compensated Absences					
Payable	4,915	4,360	(4,456)	4,819	4,819
Business-Type Activity					
Long-Term Liabilities	<u>\$ 394,915</u>	<u>\$ 4,360</u>	<u>\$ (64,456)</u>	<u>\$ 334,819</u>	<u>\$ 64,819</u>

NOTE 7 DEFINED BENEFIT PENSION PLAN

A. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plan 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 (General Employees Plan)

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

B. Benefits Provided

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

General Employees Plan Benefits

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

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

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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% of their annual covered salary in fiscal year 2021 and the City was required to contribute 7.50% for Coordinated Plan members. The City contributions to the General Employees Fund for the year ended December 31, 2021 were \$31,286. The City contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2021, the City reported a liability of \$260,497 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a nonemployer 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 \$7,972. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the City proportion was 0.0061%, which was an increase of 0.0004% from its proportion as measured at June 30, 2020.

City's Proportionate Share of the Net Pension Liability	\$	260,497
State's Proportionate Share of the Net Pension Liability Associated with the City		7,972
Total	\$	<u>268,469</u>

For the year ended December 31, 2021, the City recognized pension expense of \$13,777 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$643 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.

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)**D. Pension Costs (Continued)**General Employees Fund Pension Costs (Continued)

At December 31, 2021, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 1,600	\$ 7,972
Changes in Actuarial Assumptions	159,054	5,762
Net Difference Between Projected and Actual Earnings	-	225,602
Changes in Proportion	18,247	11,111
City Contributions Subsequent to the Measurement Date	14,606	-
Total	<u>\$ 193,507</u>	<u>\$ 250,447</u>

\$14,606 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2020	\$ (11,458)
2021	(2,608)
2022	4,053
2023	(61,533)
2024	-
Thereafter	-

E. Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

E. Actuarial Assumptions (Continued)

Inflation is assumed to be 2.25% for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The most recent four-year experience studies for the Police and Fire and the Correctional Plan were completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions:

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

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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 arithmetic real rates of return for each major asset class are summarized in the following table:

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)**E. Actuarial Assumptions (Continued)**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35.5 %	5.10 %
Private Markets	25.0	5.90
Fixed Income	20.0	0.75
International Equity	17.5	5.30
Cash	2.0	-
Totals	100 %	

F. Discount Rate

The discount rate used to measure the total pension liability for 2021 was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability calculated using the discount rate disclosed in the preceding paragraph, as well as what the City proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
City's Proportionate Share of the General Employees Fund Net Pension Liability:	\$ 531,282	\$ 260,497	\$ 38,302

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.

NOTE 8 OTHER INFORMATION

A. 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.

B. Joint Ventures and Governed Organizations

Joint Ventures

1. West Hennepin Public Safety Commission

In 1995, the Cities of Independence and Maple Plain, Minnesota, as equal participants, formed the West Hennepin Public Safety Commission (the Commission). The purpose of the Commission is to provide a joint municipal police department. The Commission consists of two commissioners elected from each Member City.

The following financial information is taken from the Commission's audited financial statements for the year ended December 31, 2021:

Total Assets and Deferred Outflows of Resources	\$ 1,927,578
Total Liabilities and Deferred Inflows of Resources	2,575,724
Total Net Position	(648,146)
Total Revenue	1,956,552
Total Expense	1,689,195

Participants	
Maple Plain	33 %
Independence	67 %

The City's equity interest and its share of the net income (loss) of the Commission are added to the value of the "Investment in Joint Venture" in the government-wide financial statement under governmental activities. As of December 31, 2021, the amount reported as investment in joint venture was \$-0- due to the Commission's year-end net position being a deficit at year-end.

According to a formula in the agreement, the City's share of the Commission's budget is 67%. Payments to the Commission in 2021 totaled \$1,173,007. The Commission's financial statements for the period ended December 31, 2021 can be obtained at the City's Municipal Center.

NOTE 8 OTHER INFORMATION (CONTINUED)

B. Joint Ventures and Governed Organizations (Continued)

Joint Ventures (Continued)

2. Maple Plain-Independence Fire Services Partnership

On December 31, 2002, the Maple Plain-Independence Fire Services Partnership (the Fire Partnership) was established under a joint powers agreement among the Cities of Maple Plain and Independence to provide fire protection in the fire serve area of the two cities. Maple Plain is considered the managing partner.

The governing body consists of a five-member board. Two individuals, the Mayor and another City Council Member from each City, are appointed by their respective City Council to serve on the Board and the fire chief is also a member of the Board. The Fire Partnership does not have any component units.

As provided for in the joint powers agreement, in the event of termination, all real and personal property and cash held by the Fire Partnership would be divided among the members. The managing partner shall, as its sole discretion either sell the capital assets and distribute the net proceeds from the sale to each partner based on the partner's partnership interest or purchase the partnership interest Independence has in any capital assets of the partnership.

The governmental fund financial activity of the Fire Partnership are currently reported in a special revenue fund of the City of Maple Plain, Minnesota and the capital assets and related long-term liabilities are recorded within the governmental activities in the statement of net position. Totals from the audited financial statements for the year ended December 31, 2021 for the Fire Partnership with reconciliation from the governmental fund financial statements to full accrual follows:

Total Assets and Deferred Outflows of Resources	\$ 858,635
Total Liabilities and Deferred Inflows of Resources	47,189
Total Net Position	811,446
Total Revenue	479,437
Total Expense	409,788

	Share	Equity Interest
City of Independence	50.44%	\$ 409,335

The City's equity interest and its share of the net income (loss) of the Fire Partnership are added to the value of the "Investment in Joint Venture" in the government-wide financial statement under governmental activities. As of December 31, 2021, the amount reported as investment in joint venture was \$409,335

NOTE 8 OTHER INFORMATION (CONTINUED)

B. Joint Ventures and Governed Organizations (Continued)

Joint Ventures (Continued)

2. Maple Plain-Independence Fire Services Partnership (Continued)

According to a formula in the agreement, the City's share of the Fire Partnership's budget is 50.44%. Payments to the Fire Partnership in 2021 totaled \$416,744. The Fire Partnership's financial statements for the period ended December 31, 2021 can be obtained at the City's Municipal Center.

Jointly Governed Organizations

3. Pioneer – Sarah Creek Watershed Management Commission

The Cities of Independence, Loretto, Maple Plain, Medina, Minnetrista, and Greenfield, Minnesota, as equal participants, are the members of the Pioneer – Sarah Creek Watershed Management Commission (the "Commission"). The purpose of the Commission is to preserve and use natural water management programs required by Minnesota Statutes 103B.201 to 103B.251. The Commission is governed by a board comprised of one representative and one alternate of each Member City. The City remitted \$61,155 to the commission in 2021. The contribution is reported in the City's Water Resource Department fund. Complete financial statements for the Commission can be obtained at the City's Municipal Center.

NOTE 9 CONDUIT DEBT

During 2012, the City issued a Healthcare Facilities Revenue Note to provide financial assistance to Vinland National Center, a nonprofit corporation, for the expansion of the existing care facility, deemed to be in the public interest. The Note is secured by the property financed and is payable solely from payments received on the underlying mortgage loan. Upon repayment of the Note, ownership of the acquired facility transfers to the nonprofit corporation serve by the Note issuance. Neither the City, state nor any political subdivision, thereof, is obligated in any manner for repayment of the Note. Accordingly, the Note is not reported as bond transactions in the City's financial statements. As of December 31, 2021, the Healthcare Facilities Revenue Note of 2012 was outstanding with a principal balance amount payable of \$2,601,533.

NOTE 9 CONDUIT DEBT (CONTINUED)

During 2016, the City issued a Charter School Lease Revenue Note and a Taxable Charter School Lease Revenue Bond, Series 2016A and 2016B to provide financial assistance to Friends of Beacon, a nonprofit corporation, for the following: the acquisition of land and buildings, renovations to existing buildings, and an addition to the existing buildings for the use as a public charter school for grades K through 8. The Bond is secured by the mortgage lien on and security interest in the facilities and revenues and profits of the facility. Upon repayment of the Bond, ownership of the acquired facility transfers to the nonprofit corporation served by the Bond issuance. Neither the City, state nor any political subdivision, thereof, is obligated in any manner for repayment of the Bond. Accordingly, the Bonds are not reported as bond transactions in the City's financial statements. As of December 31, 2021, the Charter School Lease Revenue Bond, Series 2016A and the Taxable Charter School Lease Revenue Bond, Series 2016A had an outstanding amount payable of \$15,685,000.

During 2017, the City issued a Health Care Facilities Revenue Refunding Bond, Series 2017A, to provide financial assistance to Augustana Chapel View Homes, Inc., a nonprofit corporation, for the expansion of the existing care facility, deemed to be in the public interest. The Bonds are secured by the mortgage lien on and security interest in the facilities and revenues and profits of the facility. Upon repayment on the Bonds, ownership of the acquired facility transfers to the nonprofit corporation served by the Bonds issuance. Neither the City, state, nor any political subdivision, thereof, is obligated in any manner for repayment on the Bonds. Accordingly, the Bonds are not reported as bond transactions in the City's financial statement. As of December 31, 2021, the Health Care Facilities Revenue Note, Series 2017A was outstanding with a principal balance amount payable of \$4,150,000.

During 2019, the City issued a Senior Housing Revenue Bond, Series 2019C, to provide financial assistance to PHS Founders Ridge, Inc., a nonprofit corporation, for the expansion of the existing care facility, deemed to be in the public interest. The Bond is secured by the mortgage lien on and security interest in the facilities and revenues and profits of the facility. Upon repayment of the Bond, ownership of the acquired facility transfers to the nonprofit corporation served by the Bond issuance. Neither the City, state nor any political subdivision, thereof, is obligated in any manner for repayment of the Bond. Accordingly, the Bonds are not reported as bond transactions in the City's financial statements. As of December 31, 2019, the Senior Housing Revenue Note, Series 2019C had an outstanding amount payable of \$8,893,812. Noted that the total amount issuance amount of \$9,000,000 that was agreed upon has not been fully disbursed as of year-end at, December 31, 2020.

