



CITY COUNCIL MEETING AGENDA
TUESDAY AUGUST 29, 2023

CITY COUNCIL MEETING TIME: 6:30 PM

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 August 1, 2023, Regular City Council Meeting.
 - b. Approval of Accounts Payable (Batch # 1; Checks Numbered 22215-22229, Batch # 2; Checks Numbered 22230-22241, Batch # 3; Checks Numbered 22242-22254 and Batch # 4; Checks Numbered 22255-22269).
 - c. Large Assembly Permits:
 - i. 7888 County Road 6 - September 7-9, 2023.
 - ii. 4505 County Road 92 N. – September 30, 2023
 - iii. 2752 Copeland Road – September 2, 2023 and September 9, 2023
 - d. Temporary Liquor License: Horseman Stables (4505 County Road 92 N.)
 - e. Agriculture Preserve Application:
 - i. PID No. 36-118-24-34-0001
 - ii. PID No. 36-118-24-13-0001
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. West Hennepin Public Safety Monthly Report for July 2023 – Chief Gary Kroells.
 8. Presentation of the 2021 Financial Audit.
 - a. 2022 Financial Audit
 - b. 2022 Audit Presentation
 9. Open/Misc.
 10. Adjourn.



CITY COUNCIL MEETING MINUTES
TUESDAY AUGUST 1, 2023

CITY COUNCIL MEETING TIME: 5:30 PM (CHANGED FOR NIGHT TO UNITE)

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 5:30 p.m.

2. Pledge of Allegiance

Mayor Johnson led the group in the Pledge of Allegiance.

3. Roll Call

PRESENT: Mayor Johnson and Councilors Betts and Spencer and Grotting
ABSENT: Councilor McCoy
STAFF: City Administrator Kaltsas, City Administrative Director
VISITORS: City Attorney Vose
No visitors

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 July 18, 2023, Regular City Council Meeting.
- b. Approval of Accounts Payable (Batch # 1; Checks Numbered 22195-22207 and Batch # 2; Checks Numbered 22208-22214).
- c. Agriculture Preserve Renewal: 7850 Turner Road (PID No. 28-118-24-23-0001)

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

MOTION DECLARED CARRIED. 4-0

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:

- City Workshop

Spencer attended the following meetings:

- City Workshop
- Planning Commission

Betts attended the following meetings:

- Fire Commission
- Police Commission
- City Workshop

Johnson attended the following meetings:

- Planning Commission
- Toward Zero Death (Virtual Seminar)
- LMC – Cyber Optics Workshop
- Community Theatre Production – Mary Poppins - Orono
- Maple Plain Fire Commission
- Police Commission
- LMC – Webinar Cannabis Meeting
- Metro Cities Policy Committee Meeting - Housing and Economy
- Budget Workshop
- Emma Youngquist Meeting
- Hwy 55 Coalition debriefing Meeting
- Meeting with Avenue re: Credit Card Processing

Simon attended the following meetings:

- Workshop

Kaltsas attended the following meetings:

- Dean Philips Aid

7. Request for Proposals – City Wide Recycling Contract:

- a. The City's current recycling contract expires on December 31, 2023. The city has prepared an RFP requesting proposals for residential recycling.

Current contract with Republic Services expires on December 31st. We would look to issue RFP for new proposals for a 3-year contract. We put a draft together that changed a lot from years ago. May not be issuing profit shares anymore. We talked to Republic Sanitation, Curbside, and Waste Management. All are interested in submitting a proposal that are in our area. We want a proposal back before preliminary budget adoption. Republic said to expect a 40% increase in recycling. Part of the RFP was to give containers to the residents at no cost. We stipulate that it has to be Friday pickup.

Betts- how large are the companies?

Kaltsas – Waste Management is the largest. Curbside is a local company has just recently gotten into the industry. Most companies are being acquired or merging. Waste Management

and Republic is picking up all of these companies. WM pulled out of this area previously and now they are looking to quote it.

Vose – there is some friction. You have to switch out bins, company has to pick them up. New company must provide and provide new billing. You need to do the right thing with the change and price. You will probably hear about it from residents not wanting to change.

Motion by Johnson, seconded by Betts to approve the RFP. Ayes: Johnson, Betts, and Spencer and Grotting. Nays: None. Absent: McCoy. Abstain.

MOTION DECLARED CARRIED. 4-0

8. Consider Authorization to Purchase List Station Equipment Associated with the Improvements Approved to Support the BridgeVine Subdivision.

Kaltsas – once we approved final plat for Bridgevine subdivision is a requirement of the city. The city engineer prepared plans and specs for lift station 50, we worked with developer on having the developer to actually do the construction of the lift station. It would take too long to go out for bids. We could get it built and still be able pull-out equipment that comes with warranties that we want to maintain control over. We agreed to pull this equipment out – generator, control panel, hatch, railing and some of the components internal to the lift station. We wanted city to purchase those separately and give them to developer's contractor to install. We will be purchasers and we will have the warranty in the cities name. Engineer felt needed to be done in order to put the city in the best position on this particular lift station.

Grotting- how do you purchase something you already own?

Kaltsas- we purchase the diesel generator, the control panel or the brains to the lift station, the rails that pumps are mounted on and hatch for the lift station.

I am asking for authorization to purchase new items. We approved that. We took funding from developer to build the lift station to expand it's capacity to be able to accommodate the new development. We are under the threshold for public bid – pumps, rail, control panel and hatch with WW Gosh. We also bid generator – both Cummins and Ziegler with significant price difference. City engineer is asking council if we can purchase Cummins generator and WW Gosh bid. Most significant relates to the WW Gosh to see what is included in that for equipment. We agreed on the process for the developers engineer develop the lift station and do the to do the construction for a lot of reasons but timing most significantly there probably is cost savings ultimately. This existing lift station only served 3 homes, the lift station will serve 30 properties.

Motion by Betts, seconded by Spencer. Ayes: Johnson, Betts, and Spencer and Grotting.

Nays: None. Absent: McCoy. Abstain.

MOTION DECLARED CARRIED. 4-0

9. Open/Misc.

10. Adjourn.

Motion by Grotting, seconded by Betts. Ayes: Johnson, Betts, and Spencer and Grotting.

Nays: None. Absent: McCoy. Abstain.

MOTION DECLARED CARRIED. 4-0

Meeting Adjourned.