NOTE 10 INTERFUND TRANSFERS

During the year ended December 31, 2021, the City had the following interfund transfers:

Transfers To	Transfers From	Amount	Purpose
Permanent Capital Fund Nonmajor Funds	General Fund	\$ 128,770	For Future Capital Purchases
Permanent Capital Fund	2005 GO Improvement Bonds Fund	10,709	To Close Out Fund
Permanent Capital Fund	2007 GO Equipment Certificates Fund	37,749	To Close Out Fund
Total Transfers		<u>\$ 177,228</u>	

NOTE 11 PRIOR PERIOD RESTATEMENT

During fiscal year 2021, the City restated its beginning fund balance for the 2020 Street Improvement Project Fund due to additional retainage payable amounts included in the year-end balance. The effects of the prior period restatement are below:

	2020 Street Improvement Project
Beginning Fund Balance	\$ 258,680
Prior Period Restatement - Retainage Payable	45,491
Beginning Fund Balance, as Restated	<u>\$ 304,171</u>

In addition, during fiscal year 2021, the City restated its beginning net position in the governmental activities to remove the additional retainage payable amounts and include an additional Construction in Progress amount for the City Hall Remodel. The effects of the prior period restatement are below:

	Governmental Activities
Beginning Net Position	\$ 6,068,505
Prior Period Restatement - Retainage Payable	45,491
Prior Period Restatement - Capital Assets	132,092
Beginning Net Position, as Restated	<u>\$ 6,246,088</u>

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

	Measurement Date June 30, 2021	Measurement Date June 30, 2020	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
City's Proportion of the Net Pension Liability	0.0061%	0.0057%	0.0061%	0.0061%	0.0053%	0.0055%	0.0070%
City's Proportionate Share of the Net Pension Liability	\$ 260,497	\$ 341,741	\$ 331,727	\$ 338,403	\$ 338,349	\$ 446,573	\$ 352,411
State's Proportionate Share of the Net Pension Liability Associated with the City	7,972	10,582	10,333	11,100	4,268	5,862	-
Total	<u>\$ 268,469</u>	<u>\$ 352,323</u>	<u>\$ 342,060</u>	<u>\$ 349,503</u>	<u>\$ 342,617</u>	<u>\$ 452,435</u>	<u>\$ 352,411</u>
City's Covered Payroll	\$ 417,147	\$ 427,733	\$ 422,733	\$ 407,973	\$ 354,600	\$ 358,760	\$ 367,560
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	62.45%	79.90%	78.47%	82.95%	95.42%	124.48%	86.66%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.00%	79.06%	80.23%	79.53%	75.90%	68.90%	78.20%

*Additional information will be presented until this schedule goes out for a total of 10 years as the information becomes available

GENERAL EMPLOYEES RETIREMENT PLAN	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily Required Contribution	\$ 31,286	\$ 32,080	\$ 31,705	\$ 30,598	\$ 26,595	\$ 26,907	\$ 27,567
Contributions in Relation to the Statutorily Required Contribution	<u>(31,286)</u>	<u>(32,080)</u>	<u>(31,705)</u>	<u>(30,598)</u>	<u>(26,595)</u>	<u>(26,907)</u>	<u>(27,567)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 417,147	\$ 427,733	\$ 422,733	\$ 407,973	\$ 354,600	\$ 358,760	\$ 367,560
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%

* Additional information will be presented until this schedule goes out for a total of 10 years as the information becomes available

NOTES TO SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

General Employees Funds

2020 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions

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

2020 Changes

Changes in Actuarial Assumptions:

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

NOTES TO SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)

- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

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

2019 Changes

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 changed prospectively, requiring \$16.0 million due per year through 2031

2018 Changes

Changes in Actuarial Assumptions:

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

2017 Changes

Changes in Plan Provisions:

- The State's special funding contribution increased from \$6 million to \$16 million.

Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.00% for vested deferred member liability, and 3.00% for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00% per year for all years to 1.00% per year through 2044 and 2.50% per year thereafter.

NOTES TO SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (CONTINUED)

2016 Changes

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%
- 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% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

Changes in Plan Provisions:

- 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; the State's contribution of \$6 million, which meets the special funding situation definition, is due September 2015.

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2035 and 2.50% per year thereafter.

SUPPLEMENTARY INFORMATION

	2021				2020
	Budget		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Taxes:					
Property Taxes	\$ 3,020,168	\$ 3,020,168	\$ 3,022,621	\$ 2,453	\$ 2,751,748
Licenses and Permits	190,070	190,070	247,346	57,276	273,858
Intergovernmental:					
State:					
Local Government Aid	8,000	8,000	106,535	98,535	18,422
County:					
Other Grants	8,000	8,000	45,078	37,078	7,763
Total Intergovernmental	16,000	16,000	151,613	135,613	26,185
Charges for Services:					
General Government	40,550	40,550	46,520	5,970	24,040
Public Works	600	600	631	31	2,544
Culture and Recreation	-	-	-	-	-
Total Charges for Services	41,150	41,150	47,151	6,001	26,584
Fines and Forfeitures	47,740	47,740	35,451	(12,289)	35,323
Interest on Investments	5,000	5,000	2,846	(2,154)	4,769
Miscellaneous:					
Refunds and Reimbursements	4,000	4,000	178,803	174,803	5,578
Other	2,000	2,000	200	(1,800)	150
Total	6,000	6,000	179,003	173,003	5,728
Total Revenues	3,326,128	3,326,128	3,686,031	359,903	3,124,195
EXPENDITURES					
Current:					
General Government:					
Mayor and Council:					
Personal Services	10,980	10,980	11,146	(166)	10,814
Other Services and Charges	12,630	12,630	5,012	7,618	4,113
Total	23,610	23,610	16,158	7,452	14,927

	2021				2020
	Budget		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES (CONTINUED)					
Current (Continued):					
General Government (Continued):					
Financial Administration:					
Personal Services	\$ 129,621	\$ 129,621	\$ 148,089	\$ (18,468)	\$ 138,153
Supplies	4,770	4,770	14,871	(10,101)	5,963
Other Services and Charges	333,755	333,755	348,981	(15,226)	318,846
Total Financial Administration	468,146	468,146	511,941	(43,795)	462,962
Election:					
Personal Services	2,500	2,500	780	1,720	4,106
Supplies	1,030	1,030	3,273	(2,243)	4,716
Other Services and Charges	1,770	1,770	-	1,770	1,085
Total	5,300	5,300	4,053	1,247	9,907
Planning and Zoning:					
Other Services and Charges	34,930	34,930	45,557	(10,627)	37,301
Water Resource:					
Other Services and Charges	-	-	-	-	-
General:					
Other Services and Charges	44,170	44,170	80,673	(36,503)	23,983
Legal Services:					
Other Services and Charges	43,830	43,830	37,157	6,673	39,786
Total General Government	619,986	619,986	695,539	(75,553)	588,866

EXPENDITURES (CONTINUED)	2021				2020
	Budget		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Current (Continued):					
Public Safety:					
Police:					
Other Services and Charges	\$ 1,182,630	\$ 1,182,630	\$ 1,186,272	\$ (3,642)	\$ 1,001,244
Fire:					
Other Services and Charges	409,096	409,096	396,872	12,224	396,275
Building Inspection:					
Personal Services	107,947	107,947	114,265	(6,318)	119,738
Supplies	1,540	1,540	4,561	(3,021)	1,550
Other Services and Charges	10,710	10,710	7,197	3,513	6,133
Total Building Inspection	<u>120,197</u>	<u>120,197</u>	<u>126,023</u>	<u>(5,826)</u>	<u>127,421</u>
Total Public Safety	1,711,923	1,711,923	1,709,167	2,756	1,524,940
Public Works:					
Streets:					
Personal Services	210,474	210,474	233,557	(23,083)	248,094
Supplies	191,810	191,810	169,497	22,313	133,537
Other Services and Charges	249,515	249,515	204,175	45,340	176,295
Total Streets	<u>651,799</u>	<u>651,799</u>	<u>607,229</u>	<u>44,570</u>	<u>557,926</u>
Street Lighting:					
Other Services and Charges	3,090	3,090	5,338	(2,248)	5,976
Snow Removal:					
Other Services and Charges	29,850	29,850	27,853	1,997	28,142
Recycling:					
Other Services and Charges	<u>68,850</u>	<u>68,850</u>	<u>86,061</u>	<u>(17,211)</u>	<u>51,640</u>
Total Public Works	<u>753,589</u>	<u>753,589</u>	<u>726,481</u>	<u>27,108</u>	<u>643,684</u>

	2021				2020
	Budget		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES (CONTINUED)					
Current (Continued):					
Culture and Recreation:					
Parks:					
Personal Services	\$ 7,110	\$ 7,110	\$ 4,000	\$ 3,110	\$ 3,346
Supplies	8,280	8,280	684	7,596	4,879
Other Services and Charges	6,040	6,040	4,213	1,827	3,872
Total Culture and Recreation	<u>21,430</u>	<u>21,430</u>	<u>8,897</u>	<u>12,533</u>	<u>12,097</u>
Total Current Expenditures	3,106,928	3,106,928	3,140,084	(33,156)	2,769,587
Capital Outlay:					
General Government	40,000	40,000	7,391	32,609	24,317
Public Works	50,000	50,000	58,455	(8,455)	2,544
Total Capital Outlay	<u>90,430</u>	<u>90,430</u>	<u>65,846</u>	<u>24,584</u>	<u>26,861</u>
Total Expenditures	<u>3,197,358</u>	<u>3,197,358</u>	<u>3,205,930</u>	<u>(8,572)</u>	<u>2,796,448</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	128,770	128,770	480,101	351,331	327,747
OTHER FINANCING USES					
Transfer out	<u>(128,770)</u>	<u>(128,770)</u>	<u>(128,770)</u>	<u>-</u>	<u>(75,000)</u>
NET CHANGE IN FUND BALANCES	-	-	351,331	351,331	252,747
Fund Balances - Beginning of Year	<u>1,630,768</u>	<u>1,630,768</u>	<u>1,630,768</u>	<u>-</u>	<u>1,378,021</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,630,768</u>	<u>\$ 1,630,768</u>	<u>\$ 1,982,099</u>	<u>\$ 351,331</u>	<u>\$ 1,630,768</u>

	2015 Street Improv Project	Park	Lawful Gambling	Total Nonmajor Funds
ASSETS				
Cash and Investments	\$ 36,971	\$ 150,934	\$ 7,674	\$ 195,579
Receivables:				
Accounts	-	402	-	402
Total Assets	<u>\$ 36,971</u>	<u>\$ 151,336</u>	<u>\$ 7,674</u>	<u>\$ 195,981</u>
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
FUND BALANCES				
Restricted for:				
General Government	-	-	7,674	7,674
Park Improvements	-	151,336	-	151,336
Assigned to:				
Roads Capital	36,971	-	-	36,971
Total Fund Balances	<u>36,971</u>	<u>151,336</u>	<u>7,674</u>	<u>195,981</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 36,971</u>	<u>\$ 151,336</u>	<u>\$ 7,674</u>	<u>\$ 195,981</u>

	2015 Street Improv Project	Park	Lawful Gambling	Total Nonmajor Funds
REVENUES				
Interest on Investments	\$ 40	\$ 133	\$ -	\$ 173
Park Dedication Fees	-	47,931	-	47,931
Miscellaneous	-	402	953	1,355
Total Revenues	40	48,466	953	49,459
EXPENDITURES				
Current:				
General Government	-	-	-	-
DEFICIENCY OF REVENUES OVER (UNDER) EXPENDITURES	40	48,466	953	49,459
Fund Balance - Beginning of Year	36,931	102,870	6,721	146,522
FUND BALANCE - END OF YEAR	<u>\$ 36,971</u>	<u>\$ 151,336</u>	<u>\$ 7,674</u>	<u>\$ 195,981</u>

	309 2001 Lease Revenue Bonds	311 2005 GO Improvement Bonds	312 2007 GO Equipment Certificates	314 2015A GO Tax Abatement Bonds	315 2020A GO Improvement Bonds	Total
ASSETS						
Cash and Investments	\$ 71,026	\$ 1,010	\$ 33	\$ 196,460	\$ 81,913	\$ 350,442
Total Assets	<u>\$ 71,026</u>	<u>\$ 1,010</u>	<u>\$ 33</u>	<u>\$ 196,460</u>	<u>\$ 81,913</u>	<u>\$ 350,442</u>
FUND BALANCES						
Restricted for Debt Service	<u>\$ 71,026</u>	<u>\$ 1,010</u>	<u>\$ 33</u>	<u>\$ 196,460</u>	<u>\$ 81,913</u>	<u>\$ 350,442</u>

	309 2001 Lease Revenue Bonds	311 2005 GO Improvement Bonds	312 2007 GO Equipment Certificates	314 2015A GO Tax Abatement Bonds	315 2020A GO Improvement Bonds	Total
REVENUES						
Property Taxes	\$ -	\$ -	\$ -	\$ 175,363	\$ 122,895	\$ 298,258
Interest on Investments	76	13	41	120	27	277
Total Revenues	76	13	41	175,483	122,922	298,535
EXPENDITURES						
Debt Service:						
Principal	-	-	-	150,000	-	150,000
Interest and Other	-	-	-	18,988	93,437	112,425
Total Expenditures	-	-	-	168,988	93,437	262,425
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	76	13	41	6,495	29,485	36,110
OTHER FINANCING USES						
Transfers out	-	(10,709)	(37,749)	-	-	(48,458)
NET CHANGE IN FUND BALANCES	76	(10,696)	(37,708)	6,495	29,485	(12,348)
Fund Balances - Beginning of Year	70,950	11,706	37,741	189,965	52,428	362,790
FUND BALANCES - END OF YEAR	\$ 71,026	\$ 1,010	\$ 33	\$ 196,460	\$ 81,913	\$ 350,442

OTHER INFORMATION

	Total		Percent Increase (Decrease)
	2021	2020	
REVENUES			
Property Taxes	\$ 3,384,641	\$ 3,092,725	9.44 %
Licenses and Permits	247,346	273,858	(9.68)
Intergovernmental	204,792	311,920	(34.34)
Charges for Services	76,651	30,084	154.79
Fines and Forfeitures	35,451	35,323	0.36
Interest on Investments	3,636	9,981	(63.57)
Park Dedication Fees	47,931	34,920	-
Miscellaneous	180,358	9,136	1874.15
Total Revenues	<u>\$ 4,180,806</u>	<u>\$ 3,797,947</u>	10.08
Per Capita	<u>\$ 1,102</u>	<u>\$ 1,006</u>	9.53
EXPENDITURES			
Current:			
General Government	\$ 2,196,668	\$ 791,932	177.38 %
Public Safety	1,762,346	1,810,675	(2.67)
Public Works	726,567	723,685	0.40
Culture and Recreation	8,897	12,097	(26.45)
Capital Outlay:			
General Government	577,475	1,116,727	(48.29)
Public Safety	-	-	100.00
Public Works	61,258	145,524	(57.91)
Debt Service:			
Principal	150,000	250,000	(40.00)
Interest and Other	112,425	117,755	(4.53)
Total Expenditures	<u>\$ 5,595,636</u>	<u>\$ 4,968,395</u>	12.62
Per Capita	<u>\$ 1,474</u>	<u>\$ 1,316</u>	12.06
Total Long-Term Indebtedness	\$ 4,749,810	\$ 4,911,112	(3.28)
Per Capita	1,252	1,301	(3.77)
General Fund Balance - End of Year	\$ 1,982,099	\$ 1,630,768	21.54
Per Capita	522	432	20.94

The purpose of this schedule is to provide a summary of financial information concerning the City of Independence to interested citizens. The complete financial statements may be examined at City Hall, 1920 County Road 90, Independence, Minnesota 55359-9448. Questions about this report should be directed to Mark Kaltsas, City Administrator at 763-479-0513.

City of Independence

2023 Preliminary Budget and Levy Discussion

To: City Council
From: Mark Kaltsas, City Administrator
Meeting Date: September 20, 2022

Discussion:

Staff and Council have had several meetings to discuss and revise the preliminary budget and corresponding tax levy for 2023. For the past seven years, Council has directed staff to prepare a budget using a flat tax rate of ~40% with no increase in applicable City tax rate. As a result of long-range planning, efficient and responsible budgeting, as well as the significant market value increases realized by most properties in the metropolitan area, Independence is going to be able to reduce the City's tax rate by ~7% (from ~39% to 32%). The total operating levy is increasing by approximately 5% which will help to mitigate the more than 15% increase in inflation indexes experienced over the last two years. The City's financial consultant and staff have prepared a preliminary budget which reflects an overall increase of or \$199,275. Staff has worked to adjust the budget to accommodate increases in insurance, emergency services and other similar increased costs of doing business.

Tax Levy Summary

Overall, the tax levy includes levies for general operations, city infrastructure and debt services. The 2023 and 2022 budgeted tax levies are listed below.

	2022 Budget	Proposed Budget	Increase (Decrease)	% Change
General	\$ 3,114,548	\$ 3,313,823	\$ 199,275	6.40%
Debt Service				
2010 GO Improvement Bonds	15,569	13,351	(2,218)	-14.25%
2015 GO Tax Abatement Bonds	177,463	179,458	1,995	1.12%
2020A GO Bonds	121,792	120,690	(1,102)	-0.90%
Total City Operating Levy	\$ 3,429,372	\$ 3,627,322	\$ 197,950	5.77%
Pioneer/Sarah Watershed Taxing District	\$ 64,510	\$ 67,736	\$ 3,226	5.00%

Several highlights of the draft preliminary budget are as follows:

- The budget includes public safety increases prepared by all public safety entities. The City has received estimated budgets from all three Fire Departments. West Hennepin Public Safety has received approval from the Police Commission on their preliminary

budget. The preliminary proposed 2023 public safety and fire contract amounts are as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Maple Plain Fire:	\$243,444	\$230,000	\$250,684	\$250,684
Delano Fire:	TBD	\$67,045	\$64,806	\$63,250
Loretto Fire:	\$105,783	\$93,605	\$93,759	\$94,564
WHPS:	\$1,491,688	\$1,314,399	\$1,182,630	\$1,148,183

The City's capital equipment plan projects how the City will be able to fund capital equipment purchases moving forward using a generally stable budget number of ~\$60,000 per year with an annual increase of 3% to account for inflation and cost increases (see capital equipment plan). The City is planning on purchasing a Crack Sealer in 2023.

- The preliminary budget reflects a potential 10% cost of living increase. Staff is finalizing a compensation analysis study which will be used to determine actual cost of living increases prior to final budget adoption.
- The City has a capital road improvement plan that includes seal coating and gravel road tiling. This long-term plan allows the City to responsibly and proactively manage both bituminous and gravel roads. In order to fund the plan, the City has budgeted \$105,000 for 2023.
- The City is planning on reconstructing Townline Road south of Highway 12 and north of County Road 6. The City will be coordinating this effort with the cities of Medina and Orono. An additional \$55,000 has been budgeted as a capital improvement for 2023 to offset some of the anticipated cost of reconstruction.

The City Council will have the opportunity to further refine the budget prior to the requisite December 2022 adoption. At this time, the City is considering the adoption of the preliminary budget and tax levy which establishes the maximum tax levy for taxes payable in 2023. The preliminary levy is required to be set prior to September 30, 2022. The City can adopt a final levy that is less than the preliminary but cannot increase the final levy set in December from the adopted preliminary levy.

Council Direction:

The City Council is being asked to consider approval of **RESOLUTION 22-0920-01** and **RESOLUTION 22-0920-02** approving the preliminary levies and budget for 2023.

Attachments:

RESOLUTION 22-0920-01
RESOLUTION 22-0920-02
ABDO Memorandum with Preliminary Budget and Levies



RESOLUTION OF THE
CITY OF INDEPENDENCE
HENNEPIN COUNTY, MINNESOTA

RESOLUTION NO. 22-0920-01

**RESOLUTION APPROVING 2023 PRELIMINARY PROPERTY TAX LEVY AND
SETTING PUBLIC HEARING DATE FOR THE 2022 TRUTH IN TAXATION
MEETING**

WHEREAS, the City of Independence is required by State law to approve a resolution setting forth an annual tax levy to the Hennepin County Auditor; and

WHEREAS, Minnesota Statutes require approval of a preliminary property tax levy on or before September 30th of each year; and

BE IT RESOLVED that the City Council of the City of Independence, Hennepin County, Minnesota, that the following sums of money be levied for collection in 2023 upon the table property in said City of Independence for the following purposes:

General Fund	\$	3,313,823
Debt Service		
2010 GO Improvement Bond, Lindgren Lane	\$	13,351
2015 GO Tax Abatement Bonds	\$	179,458
2020A GO Bonds	\$	120,690
Total Operating Levies	\$	<u>3,627,322</u>

BE IT FURTHER RESOLVED that the Truth in Taxation meeting will be held on December 6th, 2022, at 6:00 PM; and

BE IT FURTHER RESOLVED that the City Administrator is hereby authorized and directed to transmit this information to the County Auditor of Hennepin County, Minnesota and the Minnesota Department of Revenue, if applicable, in the format requested as required by law.

This resolution was adopted by the City Council of the City of Independence on this 20th day of September 2022, by a vote of _ayes and ____nays.

Marvin Johnson, Mayor

ATTEST:

Mark Kaltsas, City Administrator



RESOLUTION OF THE
CITY OF INDEPENDENCE
HENNEPIN COUNTY, MINNESOTA

RESOLUTION NO. 22-0920-02

**RESOLUTION APPROVING THE PRELIMINARY PIONEER SARAH
CREEK WATERSHED MANAGEMENT COMMISSION
TAX LEVY FOR THE 2023 BUDGET**

WHEREAS, the City of Independence is required by State law to approve a resolution setting forth an annual tax levy to the Hennepin County Auditor; and

WHEREAS, Minnesota Statutes require approval of a preliminary property tax levy on or before September 30th of each year; and

BE IT RESOLVED that the City Council of the City of Independence, Hennepin County, Minnesota, that the following sums of money be levied for collection in 2023 upon the table property in said City of Independence for the following purposes:

Pioneer/Sarah Watershed Commission	\$ <u>67,736</u>
---	-------------------------

BE IT FURTHER RESOLVED that the City Administrator is hereby authorized and directed to transmit this information to the County Auditor of Hennepin County, Minnesota and the Minnesota Department of Revenue, if applicable, in the format requested as required by law.

This resolution was adopted by the City Council of the City of Independence on this 20th day of September 2022, by a vote of ___ayes and ____nays.