Respectfully submitted,

Carrie Solien, Recording Secretary

DRAFT



NON-CITY ASSEMBLY PERMIT APPLICATION

Fees & Definitions:

200+ Attendees (Large Assembly) = \$100
100+ Attendees (Medium Assembly) = \$25
50+ Attendees (Small Assembly) = \$25

(Requires West Hennepin Public Safety Deposit of \$500)

(Double fees for applications received less than 45 business days prior to event).

Event Location: 7088 County Rd 6
Type of event: Outdoor Market **Number of people** 200 **Date** Sept 7-9
☐ Residential ☒ Corporate ☐ Partnership ☐ Group or Association ☐ Other

Event Holder's Name: Mama's Happy Amanda Fick **Address:** 7088 CR 6
Contact Person: " **Phone:** 612-239-0318
Email: amanda@mamashappy.com
2nd Contact Person: Scott Fick **Phone:** 612-281-5419
Email: scott.fick@investments.com

Security Plans: _____
Date West Hennepin Public Safety was notified of the event: _____

Severe Weather Plans (in the event of): cancel/close

Sound Plans - amplification and sound control: acoustic guitar w/ speaker
Outdoor Music ☒ Yes ☐ No - **Starting Time** 10 **AM/PM**, **Ending Time** 6 **AM/PM**

Food and Concessions Plans: _____
Vendor's name, address, and license number (copies of vendor license, insurance and permits must be provided) _____
Vendor Work #: _____ **Vendor Cell #** _____

Serving Alcohol: Yes: _____ No: ✓
Selling Alcohol: Yes: _____ No: ✓ (If selling alcohol contact the City
for an additional permit)

Restroom Provisions: How many? 4
Location: By dumpster in driveway

Lighting - Type: None How many? _____
Location of lights: _____

\$1,000,000 Certificate of Liability Insurance-provide a copy: _____

Parking Plan: Please provide a site plan showing 1 parking space for each vehicle per 4 guests. If using adjacent property, written permission from property owners must be obtained.

7/31/23
Date

Amanda H. Cook
Signature of applicant

Date

Signature of applicant

Office Use Only

Application Received: 8/8/23 Application Fees/Deposit: _____ Date Fee Paid: 8/8/23
Date \$1,000,000 certificate of liability insurance received: _____
check #2515
\$100-

Signature of City Official

Date

[Signature]
Signature of West Hennepin Public Safety

8-9-23
Date



NON-CITY ASSEMBLY PERMIT APPLICATION

Fees & Definitions:

200+ Attendees (Large Assembly) = \$100
100+ Attendees (Medium Assembly) = \$25
50+ Attendees (Small Assembly) = \$25

(Requires West Hennepin Public Safety Deposit of \$500)

(Double fees for applications received less than 45 business days prior to event).

Event Location: Horsemen Stables 4505 Cty Rd 92 N Independence, MN 55359
Type of event: Social Party **Number of people** 175-300 **Date** Sept 30, 2023
☐ Residential ☐ Corporate ☐ Partnership ☐ Group or Association ☒ Other

Event Holder's Name: Horsemen Stables **Address:** 4505 Cty Rd 92 N Independence, MN
Contact Person: Jon Huber **Phone:** 763-221-2727
Email: Jonhuber2727@gmail.com
2nd Contact Person: Larry MacDonald **Phone:** 612-916-2920
Email: lmacdonald90@yahoo.com

Security Plans: 3- Retired Police Officer
Date West Hennepin Public Safety was notified of the event: 9/30/23

Severe Weather Plans (in the event of): Shelter in Stable Alley way

Sound Plans - amplification and sound control: Indoors
Outdoor Music ☐ Yes ☐ No - **Starting Time** 5 **AM/PM** Ending
Time 11 **AM/PM**

Food and Concessions Plans: Chicken & Pork Sandwiches
Vendor's name, address, and license number (copies of vendor license, insurance and permits must be provided) Attached
Vendor Work #: **Vendor Cell #** 763-639-8873

Serving Alcohol: Yes: X No: _____
Selling Alcohol: Yes: X No: _____ (If selling alcohol contact the City
for an additional permit)

Restroom Provisions: How many? 2
Location: inside clubhouse

Lighting - Type: Indoors How many? _____
Location of lights: _____

\$1,000,000 Certificate of Liability Insurance-provide a copy: ✓

Parking Plan: Please provide a site plan showing 1 parking space for each vehicle per 4 guests. If
using adjacent property, written permission from property owners must be obtained.

8-16-23
Date

[Signature]
Signature of applicant

8-17-23
Date

[Signature]
Signature of applicant

Office Use Only

Application Received: _____ Application Fees/Deposit: _____ Date Fee Paid: _____

Date \$1,000,000 certificate of liability insurance received: _____

Signature of City Official

Date

Signature of West Hennepin Public Safety

Date



NON-CITY ASSEMBLY PERMIT APPLICATION

Fees & Definitions:

200+ Attendees (Large Assembly) = \$100
100+ Attendees (Medium Assembly) = \$25
50+ Attendees (Small Assembly) = \$25

(Requires West Hennepin Public Safety Deposit of \$500)

(Double fees for applications received less than 45 business days prior to event).

Event Location: 2752 COPLAND ROAD

Type of event: WEDDING / LAW FIRM PARTY **Number of people** 150 / 250 **Date** 9/2/23 , 9/9/23

☒ Residential ☒ Corporate ☐ Partnership ☐ Group or Association ☐ Other

9/2 WEDDING 9/9 LAW FIRM PARTY

Event Holder's Name: MARSH HALBERG **Address:** 2752 COPLAND ROAD

Contact Person: " **Phone:** 612 387 0088

Email: MHALBERG@HALBERGDEFENSE.COM

2nd Contact Person: JOANN HALBERG **Phone:** 952 250 2407

Email: JOANN.HALBERG@GMAIL.COM

Security Plans: NONE (TAME GROUPS!)