Marvin Johnson, Mayor

ATTEST:

~~Mark Kaltsas, City Administrator~~

BUDGET MEMO

TO: CITY ADMINISTRATOR
FROM: ABDO FINANCIAL SOLUTIONS, LLC
SUBJECT: 2022 BUDGET POINTS MEMO
DATE: 9/16/2022

Introduction

Upon your request, we have summarized the 2023 Budget highlights below.

Budget Format

The 2023 Budget included the Council approved priorities for each department. These will continue to be reviewed and updated as needed.

Key Items in this Year's Budget

- The general fund tax levy increases \$199,275 or 6.40% over prior year. The tax rate calculates to 32.81%. Prior year's tax rate was 38.27%. Some factors in the change are described below.
- Court Fines revenue projection decreased by 26.42% to reflect prior year actuals.
- Agricultural Credit grant is projected to be \$62,000 and Small City Assistance will be \$45,000.
- Police protection increased \$177,289 or 13.49% from the 2022 budget. This is due to reduced revenue from forfeitures and grants and increased expenditures for anticipated retirements, insurance and capital outlay. A transfer in was established from the COVID funds earned in 2021 to offset \$37,500 annually for the next four years.
- Fire services were increased by \$33,525 or 8.68% from the 2022 budget.
- Streets increased by \$94,994, due to a transfer increase of \$55,000.
- LMCIT Insurance and Worker's Comp Insurance was budgeted with 5% increase over prior year.

Taxation Notification Summary Chart for Taxes Payable 2022

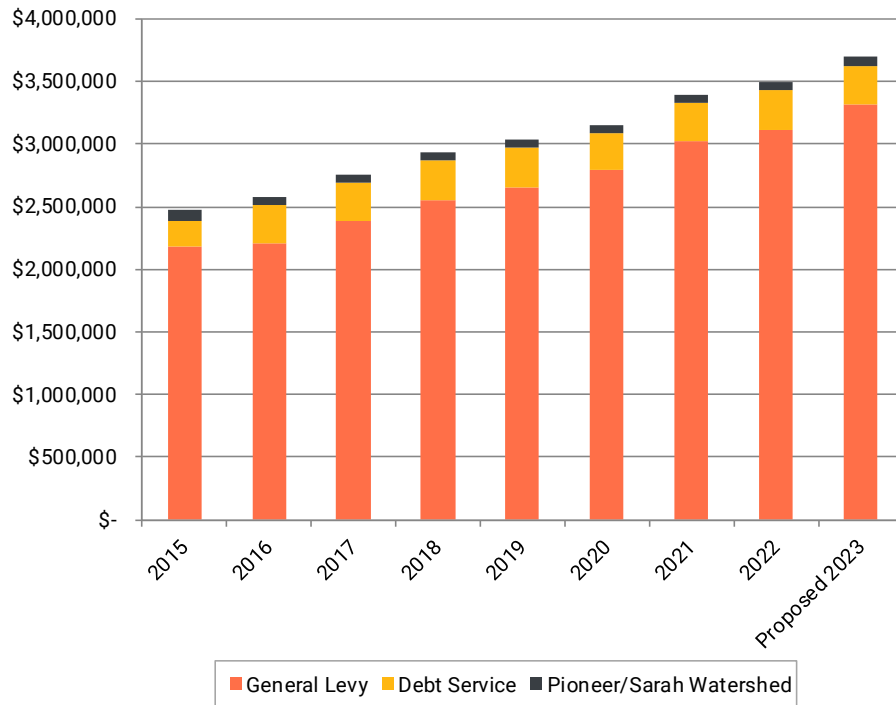
Due Date	EDA and City Levy Process
9/30/2022	The EDA must pass a resolution authorizing the proposed 2023 EDA levy
9/30/2022	The City must pass a resolution and file with the County the exact amount of the proposed 2023 EDA levy. The due date of the City property tax levy is September 30, 2022.
9/30/2022	At one meeting, the City Council adopts the proposed property tax levy and announces the time and place of a future City Council meeting at which the budget and levy will be discussed and public input allowed, prior to final budget and levy determination. This public input meeting must occur after November 24, 2022 and must start at or after 6:00 PM. The time and place of the public input meeting must be included in the minutes but newspaper publication of the minutes is not required. This information must be filed with the County Auditor.
11/25/22 - 12/28/22	EDA must pass a resolution approving the 2023 EDA levy
11/25/22 - 12/28/22	City must pass a resolution approving the 2023 EDA levy
11/25/22 - 12/28/22	City Council must hold a meeting to discuss the budget and property tax levy and, before a final determination, all public input.
12/28/22	City must file the certificate of compliance (form TNT - 2023) with the Department of Revenue by December 28, 2022.

Tax Levy Summary

Overall, the tax levy includes levies for general operations, city infrastructure and debt services. The 2023 and 2022 budgeted tax levies are listed below.

	2022 Budget	Proposed Budget	Increase (Decrease)	% Change
General	\$ 3,114,548	\$ 3,313,823	\$ 199,275	6.40%
Debt Service				
2010 GO Improvement Bonds	15,569	13,351	(2,218)	-14.25%
2015 GO Tax Abatement Bonds	177,463	179,458	1,995	1.12%
2020A GO Bonds	121,792	120,690	(1,102)	-0.90%
Total City Operating Levy	\$ 3,429,372	\$ 3,627,322	\$ 197,950	5.77%
Pioneer/Sarah Watershed Taxing District	\$ 64,510	\$ 67,736	\$ 3,226	5.00%

Levy Summary 2015 to 2023 Projected



Summary of the City's Tax Capacity

The estimated tax capacity increased 9.57% for 2023.

The past three years with comparison to the average percentage change for Hennepin County is listed below:

	2019 Pay	2020 Pay	2021 Pay	2022 Pay	Estimated 2022 Pay 2023	% Change	% Change (County-wide)
Commercial/Industrial	\$ 317,883	\$ 340,260	\$ 354,991	\$ 405,009		14.09%	6.10%
Residential	6,288,886	6,752,557	7,249,137	8,834,018		21.86%	11.73%
Farm	900,121	970,554	992,826	1,327,488		33.71%	0.87%
Total	\$ 7,506,890	\$ 8,063,371	\$ 8,596,954	\$ 10,566,515		22.91%	9.57%

The current tax capacity and historical tax capacity rates are summarized below for Independence and three relatively comparable Hennepin County Cities. The major difference between Independence and the three comparable cities is the large commercial tax base.

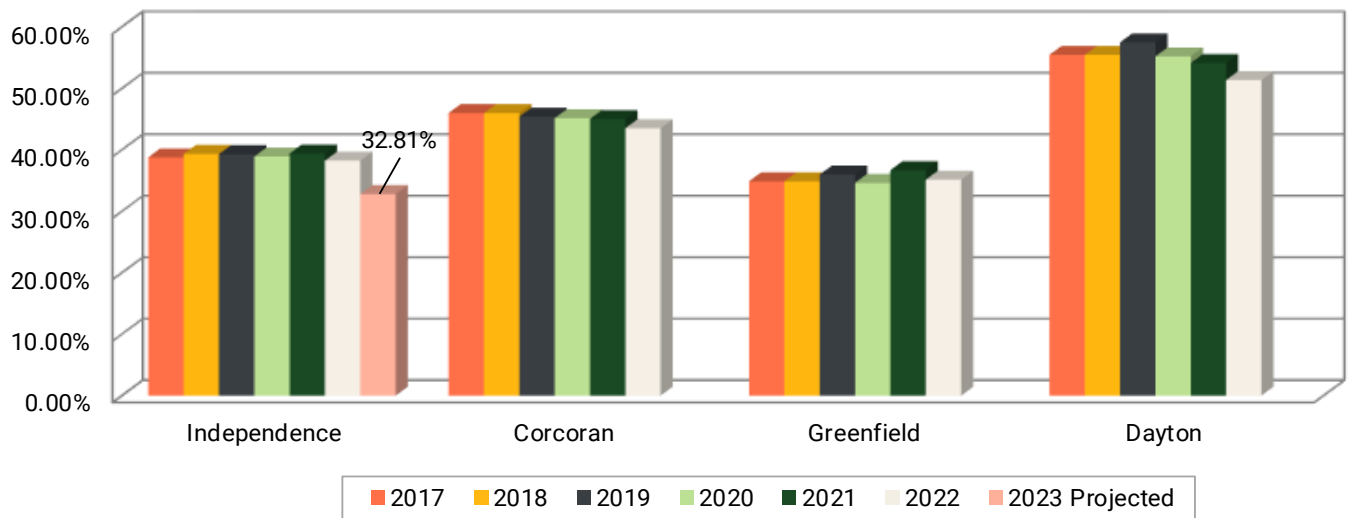
Tax Capacity by Property Type - Estimated 2022 Pay 2023

City of Independence Tax Rate History Compared to other similar sized Hennepin County Cities:

	Independence	Corcoran	Greenfield	Dayton
Commercial/Industrial	\$ 405,009	\$ 1,343,109	\$ 638,110	\$ 3,303,287
Industrial	-	-	-	-
Apartment	-	-	-	53,401
Residential	8,834,018	13,528,726	5,969,093	13,831,837
Farm	1,327,488	1,342,019	579,911	832,901
Other	-	86,290	-	164,575
Total	\$ 10,566,515	\$ 16,300,144	\$ 7,187,114	\$ 18,186,001

Tax Capacity Rates

	Independence	Corcoran	Greenfield	Dayton
2017	38.78%	45.99%	34.88%	55.47%
2018	39.34%	45.99%	34.88%	55.47%
2019	39.31%	45.41%	36.00%	57.49%
2020	38.93%	45.16%	34.63%	55.21%
2021	39.41%	45.01%	36.69%	54.14%
2022	38.27%	43.52%	35.15%	51.38%
2023 Projected	32.81%			



Staffing

Data related to the number of full time equivalent positions is noted below:

Summary of FTES by Department	2020	2021	2022	2023
City Council	5.00	5.00	5.00	5.00
Adminstration	1.45	1.69	2.19	2.19
Streets	2.20	2.26	1.79	1.79
Building Inspection	0.86	0.88	0.93	0.93
Subtotal General Fund	9.50	9.83	9.91	9.91
Sewer	1.05	1.13	1.42	1.42
Total	10.55	10.96	11.33	11.33

General Fund Summary

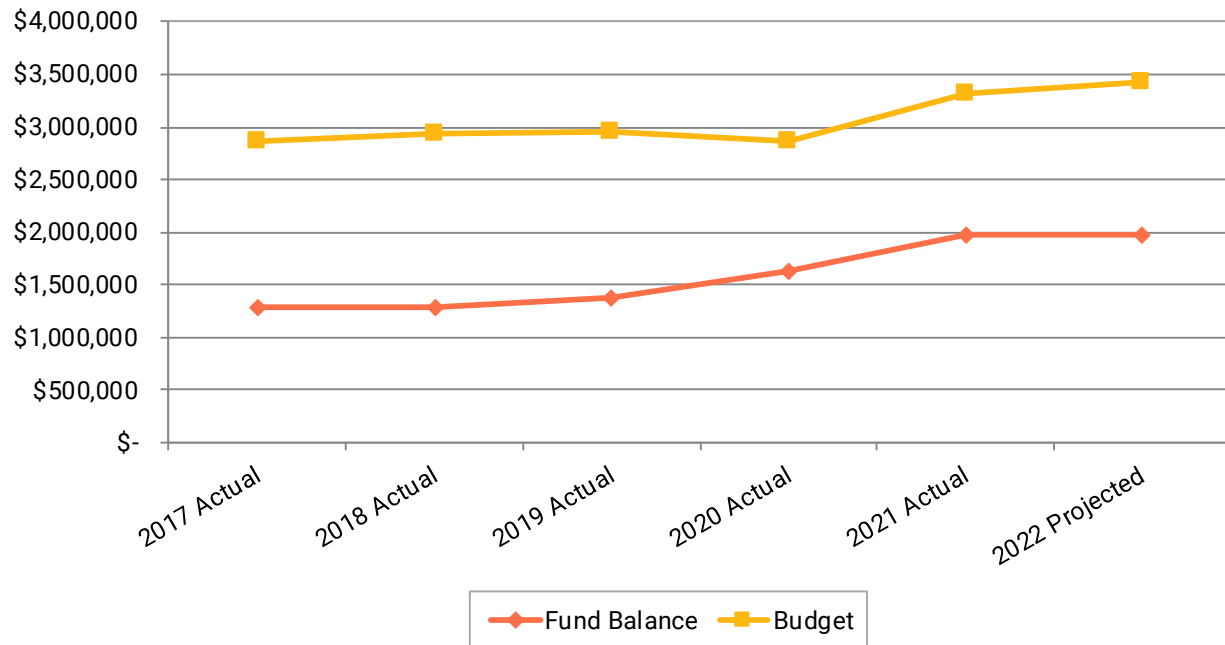
2022 General Fund Summary Budget

	Actual 2021	Budget 2022	Budget 2023	Increase/ (Decrease)	Percent Change
Revenues					
Taxes	\$ 3,022,621	\$ 3,114,548	\$ 3,313,823	\$ 199,275	6.40%
Licenses and permits	247,346	195,070	205,922	10,852	5.56%
Intergovernmental	151,613	16,000	117,700	101,700	635.63%
Charges for services	47,151	41,150	43,208	2,058	5.00%
Fines and forfeitures	35,451	47,740	35,127	(12,613)	-26.42%
Special assessments	-	-	-	-	0.00%
Interest on investments	2,846	3,000	3,150	150	5.00%
Miscellaneous	179,003	5,000	5,250	250	5.00%
Transfers in	-	-	37,500	37,500	0.00%
Total Revenues	\$ 3,686,030	\$ 3,422,508	\$ 3,761,679	\$ 339,171	9.91%
	Actual 2021	Budget 2022	Budget 2023	Increase/ (Decrease)	Percent Change
Expenditures					
Mayor and City Council	\$ 16,158	\$ 25,464	\$ 26,737	\$ 1,273	5.00%
Financial administration	511,940	536,113	572,441	36,328	6.78%
Election	4,053	5,000	5,223	223	4.45%
Planning and zoning	45,557	37,050	43,841	6,791	18.33%
Water resource	-	3,000	3,000	-	0.00%
General government buildings	64,972	44,709	46,944	2,235	5.00%
Legal services	37,157	43,830	40,515	(3,316)	-7.56%
Police	1,186,271	1,317,329	1,494,765	177,436	13.47%
Fire	416,744	386,100	419,625	33,525	8.68%
Building inspection	126,023	130,899	140,208	9,309	7.11%
Streets	635,083	635,681	675,520	39,839	6.27%
Street lighting	5,338	3,090	3,245	155	5.00%
Recycling	86,062	68,850	84,793	15,943	23.16%
Parks	8,896	21,993	23,025	1,032	4.69%
Capital outlay - General government	7,391	35,000	15,000	(20,000)	-57.14%
Capital outlay - public safety	-	430	-	(430)	-100.00%
Capital outlay - public works	58,455	-	55,000	55,000	0.00%
Transfer out	128,770	128,770	111,800	(16,970)	-13.18%
Total Expenditures	3,338,870	3,423,308	3,761,679	338,371	9.88%
Net Change	\$ 347,160	\$ (800)	\$ 0	\$ 800	

General Fund Balance

The City has built a healthy fund balance which can contribute to a positive bond rating and mitigates the potential for needing short term borrowing. It will be important to continue to maintain reserve levels at 40 to 50 percent. A summary of the general fund balance history and 2021 budget is as follows. It should be noted that the future projections assume a 3% increase in expenses and a breakeven budget which results in the City eroding reserves levels when viewed as a present of expenditures.

Year	Fund Balance December 31	General Fund Budget	Percent of Fund Balance to Budget
2017 Actual	\$ 1,294,566	\$ 2,873,565	45.1%
2018 Actual	1,279,825	2,934,508	43.6%
2019 Actual	1,378,021	2,961,463	46.5%
2020 Actual	1,630,768	2,871,447	56.8%
2021 Actual	1,982,099	3,326,128	59.6%
2022 Projected	1,982,099	3,423,308	57.9%
2023 Projected	1,982,099	3,761,679	52.7%



General Fund Balance as a Percentage of Expenditures

Pioneer/Sarah Watershed Summary

Account	Description	Actual	Actual	YTD	Budget	Budget
		2020	2021	2022	2022	2023
200-31010	Ad Valorem Taxes	\$ 62,968	\$ 61,111	\$ -	\$ 61,350	\$ 64,418
200-31040	Fiscal Disparities	2,346	2,652	-	3,160	3,318
200-36210	Interest Earnings	270	52	11	-	-
	Total Revenues	65,584	63,815	11	64,510	67,736
200-41920-309	Pioneer-Sarah Watershed Comm.	108,632	47,477	47,642	49,500	51,975
200-41920-310	Other Consulting Fees	-	-	-	1,090	1,145
200-41920-320	Water Resource Staff	12,074	19,184	13,410	2,180	2,289
200-41920-350	Printing&Publications-(Legals)	-	-	-	810	851
200-41920-433	Misc. Dues/Ffes	530	530	-	-	-
200-41920-570	Capital Outlay (Project Cost)	-	-	-	10,930	11,477
	Total Expenses	121,236	67,191	61,052	64,510	67,736
	Change in Fund Balance	\$ (55,652)	\$ (3,376)	\$ (61,041)	\$ -	\$ -

Capital Planning

Building Capital Fund (401)

There are no current projects identified in the fund. The cash flow analysis through 2027 is shown below.

City of Independence, Minnesota Cash Flow - Building Capital Fund 401

	2021 Actual	2022	2023	2024	2025	2026	2027
Beginning Balance	\$ 105,769	\$ 103,077	\$ 104,108	\$ 105,149	\$ 106,200	\$ 107,262	\$ 108,335
Revenues	112	1,031	1,041	1,051	1,062	1,073	1,083
Expenditures	2,804	-	-	-	-	-	-
Ending Balance	<u>\$ 103,077</u>	<u>\$ 104,108</u>	<u>\$ 105,149</u>	<u>\$ 106,200</u>	<u>\$ 107,262</u>	<u>\$ 108,335</u>	<u>\$ 109,418</u>

Road Capital Fund (402)

There are no current projects identified in the fund. The cash flow analysis through 2027 is shown below.

City of Independence, Minnesota Cash Flow - Road Capital Fund 402

	2021	2022	2023	2024	2025	2026	2027
Beginning Balance	\$ 13,044	\$ 61,516	\$ 61,530	\$ 62,146	\$ 62,767	\$ 63,395	\$ 64,029
Revenues	14	14	615	621	628	634	640
Transfers in	48,458						
Expenditures	-	-	-	-	-	-	-
Ending Balance	<u>\$ 61,516</u>	<u>\$ 61,530</u>	<u>\$ 62,146</u>	<u>\$ 62,767</u>	<u>\$ 63,395</u>	<u>\$ 64,029</u>	<u>\$ 64,669</u>

Capital Planning (Continued)

Public Works Equipment Fund (403)

City Staff has reviewed the existing capital needs of the department and determined the following represent anticipated expenditures through 2027.

City of Independence, Minnesota
Capital Improvement Plan - Public Works Equipment Fund 403
Schedule of Planned Capital Outlay 2022 to 2027

					2021	2022	2023	2024	2025	2026	2027
Department	Year to Replace	Item	Cost	Cost History	Estimated Amounts	Estimated Amounts	Estimated Amounts	Estimated Amounts	Estimated Amounts	Estimated Amounts	Estimated Amounts
Public works	2018	Shop Sweeper	\$ 5,000		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public works	2019	(5) 800 MHz Radios	15,000		-	-	-	-	-	-	-
Public works	2020	Tandem	250,000	210,000	-	-	-	-	-	-	-
Public works	2021	S-10 Pickup (Replace with 3/4 Ton)	50,000		50,000	-	-	-	-	-	-
Public works	2023	Crack Sealer	35,000		-	-	35,000	-	-	-	-
Public works	2023	Road Grader Overhaul	40,000		-	-	40,000	-	-	-	-
Public works	2024	Road Side Mower (Replacement)	57,000	20,000	-	-	-	57,000	-	-	-
Public works	2024	Tractor & Loader	130,000	130,000	-	-	-	130,000	-	-	-
Public works	2025	New Truck Tandem Axel	250,000		-	-	-	-	250,000	-	-
Public works	2027	Lawn Mower	30,000		-	-	-	-	-	-	30,000
Public works	2029	Single Axel	200,000		-	-	-	-	-	-	-
Public works	2031	Generator	50,000		-	-	-	-	-	-	-
Public works	2031	Grader	260,000		-	-	-	-	-	-	-
Public works	2034	Pay Loader	150,000		-	-	-	-	-	-	-
Public works	NA	Road Packer	-	20,000	-	-	-	-	-	-	-
Public works	NA	Tanks for Tandem	4,422		-	-	-	-	-	-	-
Public works	NA	Trailer	-		-	-	-	-	-	-	-
					\$ 50,000	\$ -	\$ 75,000	\$ 187,000	\$ 250,000	\$ -	\$ 30,000

City Staff created a cash flow analysis for the Public Works Equipment Fund through 2027.

City of Independence, Minnesota
Cash Flow - Public Works Equipment Fund 403

	2021	2022	2023	2024	2025	2026	2027
Beginning Balance	\$ 27,655	\$ 156,499	\$ 285,269	\$ 272,069	\$ 148,723	\$ (34,440)	\$ 35,738
Transfers in	128,770	128,770	61,800	63,654	66,837	70,179	73,687
Other receipts							
Expenditures	-	-	75,000	187,000	250,000	-	30,000
Ending Balance	\$ 156,425	\$ 285,269	\$ 272,069	\$ 148,723	\$ (34,440)	\$ 35,738	\$ 79,426
Transfers in are from:							
100-43100-720	60,000	60,000	61,800	63,654	65,564	67,531	69,556
100-49300-720	68,770	68,770					
	128,770	128,770	61,800	63,654	65,564	67,531	69,556

Capital Planning (Continued)

Administrative Fund

City Staff has reviewed the existing capital needs for improvements to City Hall and determined the following represent the anticipated expenditures. The next scheduled capital outlay item will be in 2031.