Date West Hennepin Public Safety was notified of the event: MANY MONTHS AGO

Severe Weather Plans (in the event of): I HAVE A LARGE 60x80 TENT
AND MY HOUSE IS OPEN

Sound Plans - amplification and sound control: AV FOR YOU

Outdoor Music ☒ Yes ☐ No - Starting Time 7:00 PM AM/PM, Ending

Time 11:00 AM/PM

Food and Concessions Plans: FOOD TRUCKS: BICKFORD BBQ AND BUTCHER SALT

Vendor's name, address, and license number (copies of vendor license, insurance and permits must be provided) BBQ: 14745 BALTIMORE ST NE, NAM LAKE MN

Vendor Work #: **Vendor Cell #** BBQ: 612 867 5115
SALT: 612 404 2828

763-479-0527 (Phone)

1920 County Road 90
Independence, MN 55359
www.ci.independence.mn.us

763-479-0528 (Fax)

BUTCHER SALT:
208 29TH AVE N, MPLS MN

Serving Alcohol: Yes: X No: _____

Selling Alcohol: Yes: _____ No: X (If selling alcohol contact the City for an additional permit)

WE HAVE A PROFESSIONAL BARTENDING SERVICE (EQUAL PARTS) MAKING + DISTRIBUTING THE ALCOHOL

Restroom Provisions: How many? 3 STALL LUXURY PORTAPOTT AND
Location: ON SITE 4 BATHROOMS IN MY HOUSE

Lighting - Type: HOUSE SPOTLIGHTS & LIGHTING INSIDE TENT How many? _____
Location of lights: _____

\$1,000,000 Certificate of Liability Insurance-provide a copy: 3 MILLION POLICY ATTACHED

Parking Plan: Please provide a site plan showing 1 parking space for each vehicle per 4 guests. If using adjacent property, written permission from property owners must be obtained.

SEE ATTACHED STATEMENTS. WE HAVE MANY ACRES TO PARK ON PLUS WE WILL SIGN COPLAND ROAD "NO PARKING" ON ONE SIDE OF THE STREET.

Date 8/31/23

Signature of applicant MARSH HALBERG

Date _____

Signature of applicant _____

Office Use Only

Application Received: _____ Application Fees/Deposit: _____ Date Fee Paid: _____

Date \$1,000,000 certificate of liability insurance received: _____

Signature of City Official

Date

Signature of West Hennepin Public Safety

Date

July 22, 2023

Cory and Jenna Christensen
2686 Copeland Rd
Independence, MN 55359

RE: 2752 Copeland Rd Events on 9/2/2023 and 9/9/2023

To Whom it May Concern:

We have full knowledge of and support the events proposed for September 2nd and September 9th to be held at 2752 Copeland Rd and have offered our property as parking for the events.

Sincerely,

Cory Christensen
Jenna Christensen

THE FOUR
CLOSEST NEIGHBORS
HAVE ALL OFFERED
THEIR PLACES FOR
OFF STREET PARKING
(AND WILL BE AT
THE EVENTS)

July 20, 2023

RE: Events to be held at 2752 Copeland Rd on September 2nd and
September 9th

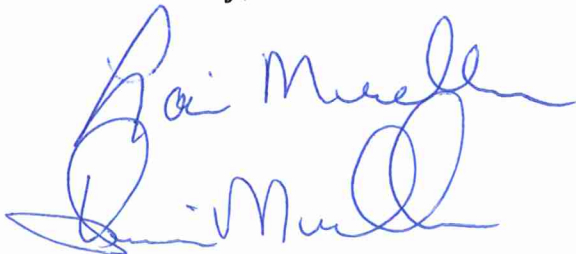
To Whom it May Concern:

I am a neighbor of Marsh and JoAnn Halberg.

I reside at 2855 Copeland Rd.

I have full knowledge of and support the events proposed for September
2nd and September 9th to be held at their residence and have offered my
large vacant land area as parking for the events.

Sincerely,

A handwritten signature in blue ink, appearing to read "Bai Muehl". The signature is written in a cursive style with a large, looping initial "B" and a long, horizontal flourish extending to the right.

July 22, 2023

Hayley and Tony Post
2791 Copeland Rd
Independence, MN 55359

RE: 2752 Copeland Rd Events on 9/2/2023 and 9/9/2023

To Whom it May Concern:

We have full knowledge of and support the events proposed for September 2nd and September 9th to be held at 2752 Copeland Rd and have offered our property as parking for the events.

Sincerely,



July 20, 2023

RE: Events to be held at 2752 Copeland Rd on September 2nd and
September 9th

To Whom it May Concern:

I am a neighbor of Marsh and JoAnn Halberg.

I reside at 2840 Copeland Rd.

I have full knowledge of and support the events proposed for September
2nd and September 9th to be held at their residence and have offered my
large vacant land area as parking for the events.

Sincerely,

A handwritten signature in blue ink that reads "Jerome Simpson". The signature is fluid and cursive, with the first name "Jerome" being more prominent than the last name "Simpson".A handwritten signature in blue ink that reads "Sally Elston Simpson". The signature is fluid and cursive, with the first name "Sally" being more prominent than the last name "Simpson".



TEMPORARY
APPLICATION FOR LIQUOR, BEER, SET-UP, OR CLUB LICENSING

SUBMIT APPLICATION & FEES BY: Larry MacDonald

On Council Agenda: August 29, 2023

**Please fill out the following information:

I, MacDonald Larry A for and on behalf of Horsemen Stables
(Last) (First) MI (Individual owner, office, partner)

Corporation hereby submit this application for a one (1) day Temporary
(Myself, partners, corporation) Sept 30, 2023

liquor license for (Name and address of business): Horsemen Stables

4505 Cty Rd 92 N Independence, MN 55359

in accordance with the provisions of Minnesota Statutes and City Of Independence Ordinances,
commencing April 1, 2008 and ending March 31, 2009.

DL# T480-212-719-912

D.O.B. 11/08/55

Signature of Applicant Larry MacDonald
For: Horsemen Stables
(Myself, Partners or Corporation, Association)

SUBMIT: (1) Liability Insurance (2) License Fees (3) Receipt showing payment of taxes

FEES:

Temporary Liquor 100 per day
(1 - 4 days)

TOTAL Due: \$100.00

763-479-0527 (Phone)

1920 County Road 90
Independence, MN 55359
www.ci.independence.mn.us

763-479-0528 (Fax)

METROPOLITAN AGRICULTURAL PRESERVES
RESTRICTIVE COVENANT

THIS AGREEMENT, made and entered into this 29 day of August, 2023, by and between Donna Mae & Eugene Johnson Family LTD. Partnership, Record Fee Owner(s); Contract for Deed Vendor(s) (Sellers), if any; Contract for Deed Vendee(s) (Buyers), if any; hereinafter collectively referred to as Landowner(s); AND the City of Independence, Hennepin County, Minnesota,

(NOTE: Above named Landowner(s) must be identified as husband and wife, a single person, a Partnership, a (State) Corporation, a Trustee of a Trust (describe), a Guardian or Administrator of an Estate (describe) — whatever the case might be — If property is homestead — spouse must join whether their name is on record or not — if property is non-homestead and spouse doesn't join — then a statement must be put at end of legal description that it is non-homestead.)