City of Independence, Minnesota
Capital Improvement Plan - Administrative Fund 404
Schedule of Planned Capital Outlay 2022 to 2024

Department	Year	Item	Cost	2022	2023	2024
				Estimated Amounts	Estimated Amounts	Estimated Amounts
General government	2031	Office Equipment - Furnishing	\$ 5,000	\$ -	\$ -	\$ -
General government	2031	Mechanical Electric	32,500	-	-	-
General government	2031	City Hall Parking Lot (original paid by 2015 bond)	67,000	-	-	-
General government	2031	City Hall Carpet	20,000	-	-	-
General government	2032	Paint Exterior	27,500	-	-	-
				<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The cash flow in the fund is anticipated to be the following through 2027.

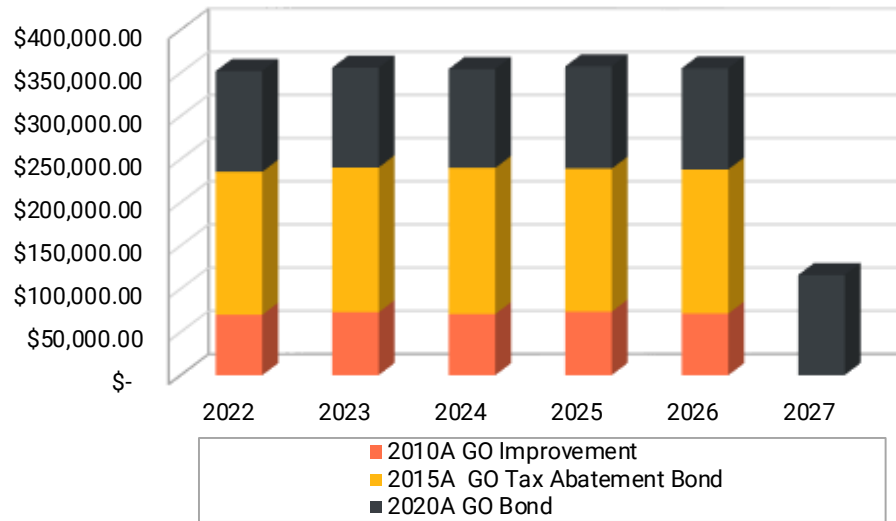
City of Independence, Minnesota
Cash Flow - Administrative Fund 404

	2022	2023	2024	2025	2026	2027
Beginning Balance	\$ 83,600	\$ 84,436	\$ 85,280	\$ 86,133	\$ 86,994	\$ 87,864
Transfers in	-	-	-	-	-	-
Other receipts	836	844	853	861	870	879
Expenditures	-	-	-	-	-	-
Ending Balance	<u>\$ 84,436</u>	<u>\$ 85,280</u>	<u>\$ 86,133</u>	<u>\$ 86,994</u>	<u>\$ 87,864</u>	<u>\$ 88,743</u>

Debt Schedule

City of Independence Bond Payment Schedule

Fund	Maturity Date		Total Remaining	2022	2023	2024	2025	2026	2027
602 2010A GO Improvement	2/1/2026	Principal	\$ 390,000	\$ 60,000	\$ 65,000	\$ 65,000	\$ 70,000	\$ 70,000	
602 2010A GO Improvement	2/1/2026	Interest	40,195	9,915	7,929	5,816	3,570	1,190	
		Total	430,195	69,915	72,929	70,816	73,570	71,190	
314 2015A GO Tax Abatement Bond	2/1/2026	Principal	940,000	150,000	155,000	160,000	160,000	165,000	
314 2015A GO Tax Abatement Bond	2/1/2026	Interest	62,969	15,513	12,463	9,113	5,513	1,856	
		Total	1,002,969	165,513	167,463	169,113	165,513	166,856	
315 2020A GO Bond	2/1/2041	Principal	3,760,000	35,000	35,000	35,000	40,000	40,000	40,000
315 2020A GO Bond	2/1/2041	Interest	1,090,166	81,518	80,468	79,418	78,293	77,093	75,893
		Total	4,850,166	116,518	115,468	114,418	118,293	117,093	115,893



City of Independence
2023 Budget

		Final	YTD	Budget		Change from PY Budget	
Account	Description	2020	2021	2022	2022		2023
Taxes							
100-31010	AD VALOREM TAXES	\$ 2,636,608	\$ 2,903,839	\$ 1,300,000	\$ 3,006,461	\$ 3,200,332	6.45%
100-31040	FISCAL DISPARITIES	115,140	118,782	-	108,087	113,491	5.00%
Total Taxes		2,751,748	3,022,621	1,300,000	3,114,548	3,313,823	6.40%
Licenses and permits							
100-32100	BUSINESS LICENSES	19,077	18,210	18,170	13,240	15,000	13.29%
100-32210	BUILDING PERMIT	188,565	187,891	134,838	146,260	153,573	5.00%
100-32211	PLAN REVIEW	56,666	35,696	37,509	30,000	31,500	5.00%
100-32240	ANIMAL LICENSES	420	200	20	570	599	5.00%
100-32250	MISC. LICENSES & PERMITS	9,130	5,349	4,859	5,000	5,250	5.00%
Total Licenses and Permits		273,857	247,346	195,397	195,070	205,922	5.56%
Intergovernmental							
100-33401	LOCAL GOVERNMENT AID	18,422	106,535	-	8,000	106,500	1231.25%
100-33610	CTY. GRANTS & AID (STREETS)	-	34,515	-	-	-	0.00%
100-33620	COUNTY GRANTS & AID (OTHER)	7,763	10,563	-	8,000	11,200	40.00%
Total Intergovernmental		26,186	151,613	-	16,000	117,700	635.63%
Charges for Services							
100-34103	ZONING/SUBDIVISION FEE	8,290	23,350	18,850	12,000	12,600	5.00%
100-34104	WATER RESOURCE FEES	2,500	500	-	-	-	0.00%
100-34105	SALE-MAPS,PUBLICATION,COPIES	10	75	-	-	-	0.00%
100-34107	ASSESSMENT SEARCH FEES	125	325	200	150	158	5.00%
100-34108	ADMINISTRATIVE CHARGES/REIMBUR	12,916	22,770	-	28,000	29,400	5.00%
100-34305	PUBLIC WORKS REIMBURSEMENTS	44	131	-	600	630	5.00%
100-34306	BUILDING INSPECTIONS REIMBURSE	6,199	-	-	400	420	5.00%
Total Charges for Services		30,084	47,151	19,050	41,150	43,208	5.00%
Fines and Forfeitures							
100-35000	COURT FINES/DOG IMPOUNDING	35,323	35,451	23,661	47,740	35,127	-26.42%
Total Fines and Forfeitures		35,323	35,451	23,661	47,740	35,127	-26.42%
Interest on Investments							
100-36210	INTEREST EARNINGS	4,768	2,846	3,170	3,000	3,150	5.00%
Total Interest on Investments		4,768	2,846	3,170	3,000	3,150	5.00%
Miscellaneous							
100-36220	INSURANCE PREMIUM REFUND	1,934	5,428	-	3,500	3,675	5.00%
100-36230	MISC. CONTRIB./REFUND	3,644	173,375	2,415	500	525	5.00%
100-36240	COMMUNITY CENTER REVENUES	150	200	750	1,000	1,050	5.00%
Total Miscellaneous		5,728	179,003	3,165	5,000	5,250	5.00%
Transfers							
100-39200	Transfer in	-	-	-	-	37,500	0.00%
Total Transfers		-	-	-	-	37,500	0.00%
Total		3,127,693	3,686,030	1,544,442	3,422,508	3,761,679	9.91%

City of Independence
2023 Budget

		Final		YTD		Budget		Change from PY Budget
Account	Description	2020	2021	2022	2022	2023		
Mayor and Council								
100-41000-100	MAYOR'S SALARY	\$ 2,834	\$ 166	\$ -	\$ 3,450	\$ 3,623	5.00%	
100-41000-103	COUNCIL SALARIES	7,200	10,200	5,865	8,280	8,694	5.00%	
100-41000-122	FICA(6.2) MEDICARE (1.45)	780	780	449	897	942	5.00%	
100-41000-331	CONFERENCE & TRAVEL	2,445	2,917	850	9,270	9,734	5.00%	
100-41000-361	INSURANCE	1,238	1,550	1,741	1,627	1,708	5.00%	
100-41000-405	MISCELLANEOUS	-	67	-	240	252	5.00%	
100-41000-433	DUES & SUBSCRIPTIONS	430	478	507	1,700	1,785	5.00%	
Total Mayor and Council		14,928	16,158	9,412	25,464	26,737	5.00%	
Election								
100-41410-102	ELECTION OFFICIAL'S WAGES (PT)	4,106	780	-	2,652	2,785	5.00%	
100-41410-210	OPERATING SUPPLIES/MTN EQUIP.	4,716	3,273	-	1,030	1,082	5.00%	
100-41410-350	PRINTING & PUBLICATIONS	675	-	-	770	809	5.00%	
100-41410-405	MISCELLANEOUS	410	-	20	548	548	0.00%	
Total Election		9,907	4,053	20	5,000	5,223	4.45%	
Financial Administration								
100-41500-101	WAGES (FULL-TIME)	58,365	88,952	71,303	76,674	76,237	-0.57%	
100-41500-102	WAGES (PART-TIME)	39,394	20,403	-	70,905	71,333	0.60%	
100-41500-121	PERA	7,260	7,760	5,876	9,925	11,068	11.51%	
100-41500-122	FICA/MEDICARE	7,309	8,094	5,657	10,123	11,289	11.52%	
100-41500-131	CITY PAID BENEFIT ALLOWANCE-LI	25,825	22,880	18,809	27,720	27,720	0.00%	
100-41500-200	OFFICE SUPPLIES	5,963	14,871	2,233	4,770	5,009	5.00%	
100-41500-301	AUDITING FEES	12,600	8,400	6,878	13,500	14,175	5.00%	
100-41500-305	CPA FEES	73,571	84,272	42,317	74,500	81,000	8.72%	
100-41500-302	ADMINSTRATION CONSULTING	99,895	95,534	38,956	116,865	141,120	20.75%	
100-41500-310	OTHER CONSULTING EXPENSE	12,572	-	-	10,000	10,000	0.00%	
100-41500-315	ASSESSOR'S FEE	67,000	69,140	-	69,000	72,450	5.00%	
100-41500-321	COMMUNICATIONS	7,696	37,743	14,294	4,220	4,431	5.00%	
100-41500-322	POSTAGE	741	1,270	1,490	1,750	1,838	5.00%	
100-41500-331	TRAVEL & CONFERENCE EXPENSE	-	261	340	2,500	2,625	5.00%	
100-41500-350	PRINTING&PUBLICATIONS-(LEGALS)	10,737	22,366	13,271	13,790	14,480	5.00%	
100-41500-360	WORKERS COMP INSURANCE	6,550	6,989	7,064	7,688	8,072	5.00%	
100-41500-361	INSURANCE	1,238	1,895	1,876	1,753	1,841	5.00%	
100-41500-404	MAINT.&REPAIR EQUIP.(CONTRACT)	5,721	837	-	2,000	2,100	5.00%	
100-41500-405	MISCELLANEOUS	4,690	3,784	1,043	1,590	1,670	5.00%	
100-41500-433	DUES & SUBSCRIPTIONS	8,064	13,416	7,464	9,840	7,140	-27.44%	
100-41500-602	LEASE/PURCHASE (COPIER)	5,196	3,074	2,913	4,290	4,000	-6.76%	
100-49240-375	CLAIM DEDUCTIBLE	500	-	-	590	620	5.00%	
100-49240-620	AGENCY FEES	-	-	-	2,120	2,226	5.00%	
100-49300-720	TRANSFER OUT	-	68,770	34,380	68,770	50,000	-27.29%	
Total Financial Administration		462,965	580,710	276,162	604,883	622,441	2.90%	
Capital Outlay - General Government								
100-41500-560	CAPITAL OUTLAY (OFFICE EQUIP)	24,122	7,391	1,817	35,000	15,000	-57.14%	
Total Capital Outlay - General Government		24,317	7,391	1,817	35,000	15,000	-57.14%	

City of Independence
2023 Budget

		Final		YTD		Budget		Change from PY Budget
Account	Description	2020	2021	2022	2022	2023		
Legal Services								
100-41600-304	CIVIL, LEGAL (K&G)	\$ 22,004	\$ 14,697	\$ 7,110	\$ 17,910	\$ 18,806	5.00%	
100-41600-306	PROSECUTION (C&C)	15,617	20,379	7,149	23,340	19,000	-18.59%	
100-41600-312	CODIFICATION OF ORDINANCES	2,165	2,081	3,420	2,580	2,709	5.00%	
100-41600-405	MISC.	-	-	-	-	-	0.00%	
Total Legal Services		39,785	37,157	17,679	43,830	40,515	-7.56%	
Planning and Zoning								
100-41900-307	PLANNER CONSULTING	32,969	39,644	10,464	31,400	37,908	20.73%	
100-41900-361	INSURANCE	4,332	5,381	6,047	5,650	5,933	5.00%	
100-41900-405	MISC.	-	532	230	-	-	0.00%	
Total Planning and Zoning		37,301	45,557	16,741	37,050	43,841	18.33%	
Water Resource								
100-41920-311	WATER RESOURCE STAFF FEE	-	-	-	3,000	3,000	0.00%	
Total Water Resource		-	-	-	3,000	3,000	0.00%	
General Government Buildings								
100-41940-321	COMMUNCIATIONS	2,975	16,782	809	10,000	10,500	5.00%	
100-41940-360	WORKERS COMP INSURANCE	-	2,084	-	-	-	0.00%	
100-41940-361	INSURANCE	3,653	4,027	4,526	4,229	4,440	5.00%	
100-41940-380	UTILITIES (NSP,GAS,LINEN)	8,351	11,044	10,603	12,360	12,978	5.00%	
100-41940-384	GARBAGE PICK-UP	1,510	1,594	623	1,310	1,376	5.00%	
100-41940-401	MAINT.&REPAIR BLD	4,374	14,987	22,666	13,600	14,280	5.00%	
100-41940-402	MUSEUM	-	-	-	150	158	5.00%	
100-41940-403	GROUND MAINTENANCE	-	-	-	560	588	5.00%	
100-41940-405	MISCELLANEOUS	3,120	14,455	6,900	2,500	2,625	5.00%	
Total General Government Buildings		23,982	64,972	46,127	44,709	46,944	5.00%	
Police								
100-42000-405	MISCELLANEOUS	3,767	12,946	627	1,230	1,292	5.00%	
100-42000-440	CONTRACT	996,170	1,173,007	837,584	1,314,399	1,491,688	13.49%	
100-42000-442	PRISONER BOOKING	1,307	319	475	1,700	1,785	5.00%	
Total Police		1,001,243	1,186,271	838,687	1,317,329	1,494,765	13.47%	
Fire								
100-42000-450	FIRE PROTECTION	396,275	416,744	154,713	386,100	419,625	8.68%	
Total Fire		396,275	416,744	154,713	386,100	419,625	8.68%	

City of Independence
2023 Budget

		Final		YTD		Budget		Change from PY Budget
Account	Description	2020	2021	2022	2022	2023		
Building Inspection								
100-42400-101	WAGES (FULL-TIME)	\$ 89,655	\$ 86,222	\$ 40,403	\$ 88,892	\$ 97,933	10.17%	
100-42400-104	WAGES- (TEMP HELP)	-	-	-	-	-	0.00%	
100-42400-121	PERA	6,648	6,485	3,408	6,667	7,345	10.17%	
100-42400-122	FICA/MEDICARE	6,674	6,488	3,430	6,800	7,492	10.17%	
100-42400-131	CITY PAID BENEFIT ALLOWANCE-LI	16,761	15,070	9,878	16,500	16,500	0.00%	
100-42400-200	OFFICE SUPPLIES	65	3,703	98	720	756	5.00%	
100-42400-212	VEHICLE OPER.SUPPLIES(FUEL,ETC	1,485	858	-	820	861	5.00%	
100-42400-310	OTHER CONSULTING EXPENSE	-	-	-	520	546	5.00%	
100-42400-321	COMMUNICATIONS	1,771	1,800	405	2,080	480	-76.92%	
100-42400-331	CONFERENCE & TRAVEL	187	445	851	2,580	2,709	5.00%	
100-42400-360	WORKERS COMP INSURANCE	2,620	3,008	2,825	3,294	3,459	5.00%	
100-42400-361	INSURANCE	1,395	1,539	1,730	1,616	1,697	5.00%	
100-42400-433	DUES & SUBSCRIPTIONS	160	405	549	410	431	5.00%	
Total Building Inspection		127,420	126,023	63,576	130,899	140,208	7.11%	
Capital Outlay - Public Safety								
100-42400-570	CAPITAL OUTLAY (EQUIP PURCHA)	-	-	-	430	-	-100.00%	
Total Capital Outlay - Public Safety		-	-	-	430	-	-100.00%	
Streets								
100-43100-101	WAGES (FULL-TIME)	185,276	179,650	82,705	\$ 118,735	\$ 130,798	10.16%	
100-43100-102	WAGES (PART-TIME)	690	-	-	-	-	0.00%	
100-43100-121	PERA	13,822	13,194	7,063	8,905	9,810	10.16%	
100-43100-122	FICA/MEDICARE	13,978	13,577	7,472	9,083	10,006	10.16%	
100-43100-131	CITY PAID BENEFIT ALLOWANCE	34,328	27,136	31,781	28,875	28,875	0.00%	
100-43100-210	OPERATING SUPPLIES	3,960	14,689	1,007	680	714	5.00%	
100-43100-212	VEHICLE OPER.SUPPLIES(FUEL,ETC	14,523	12,702	14,442	24,590	25,820	5.00%	
100-43100-217	SIGNS	5,389	3,756	3,200	6,700	7,035	5.00%	
100-43100-218	UNIFORMS	4,946	4,245	1,270	2,970	4,200	41.41%	
100-43100-219	CULVERTS	-	-	-	5,300	5,565	5.00%	
100-43100-220	MAINT.&REPAIR SUPPLIES (EQUIP)	24,755	19,531	14,314	24,400	25,620	5.00%	
100-43100-223	MAINT. & REPAIR SUPPLIES(BLDG.)	5,763	5,513	7,739	5,070	5,324	5.00%	
100-43100-224	ROAD MANT>MATERIALS (ON-GOING)	69,316	48,249	38,513	74,280	77,994	5.00%	
100-43100-226	BLACKTOP MATERIAL	4,885	60,290	-	46,380	48,699	5.00%	
100-43100-227	EQUIPMENT CONTRACT HIRE	-	-	-	1,090	1,145	5.00%	
100-43100-240	SMALL TOOLS & MINOR EQUIPMENT	-	522	-	350	368	5.00%	
100-43100-303	ENGINEERING	8,237	6,021	11,809	9,920	10,416	5.00%	
100-43100-321	COMMUNICATIONS (PHONE,E-MAIL)	6,321	7,631	3,131	5,940	7,600	27.95%	
100-43100-331	TRAVEL,CONF.,EDUC.EXPENSE	-	571	-	1,120	1,176	5.00%	
100-43100-350	PRINTING & PUBLICATIONS	-	288	-	3,710	3,896	5.00%	
100-43100-360	WORKERS COMP INSURANCE	6,918	6,417	7,064	7,058	7,411	5.00%	
100-43100-361	INSURANCE	9,477	8,415	9,456	8,835	9,277	5.00%	
100-43100-380	UTILITIES	6,881	6,043	2,876	10,750	11,288	5.00%	
100-43100-381	STREET LIGHTING	5,976	5,338	3,176	3,090	3,245	5.00%	
100-43100-384	GARBAGE PICK-UP	-	-	-	510	536	5.00%	
100-43100-405	MISCELLANEOUS	425	832	250	280	294	5.00%	
100-43100-407	SNOW REMOVAL-MATERIALS	28,142	27,853	-	29,850	31,343	5.00%	
100-43100-408	DUST CONTROL	62,457	67,840	-	75,350	79,118	5.00%	
100-43100-412	BRUSH & TREE REMOVAL	15,178	17,624	13,500	15,910	16,706	5.00%	
100-43100-413	SALES/FUEL TAX & LICENSE	116	-	-	550	578	5.00%	
100-43100-415	SAC CHARGES	-	-	-	590	620	5.00%	
100-43100-418	WEED CONTROL	1,164	-	-	3,180	3,339	5.00%	
100-43100-420	GOPHER STATE ONE-CALL	1,654	1,577	494	2,030	2,132	5.00%	
100-43100-421	SEAL COATING	19,473	43,015	-	50,000	52,500	5.00%	
100-43100-422	ROAD TILING	34,393	37,901	-	50,000	52,500	5.00%	
100-43100-430	SAFETY PROGRAM (AWAIR, ETC.	3,600	-	275	2,030	2,132	5.00%	
100-43100-433	MEMBERSHIP DUES	-	-	-	660	693	5.00%	
100-43100-720	TRANSFER OUT	75,000	60,000	30,000	60,000	61,800	3.00%	
Total Streets		667,044	700,421	291,536	698,771	740,565	5.98%	