WITNESSETH:

WHEREAS, the Landowner(s) above named are the owners of the tract of land (the Land) in the County of Hennepin, State of Minnesota, legally described as:

(IF TORRENS PROPERTY — Use description from Certificate of Title, verbatim; IF ABSTRACT PROPERTY — Use description from abstract or deed, if possible, or get it from your county auditor. Use an additional sheet if extra space is needed. Be sure to state your parcel identification number and whether or not your property is homesteaded.)

Parcel identification number: 36-118-24-34-0001 Homestead or Non-homestead (Circle one)

Legal Description:

The East 924 feet of the Southeast Quarter of the Southwest Quarter of Section 36, Township 118, Range 24, lying North of the South 840 feet thereof, subject to road easements on the North and East 33 feet thereof.

WHEREAS, the Landowner desires to receive the benefits of participation in the State of Minnesota Metropolitan Agricultural Preserves Program established by Minn. Stat., Chapter 473H, and has made application for initiating placement of the Land into a Metropolitan agricultural preserve, a copy of which is attached hereto and incorporated herein as Attachment A; and

WHEREAS, the Land described herein is classified as agricultural pursuant to Minn. Stat., Section 273.13 and City of Independence has (have) approved and certified this Land as being eligible for designation as an agricultural preserve; a copy of the affidavit evidencing that the land is certified long-term agricultural is attached hereto and incorporated herein by reference as Attachment B;

WHEREAS, Minn. Stat., Section 473H.05, requires that the applicant complete and file as part of this application a “restrictive covenant which shall constitute an easement running with the land”;

NOW, THEREFORE, in consideration of receipt of the benefits of participation in the State of Minnesota Metropolitan Agricultural Preserves Program, the Landowner on behalf of himself, his successors and assignees, agrees and covenants as follows:

- 1. The Land herein described shall be kept in agricultural use. Agricultural use as that is used herein means the production for sale of livestock, dairy animals, dairy products, poultry or poultry products, fur bearing animals, horticultural or nursery stock, fruit, vegetables, forage, grains, or bees and apiary products. Wetlands, pasture and woodlands accompanying land in agricultural use shall be deemed to be in agricultural use.
- 2. The Land herein described shall be used in accordance with the provisions of Minn. Stat., Chapter 473H which exist on the date of this covenant.

3. This Restrictive Covenant shall be binding on the owner, or his successors and assignees, and shall be an easement running with the land.
4. Duration. This Restrictive Covenant shall be in force and effect in accordance with the aforementioned statute:
- a. until expiration initiated pursuant to Minn. Stat., Section 473H.08 becomes final;
 - b. until the agricultural preserve is terminated by executive order of the Governor; or
 - c. until the Land is acquired by eminent domain;
- all in accordance with Minn. Stat., Chapter 473H.

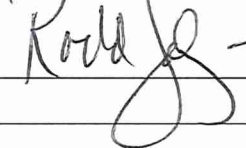
5. Enforcement: This Agreement and Restrictive Covenant may be enforced by the _____ City of Independence _____ or the State of Minnesota, or by an interested person, by appropriate action in the courts of the State of Minnesota.

This instrument was completed by _____ Amber Simon, Administrative Services Director _____ on a form prepared and approved by the Minnesota Department of Agriculture, 90 West Plato Blvd., St. Paul, Minnesota 55107.

IN WITNESS HEREOF, the parties to this agreement have caused this instrument to be executed on the day and year first above written. *(To be signed in the presence of a notary public with exact same name as on page 1.)*

Witnessed Signature of Record Fee Owner(s):

_____ Rodd Johnson _____



Witnessed Signature of Contract for Deed Vendor(s) (Sellers), if any:

Witnessed Signature of Contract for deed Vendee(s) (Buyers) if any:

Witnessed Signature and Title of Public Officer:

_____ of _____, _____ County, Minnesota

(Signature and Title or Position of Local Authority)

For Individual or Husband/Wife:

State of _____)

_____) SS

County of _____)

The foregoing instrument was acknowledged before me this _____ day of _____, _____, by _____

(Print or type exact same name(s) with marital status or identity as on page 1.)

Signature of Notary Public
Commission Expires _____

For Individual or Husband/Wife:

State of _____)

_____) SS

County of _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 19_____, by _____

(Print or type exact same name(s) with marital status or identity as on page 1.)

Signature of Notary Public
Commission Expires _____

For Individual or Husband/Wife:

State of)
) SS
County of)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by

(Print or type exact same name(s) with marital status or identity as on page 1.)

Signature of Notary Public
Commission Expires _____

For Public Officer:

State of)
) SS
County of)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by
by _____, the _____ of the _____
(Print name) (Title) (Local Authority)

Signature of Notary Public
Commission Expires _____

For Corporation:

State of)
) SS
County of)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____,
by _____, its _____ and _____
its _____ of _____, a _____
Corporation, on behalf of the Corporation.

Signature of Notary Public
Commission Expires _____

For Corporation:

State of)
) SS
County of)

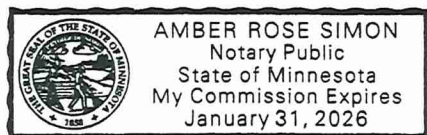
The foregoing instrument was acknowledged before me this _____ day of _____, 19____,
by _____, its _____ and _____
its _____ of _____, a _____
Corporation, on behalf of the Corporation.

Signature of Notary Public
Commission Expires _____

For Partnership:

State of Minnesota)
) SS
County of Hennepin)

The foregoing instrument was acknowledged before me this 29th day of August, 2023 _____,
by Rodd Johnson, partner of Donna Mae & Eugene Johnson Family LTD. Partnership a partnership,
on behalf of the partnership.



Signature of Notary Public
Commission Expires Jan. 31, 2026

For Partnership:

State of)
) SS
County of)

by _____, partner of _____ a partnership,
on behalf of the partnership.