City of Independence
2023 Budget

		Final		YTD		Budget		Change from PY Budget
Account	Description	2020	2021	2022	2022	2023		
Capital Outlay - Public Works								
100-43100-550	C.O. (ROAD IMPROV. - 802)	\$ -	\$ -	\$ -	\$ -	\$ 55,000	0.00%	
100-43100-560	CAPITAL OUTLAY (OFFICE EQUIP.)	-	-	-	-	-	0.00%	
100-43100-570	C.O. (EQUIP. PURCH. -803)	2,544	58,455	104,518	-	-	0.00%	
100-43100-580	C.O. (PUBLIC WORKS BLD. -801)	-	-	-	-	-	0.00%	
Total Capital Outlay - Public Works		2,544	58,455	104,518	-	55,000	0.00%	
Recycling								
100-43200-383	RECYCLING EXPENSES	51,640	74,099	29,782	68,850	72,293	5.00%	
100-43200-405	MISCELLANEOUS	-	119	-	-	-	0.00%	
100-43200-411	CLEAN-UP DAY	-	11,843	-	-	12,500	0.00%	
Total Recycling		51,640	86,062	29,782	68,850	84,793	23.16%	
Park								
100-45100-120	COMMUNITY EVENT CONTRIBUTIONS	3,346	4,000	-	7,110	7,466	5.00%	
100-45200-409	YOUTH GROUPS	-	-	-	680	680	0.00%	
100-45300-210	SUPPLIES & MATERIALS	-	65	-	1,120	1,176	5.00%	
100-45300-220	REPAIRS & MAINTENANCE (MOWING)	4,879	619	-	6,580	6,909	5.00%	
100-45300-230	EQUIPMENT PURCHASES	-	-	-	580	609	5.00%	
100-45300-310	OTHER CONSULTING EXPENSE	-	-	-	580	609	5.00%	
100-45300-361	INSURANCE	3,872	4,213	4,734	4,423	4,644	5.00%	
100-45300-380	UTILITIES/WASTE REMOVAL	-	-	-	680	680	0.00%	
100-45300-405	MISCELLANEOUS	-	-	-	240	252	5.00%	
Total Park		12,097	8,896	4,734	21,993	23,025	4.69%	
Total		2,871,447	3,338,870	1,855,506	3,423,308	3,761,679	9.88%	
Revenues Over (Under) Expenditures		256,246	347,160	(311,064)	(800)	0		
Other Financing Sources								
100-39101	SALE OF LAND	-	-	-	-	-		
Total Other Financing Sources		-	-	-	-	-		
Net Change in General Fund Fund Balance		\$ 256,246	\$ 347,160	\$ (311,064)	\$ (800)	\$ 0		

Vote November 8

TECH LEVY RENEWAL



Orono Public Schools 2022 Tech Levy Renewal

Funding for the next 10 years
to ensure Orono students are ready for the future

On November 8, 2022, Orono Public Schools residents will vote whether to renew the district's Technology Levy. Because this is a straight renewal, there would be **no tax increase** if approved by voters.

Why now?

The district is grateful for community support over the last 20 years. This technology levy was originally approved by residents in 2002, renewed in 2011 and is now up for renewal again. If not renewed by voters in November 2022, the **levy will expire** and the district will **lose \$1.2 million** annually in local funding.

What is the tax impact?

There is **no tax increase** if voters approve the levy, because it is a straight renewal of an existing locally approved levy.

What is the levy for?

If voters approve the levy renewal, it would provide a predictable and dedicated funding stream for:

Classroom learning and support



Tools and teacher training to support excellence in teaching and learning and ensure Orono students are future ready

Reliable access



Regularly updated networks, systems and software to support classroom teaching and learning

Security and technical support



A secure internet environment, campus security, visitor management systems and technology support staff

If voters **do not approve the renewal**, the levy will expire and the district would be faced with **\$1.2 million in annual budget cuts**, impacting teachers, programs and technology districtwide.

*89% of Orono School District residents believe
the ability for students to use computers and other technology effectively
and efficiently is absolutely essential or very important.*

(October 2021 community survey)



“This technology levy brings in critical funding that supports how our teachers teach and how our students learn.”

— School Board Chair Bob Tunheim

How do we compare?

TECHNOLOGY LEVY COMPARISONS, 2021-22

A N N U A L R E V E N U E

DISTRICT	TOTAL TECH LEVY	PER PUPIL
Hopkins	\$11,924,180	\$1,613
Eden Prairie	\$7,599,850	\$805
Bloomington	\$8,685,049	\$785
Edina	\$6,490,673	\$707
Wayzata	\$8,385,892	\$585
Minnetonka	\$6,916,127	\$568
Westonka	\$1,576,199	\$588
Orono	\$1,122,409	\$454

Finance facts

- Orono Public Schools **ranked in the top two percent** of all Minnesota school districts for its Aa2 long-term credit rating.
- The district has earned **Certificates of Excellence** in Financial Reporting for many years.
- 94% of residents believe they **receive a good value for their investment** in our schools.

Points of pride

According to a fall 2021 community survey of our residents:

94% rate the quality of Orono Public Schools as excellent or good

96% believe Orono Public Schools increase property values in the community



In 2022, *U.S. News and World Report* ranks **Orono High School #1** in Minnesota among traditional high schools

Where do I vote?

Because this is a general election, residents will vote at their regular polling location on Election Day, November 8, 2022.

Early voting begins September 23.

To find your polling location or learn more about voting, visit **www.mnvotes.org**.

Learn more



orono.k12.mn.us



952.449.8300



info@orono.k12.mn.us

City of Independence

Hilltop Prairie First Amendment to Development Agreement

To: City Council
From: Mark Kaltsas, City Administrator
Meeting Date: September 20, 2022

Discussion:

The developers of Hilltop Prairie have been working with the City and Hennepin County to defer construction of the requisite CSAH 90 turn lanes for the Hilltop Prairie Subdivision to a future phase of development. Hennepin County has agreed to allow the deferment of both the northbound right turn lane and southbound left turn lane until development of the remaining property to the east of the subject property is developed. The County agreed to allow the turn lanes to be deferred due to the small number of lots (13) being developed with the initial Hilltop Prairie Subdivision. It is noted that the property owner has platted a future east-west collector road right of way along the north property line of this development. At such time as that road extension is made from the east, the requisite turn lanes will need to be constructed. The City will record the development agreement against the property and will note in the file that the construction of the east-west road will trigger installation of the turn lanes.

The City attorney has drafted the amendment and Hennepin County has reviewed and approved the draft agreement.

Council Direction:

The City Council is being asked to consider approval of **the First Amendment to the Development Agreement Between Gustavus Development LLC and the City of Independence** as presented.

Attachments: First Amendment to the Development Agreement Between Gustavus Development LLC and the City of Independence

**FIRST AMENDMENT TO DEVELOPMENT AGREEMENT
BETWEEN GUSTAVUS DEVELOPMENT LLC
AND THE CITY OF INDEPENDENCE**

HILLTOP PRAIRIE

This First Amendment to Development Agreement (the “First Amendment”) is made and entered into this ____ day of _____, 2022, by and between the city of Independence, a municipal corporation under the laws of Minnesota (the “City”), and Gustavus Development LLC, a Minnesota corporation (the “Developer”).

WITNESSETH:

WHEREAS, the Developer is the fee owner of the land platted as Hilltop Prairie as legally described on Exhibit A attached hereto (the “Property”), and;

WHEREAS, the City and Developer entered that certain Development Agreement dated May 17, 2022 and recorded against the Property with the Office of the Hennepin County Recorder on June 10, 2022 as Document 11117464 (“Agreement”), and;

WHEREAS, the Agreement refers to and incorporates by reference approved engineering and construction plans prepared by Otto Associates and dated December 16, 2021 (“Plans”), and;

WHEREAS, the Plans, including particularly Sheet 10 of 13 therein, require Developer to construct turn-lanes on County Road 90 to facilitate left-hand turns by southbound traffic onto Gustavus Drive and right-hand turns by northbound traffic onto Gustavus Drive serving the residential lots developed on the Property (“Turn Lanes”), and;

WHEREAS, the Agreement requires completion of all improvements pursuant to the Plans by no later than December 15, 2022, and;

WHEREAS, the Agreement further requires the Developer to provide a letter of credit as security for the proper and timely completion of the improvements, requires the Developer’s contractor to provide a warranty bond against defects for a period of two years from the date of acceptance of the improvements by the City, and authorizes the City to complete improvements that are not properly or timely installed and assess the costs thereof to certain lots developed on the Property, and;

WHEREAS, the Developer owns land adjoining the Property which is described on Exhibit B attached hereto (the “Future Development Property”), and the Developer intends to develop the Future Development Property at an indeterminate future date, and;

WHEREAS, the Developer wishes to amend the Development Agreement to allow for construction of the requisite Turn Lanes at time as the Future Development Property is subdivided

and developed in a manner that includes the extension of Gustavus Drive thru the Property to the Future Development Property, and;

WHEREAS, the City is willing to accommodate the Developer's request.

NOW THEREFORE, the parties agree as follows:

1. Extension of Completion Deadline for Turn Lanes. The Development Agreement is hereby amended to permit the construction and completion of the Turn Lanes at such time as the Developer, or its lawful successors or assigns, extends Gustavus Drive to serve the Future Development Property, or any portion thereof. Completion of the Turn Lanes shall be a condition of approval of any subdivision or plat of the Future Development Property, and the Turn Lanes shall be completed prior to issuance of any building permits for construction of homes to be served by the extension of Gustavus Drive.
2. Development Agreement Continuation. Except as provided herein, all terms, conditions, requirements and obligations of the Development Agreement remain in full force and effect.
3. First Amendment Runs with the Land. This First Amendment shall run with the Property and the Future Development Property and shall be recorded against the title thereto and shall bind and inure to the benefit of the City and the Developer and their successors and assigns. The Developer's successor in title shall be responsible for obligations under this First Amendment as required by the City. The Developer warrants that there are no unrecorded encumbrances or interests relating to the Property or Future Development Property. The Developer agrees to indemnify and hold the City harmless for any breach of the foregoing covenants.
4. Counterparts. This First Amendment may be executed simultaneously in any number of counterparts, each of which shall be an original and shall constitute one and the same agreement.

[Signature pages to follow]

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed on the day and year first above written.

CITY OF INDEPENDENCE

By: _____
Brad Spencer, Acting Mayor

By: _____
Mark Kaltsas
City Administrator

STATE OF MINNESOTA)
) ss.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ____ day of _____, 2022, by Brad Spencer and Mark Kaltsas, the Acting Mayor and City Administrator, respectively, of the city of Independence, a Minnesota municipal corporation, on behalf of the municipal corporation.

Notary Public

Developer
Gustavus Development LLC

[illegible]

The foregoing instrument was acknowledged before me this ____ day of _____, 2022, by _____, the _____ for Gustavus Development LLC, on behalf of the corporation.

Notary Public

This instrument drafted by:

Kennedy & Graven, Chartered (RJV)
150 South Fifth Street, Suite 700
Minneapolis, MN 55402

EXHIBIT A

Legal Description of the Property

Lots 1 through 13, Block 1, Hilltop Prairie, according to the recorded plat thereof.

EXHIBIT B

Legal Description of the Future Development Property

[INPUT FROM MINOR SUBDIVISION EXHIBIT]