Commission Expires

For Attorney-in-Fact:

State of)
) SS
County of)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____
by _____, as attorney-in-fact on behalf of _____

Commission Expires _____

For Trustee or Personal Representative:

State of)
County of) SS

The foregoing instrument was acknowledged before me this _____ day of _____, 20_____,
By _____ the _____ of the _____

Commission Expires _____

APPLICATION FOR INITIATING
PLACEMENT OF LAND INTO A
METROPOLITAN AGRICULTURAL PRESERVE

LOCAL AUTHORITY: _____ City of Independence _____ and _____
(if applicable)

1. PRINT OR TYPE NAME(S) AND ADDRESS(ES) OF RECORD FEE OWNER(S)
(Use this space only if applicable. Must be same names as on page 1.)

Donna Mae & Eugene Johnson Family LTD. Partnership
340 County Road 19 N
Maple Plain, MN 55359
- Owner(s) is (“X” one):

☐ Individual

☐ Legal Guardian

☐ Family Farm Corporation

X Other
(specify): _Partnership_

2. PRINT OR TYPE NAME(S) AND ADDRESS(ES) OF CONTRACT FOR DEED BUYER(S) (VENDEES)
(Use this space only if applicable. Must be same names as on page 1.)

3. PRINT OR TYPE NAME(S) AND ADDRESS(ES) OF CONTRACT FOR DEED SELLER(S) (VENDORS)
(Use this space only if applicable. Must be same names as on page 1.)

4. BASIS OF ELIGIBILITY OF LAND (“X” one):
- ☐ 40 or more acres of land.

X Non-contiguous parcels of at least ten acres each; parcels farmed as a unit.

☐ 35-acre parcel, bound by public right-of-way or perturbation in the rectangular survey system.

☐ 20-acre parcel, subject to the conditions of Minnesota Statutes, section 473H.03, subdivision 4.

5. TOTAL ACRES: __9.4__

6. TYPE OF PROPERTY ("X" one):

- X Abstract
- ☐ Registered (*Torrens*). If "Torrens" property, include your Owner's Duplicate Certificate of Title.

FOR LOCAL AUTHORITY ONLY:

7. This application has been reviewed by this Authority and is determined complete this 29th day of August, 2023. The restrictive covenant and the affidavit from the Authority certifying eligibility of the land are included in this application.



Administrative Services Director of City of Independence
(Signature and Title or Position of Local Authority)

8. DATE OF PLACEMENT OF LAND INTO PRESERVE: September 30, 2023
(Must be thirty days after the date in No. 7 above.)

ATTACHMENT B

STATE OF MINNESOTA)
)
COUNTY OF HENNEPIN) SS

AFFIDAVIT OF "AUTHORITY"

I, Amber Simon, being first duly sworn upon oath deposes and says as follows:

1. I am the Administrative Services Director of City of Independence, State of Minnesota, which unit of government exercises the planning and zoning authority for the land described herein, and constitutes the "Authority" as that term is defined under Minn. Stat., Section 473H.02, Subd. 4.

2. This affidavit is being executed and submitted on behalf of the Authority.

3. The tract of land in the County of Hennepin, State of Minnesota, legally described as (must be same as on page 1):

Parcel identification number: 36-118-24-34-0001 Homestead or Non-homestead (Circle one)

Legal Description:

The East 924 feet of the Southeast Quarter of the Southwest Quarter of Section 36, Township 118, Range 24, lying North of the South 840 feet thereof, subject to road easements on the North and East 33 feet thereof.

is, as of September 30th, 2023, designated as long term agricultural land and in accordance with a resolution adopted by the Authority on August 29th, 2023, is certified and eligible for designation as an agricultural preserve as provided under the provisions of Minn. Stat., Section 473H.04.

4. This affidavit is submitted at the request of Donna Mae & Eugene Johnson Family LTD Partnership (Applicant) for the purpose of making application for designation and creation of an agricultural preserve in accordance with Minn. Stat., Chapter 473H.

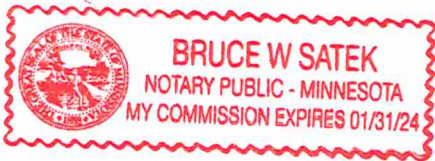
Dated August 29th, 2023.

Signature: [Signature]
Administrative Services Director of City of Independence
(Title or Position Local Authority)

Subscribed and sworn to before me

this 29 day of August, 2023.

[Signature]
Signature of Notary Public
Commission Expires 1-31-24



Minnesota Department of Agriculture
90 West Plato Boulevard
St. Paul, Minnesota 55107

AG-00871-02
Revised 1998 in accordance to
Minn. Sec. 507.093

METROPOLITAN AGRICULTURAL PRESERVES RESTRICTIVE COVENANT

THIS AGREEMENT, made and entered into this 29 day of August, 2023, by and between Donna Mae & Eugene Johnson Family LTD. Partnership, Record Fee Owner(s); _____
Contract for Deed Vendor(s) (Sellers), if any; _____
Contract for Deed Vendee(s) (Buyers), if any; hereinafter collectively referred to as Landowner(s); AND the _____ City _____
of Independence, _____ Hennepin _____ County, Minnesota,

(NOTE: Above named Landowner(s) must be identified as husband and wife, a single person, a Partnership, a (State) Corporation, a Trustee of a Trust (describe), a Guardian or Administrator of an Estate (describe) — whatever the case might be — If property is homestead — spouse must join whether their name is on record or not — if property is non-homestead and spouse doesn't join — then a statement must be put at end of legal description that it is non-homestead.)

WITNESSETH:

WHEREAS, the Landowner(s) above named are the owners of the tract of land (the Land) in the County of _____ Hennepin _____, State of Minnesota, legally described as:

(IF TORRENS PROPERTY — Use description from Certificate of Title, verbatim; IF ABSTRACT PROPERTY — Use description from abstract or deed, if possible, or get it from your county auditor. Use an additional sheet if extra space is needed. Be sure to state your parcel identification number and whether or not your property is homesteaded.)

Parcel identification number: 36-118-24-13-0001

Homestead or Non-homestead
(Circle one)

Legal Description:

That part of the North ½ of the Southeast ¼ of Section 36, Township 118 North, Range 24 West of the 5th Principal Meridian, lying southerly of the right of way of the Minnesota Western Railroad.

WHEREAS, the Landowner desires to receive the benefits of participation in the State of Minnesota Metropolitan Agricultural Preserves Program established by Minn. Stat., Chapter 473H, and has made application for initiating placement of the Land into a Metropolitan agricultural preserve, a copy of which is attached hereto and incorporated herein as Attachment A; and

WHEREAS, the Land described herein is classified as agricultural pursuant to Minn. Stat., Section 273.13 and _____ City of Independence _____ has (have) approved and certified this Land as being eligible for designation as an agricultural preserve; a copy of the affidavit evidencing that the land is certified long-term agricultural is attached hereto and incorporated herein by reference as Attachment B;

WHEREAS, Minn. Stat., Section 473H.05, requires that the applicant complete and file as part of this application a “restrictive covenant which shall constitute an easement running with the land”;

NOW, THEREFORE, in consideration of receipt of the benefits of participation in the State of Minnesota Metropolitan Agricultural Preserves Program, the Landowner on behalf of himself, his successors and assignees, agrees and covenants as follows:

1. The Land herein described shall be kept in agricultural use. Agricultural use as that is used herein means the production for sale of livestock, dairy animals, dairy products, poultry or poultry products, fur bearing animals, horticultural or nursery stock, fruit, vegetables, forage, grains, or bees and apiary products. Wetlands, pasture and woodlands accompanying land in agricultural use shall be deemed to be in agricultural use.

2. The Land herein described shall be used in accordance with the provisions of Minn. Stat., Chapter 473H which exist on the date of this covenant.

3. This Restrictive Covenant shall be binding on the owner, or his successors and assignees, and shall be an easement running with the land.
4. Duration. This Restrictive Covenant shall be in force and effect in accordance with the aforementioned statute:
- a. until expiration initiated pursuant to Minn. Stat., Section 473H.08 becomes final;
 - b. until the agricultural preserve is terminated by executive order of the Governor; or
 - c. until the Land is acquired by eminent domain;
- all in accordance with Minn. Stat., Chapter 473H.


5. Enforcement: This Agreement and Restrictive Covenant may be enforced by the _____ City of Independence _____ or the State of Minnesota, or by an interested person, by appropriate action in the courts of the State of Minnesota.

This instrument was completed by _____Amber Simon, Administrative Services Director_____ on a form prepared and approved by the Minnesota Department of Agriculture, 90 West Plato Blvd., St. Paul, Minnesota 55107.

IN WITNESS HEREOF, the parties to this agreement have caused this instrument to be executed on the day and year first above written. *(To be signed in the presence of a notary public with exact same name as on page 1.)*

Witnessed Signature of Record Fee Owner(s):

_____Rodd Johnson_____



Witnessed Signature of Contract for Deed Vendor(s) (Sellers), if any:

Witnessed Signature of Contract for deed Vendee(s) (Buyers) if any:

Witnessed Signature and Title of Public Officer:

_____ of _____, _____ County, Minnesota

(Signature and Title or Position of Local Authority)

For Individual or Husband/Wife:

State of _____)

_____) SS

County of _____)

The foregoing instrument was acknowledged before me this _____ day of _____, _____, by _____

(Print or type exact same name(s) with marital status or identity as on page 1.)

Signature of Notary Public
Commission Expires _____

For Individual or Husband/Wife:

State of _____)

_____) SS

County of _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 19_____, by _____

(Print or type exact same name(s) with marital status or identity as on page 1.)

Signature of Notary Public
Commission Expires _____

For Individual or Husband/Wife:

State of)
) SS
County of)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____
(Print or type exact same name(s) with marital status or identity as on page 1.)

Signature of Notary Public
Commission Expires _____

For Public Officer:

State of)
) SS
County of)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, the _____ of the _____
(Print name) (Title) (Local Authority)

Signature of Notary Public
Commission Expires _____

For Corporation:

State of)
) SS
County of)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, its _____ and _____
its _____ of _____, a _____
Corporation, on behalf of the Corporation.

Signature of Notary Public
Commission Expires _____

For Corporation:

State of)
) SS
County of)

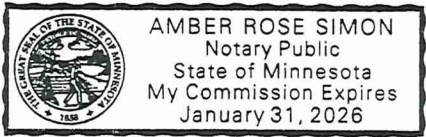
The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, its _____ and _____
its _____ of _____, a _____
Corporation, on behalf of the Corporation.

Signature of Notary Public
Commission Expires _____

For Partnership:

State of Minnesota)
) SS
County of Hennepin)

The foregoing instrument was acknowledged before me this 29th day of August, 2023, by _____ Rodd Johnson, partner of Donna Mae & Eugene Johnson Family LTD. Partnership a partnership, on behalf of the partnership.



Signature of Notary Public
Commission Expires Jan. 31, 2026

For Partnership:

State of)
) SS
County of)

Minnesota Department of Agriculture
90 West Plato Boulevard
St. Paul, Minnesota 55107
612-296-7686

The foregoing instrument was acknowledged before me this _____ day of _____, 19_____,
by _____, partner of _____ a partnership,
on behalf of the partnership.

Signature of Notary Public
Commission Expires _____

For Attorney-in-Fact:

State of _____)
County of _____) SS

The foregoing instrument was acknowledged before me this _____ day of _____, 19_____,
by _____, as attorney-in-fact on behalf of _____

Signature of Notary Public
Commission Expires _____

For Trustee or Personal Representative:

State of _____)
County of _____) SS

The foregoing instrument was acknowledged before me this _____ day of _____, 20_____,
By _____ the _____ of the _____

Signature of Notary Public
Commission Expires _____

APPLICATION FOR INITIATING
PLACEMENT OF LAND INTO A
METROPOLITAN AGRICULTURAL PRESERVE

LOCAL AUTHORITY: _____ City of Independence _____ and _____
(if applicable)

1. PRINT OR TYPE NAME(S) AND ADDRESS(ES) OF RECORD FEE OWNER(S)
(Use this space only if applicable. Must be same names as on page 1.)

Donna Mae & Eugene Johnson Family LTD. Partnership
340 County Road 19 N
Maple Plain, MN 55359

Owner(s) is ("X" one):
☐ Individual
☐ Legal Guardian
☐ Family Farm Corporation
☒ Other
(specify): _Partnership_
2. PRINT OR TYPE NAME(S) AND ADDRESS(ES) OF CONTRACT FOR DEED BUYER(S) (VENDEES)
(Use this space only if applicable. Must be same names as on page 1.)
3. PRINT OR TYPE NAME(S) AND ADDRESS(ES) OF CONTRACT FOR DEED SELLER(S) (VENDORS)
(Use this space only if applicable. Must be same names as on page 1.)
4. BASIS OF ELIGIBILITY OF LAND ("X" one):

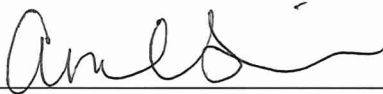
☒ 40 or more acres of land.
☐ Non-contiguous parcels of at least ten acres each; parcels farmed as a unit.
☐ 35-acre parcel, bound by public right-of-way or perturbation in the rectangular survey system.
☐ 20-acre parcel, subject to the conditions of Minnesota Statutes, section 473H.03, subdivision 4.
5. TOTAL ACRES: _111.06_____

6. TYPE OF PROPERTY ("X" one):

- X Abstract
- ☐ Registered (Torrens). If "Torrens" property, include your Owner's Duplicate Certificate of Title.

FOR LOCAL AUTHORITY ONLY:

7. This application has been reviewed by this Authority and is determined complete this 29th day of August, 2023_. The restrictive covenant and the affidavit from the Authority certifying eligibility of the land are included in this application.



Administrative Services Director of City of Independence
(Signature and Title or Position of Local Authority)

8. DATE OF PLACEMENT OF LAND INTO PRESERVE: September 30, 2023
(Must be thirty days after the date in No. 7 above.)

ATTACHMENT B

STATE OF MINNESOTA)
)
COUNTY OF HENNEPIN) SS
)
)

AFFIDAVIT OF "AUTHORITY"

I, Amber Simon, being first duly sworn upon oath deposes and says as follows:

1. I am the Administrative Services Director of City of Independence,
(Title or Position of Local Authority)
State of Minnesota, which unit of government exercises the planning and zoning authority for the land described herein, and constitutes the "Authority" as that term is defined under Minn. Stat., Section 473H.02, Subd. 4.
2. This affidavit is being executed and submitted on behalf of the Authority.
3. The tract of land in the County of Hennepin, State of Minnesota,
legally described as (must be same as on page 1):

Parcel identification number: 36-118-24-13-0001 Homestead or Non-homestead
(Circle one)

Legal Description:

That part of the North ½ of the Southeast ¼ of Section 36, Township 118, Range 24 West of the 5th Principle Meridian, lying Southerly of the right of way of the Minnesota Western Railroad.


is, as of September 30th, 2023, designated as long term agricultural land and in accordance with a resolution adopted by the Authority on August 29th, 2023, is certified and eligible for designation as an agricultural preserve as provided under the provisions of Minn. Stat., Section 473H.04.
4. This affidavit is submitted at the request of Donna Mae & Eugene Johnson Family LTD Partnership (Applicant) for the purpose of making application for designation and creation of an agricultural preserve in accordance with Minn. Stat., Chapter 473H.

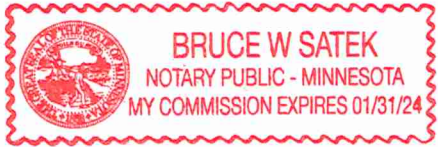
Dated August 29th, 2023.

Signature: 
Administrative Services Director of City of Independence
(Title or Position Local Authority)

Subscribed and sworn to before me

this 29 day of August, 2023.


Signature of Notary Public
Commission Expires 1-31-2024



Minnesota Department of Agriculture
90 West Plato Boulevard
St. Paul, Minnesota 55107

AG-00871-02
Revised 1998 in accordance to
Minn. Sec. 507.093

Date: August 3rd, 2023

To: Public Safety Commissioners
City of Independence Council Members
City of Maple Plain Council Members

From: Director Gary Kroells

SUBJECT: JULY 2023 ACTIVITY REPORT



The purpose of this report is to give the reader a quick overview of the activities of the Public Safety Department each month. It also compares monthly and year-to-date information to the reader.

The report is broken down into five categories, as defined by the Criminal Justice Reporting System.

CRIMINAL-- Criminal is broken down into Part I and Part II crimes.

Part I includes crimes against persons versus crimes against property; criminal homicide, forcible rape, robbery assault, aggravated assault, burglary -breaking or entering, larceny-theft, larceny analysis, motor vehicle theft and arson.

Part II includes other assaults, forgery and counterfeiting, fraud, embezzlement, stolen property, buying, receiving, possession; vandalism, weapons, carrying, possessing, etc.; prostitution and commercialized vice, sex offenses; drug abuse violations, gambling, offenses against the family and children, driving under the influence, liquor laws, drunkenness, disorderly conduct, vagrancy, all other offenses, suspicion, curfew and loitering laws - persons under 18; and runaways - persons under 18.

TRAFFIC-- Includes violations of the road and driving laws.

PART III-- Lost and Found: Includes lost and found persons, animals, and property, and stalled and abandoned vehicles.

PART IV-- Casualties: Includes all motor vehicle crashes, boating, and snowmobile; public home occupational accidents, fires, suicides, sudden deaths, burning permits, and burning violations.

PART V-- Miscellaneous Public: Includes open doors, gun permit applications, suspicious activities, animal complaints, motorist assists, alarm calls, parking complaints, house checks, driving complaints, civil matters, family disputes, department assists.

The balance of the report shows the total number of incidents handled, miles driven and how the Public Safety Department received calls. If anyone should desire more detailed statistical data, please contact my office.

Monthly Activity Report

July 2023

Offense	This Month	Same Month Last Year		This Year To Date		Last Year To Date
City Of Independence						
Criminal	8	6		23		39
Traffic	176	124		601		665
Part III	1	5		16		33
Part IV	29	32		174		217
Part V	111	129		641		810
Total City of Independence	325	296		1,455		1,764
City Of Maple Plain						
Criminal	3	9		21		35
Traffic	54	40		203		174
Part III	1	1		10		11
Part IV	26	28		149		145
Part V	51	49		256		362
Total City Of Maple Plain	135	127		639		727
Grand Total Both Cities	460	423		2,094		2,491
TZD	74	41		167		108
Agency Assists	32	31		136		168
Total ICR Reports	492	454		2,397		2,767
How Received						
Fax	3	8		54		49
In Person	7	12		67		92
Mail	0	2		2		8
Other	1	1		6		11
Phone	43	20		152		234
Radio	157	176		827		1,084
Visual	241	186		976		955
Email	13	11		99		151
Lobby Walk In	27	22		141		174
Total	492	438		2,324		2,758

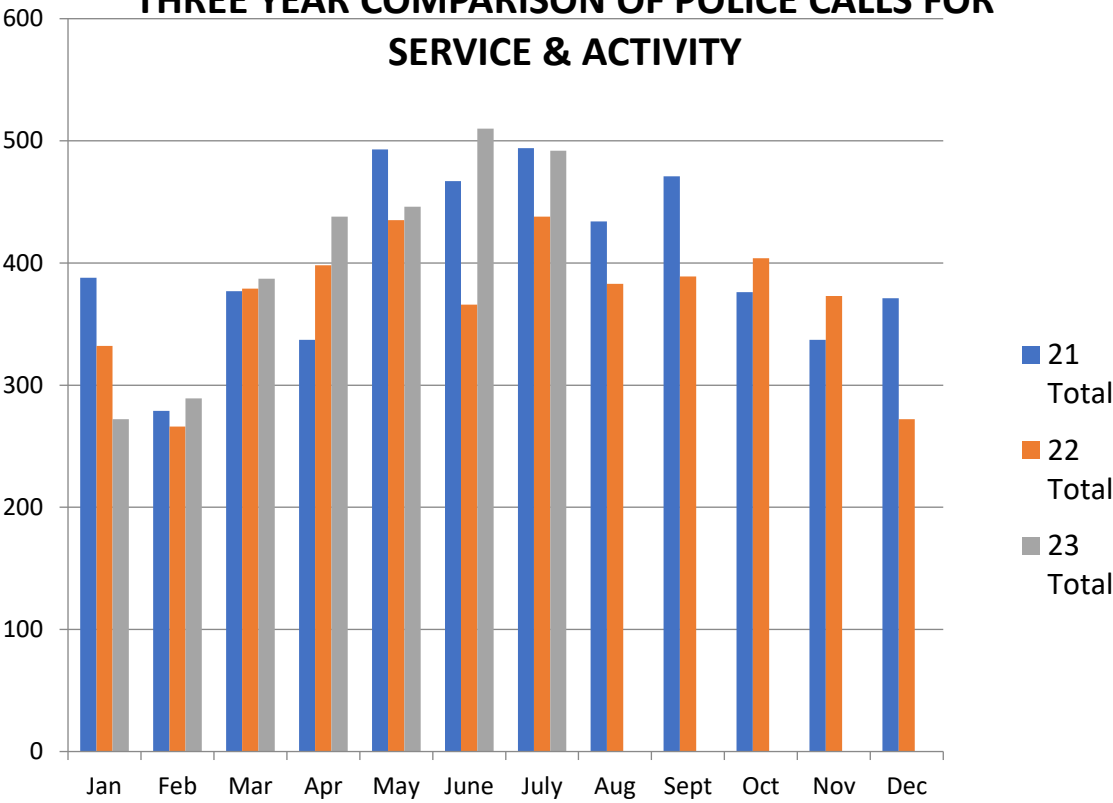
July 2023 Part I & II**City of Maple Plain #'s 1 & 2**

AGN	ICR	Title	Create Date	Grid #	Committed Date	MOC range	UCR Part
WHPS	23002471	Chase/Pursuit	2023-07-08	02	2023-07-08	JF608	2
WHPS	23002649	Criminal Damage to Property	2023-07-18	01	2023-07-18	P110H	2

July 2023 Part I & II**City of Independence Grid #'s 3-5**

AGN	ICR	Title	Create Date	Grid #	Committed Date	MOC range	UCR Part
WHPS	23002406	DWI 3 rd Degree Refusal	2023-07-04	05	2023-07-04	JFR01	2
WHPS	23002594	Fight	2023-07-13	04	2023-07-13	A5302	2
WHPS	23002631	AA Renville County – Stolen Mail	2023-07-17	04	2023-07-17	U1770	2
WHPS	23002640	Stolen Mail	2023-07-18	04	2023-07-18	U1770	2
WHPS	23002642	Stolen Mail	2023-07-18	04	2023-07-18	U1770	2
WHPS	23002643	Stolen Mail	2023-07-18	04	2023-07-18	U1770	2
WHPS	23002818	Accident/PI – 3 rd Degree DWI	2023-07-29	03	2023-07-18	JFW01	2

**THREE YEAR COMPARISON OF POLICE CALLS FOR
SERVICE & ACTIVITY**



DIRECTOR'S NEWS & NOTES

WEST HENNEPIN PUBLIC SAFETY July 2023 Activity Report

Year to Date Activity Report

At the end of July 2023, West Hennepin Public Safety (WHPS) handled year-to-date a total of 2,324 incident complaints. For the month of July; 325 incidents occurred in the City of Independence and 135 in the City of Maple Plain.

The Criminal Part I and Part II cases for both cities have been highlighted for your review on the attached documents.

Citation

July 1

8700 block of Highway 12, Independence. Officer was on routine patrol in the area early in the morning and observed a vehicle pulled onto the shoulder with its flashers on. Officer stopped to see if they need assistance. Occupants of the vehicle advised they were enroute to a methadone clinic when they hit a deer. Officer identified the driver and found her driver's license status was revoked due to no insurance. Officer contacted the registered owner of the vehicle who advised there was no insurance on the vehicle. Driver was cited for the offenses and advised to find a ride.

Animal Complaint

July 1

9300 block of County Road 11, Independence. Officer was dispatched to take a phone call regarding a suspected malnourished horse. Officer called the reporting party who explained she takes care of horses and was concerned for this horse. The reporting party stated the horse's ribs appeared underfed and the hip bones were protruding. Officer spoke to the animal owner who was advised of the concerns. Animal owner stated the horse is 30 years old and gets fed twice a day. Reporting party was advised.

Disturbance
July 2

5700 block of Maple Ridge Drive, Maple Plain. Officer was dispatched to a possible active disturbance. Officer arrived on scene and spoke to the reporting party who stated he was delivering a package, and someone threw a ball at his vehicle. There was no damage to the vehicle. Officer spoke to nearby homeowner who stated he was sick of vehicles driving so fast down the road, so he threw a tennis ball at the vehicle to slow them down. He was advised to not do that and to call if he thought people were speeding in the neighborhood so officers could be aware of the ongoing issue. He understood.

Fireworks
July 3

100 block of Ingerson Road, Independence. Officer was dispatched to a fireworks complaint. Reporting party stated there were fireworks going off where there's a house under construction. Officer arrived in the area and observed people with flashlights. Officer spoke with the individuals who explained they stopped when a different set of neighbors asked them to stop because the fireworks were scaring the horses. Individuals apologized and stated they wouldn't be lighting anymore off.

Welfare Check
July 4

Intersection of Highway 12 and Howard Avenue, Maple Plain. Officer was dispatched to a male on the shoulder who possibly needed help. Officer arrived on scene and spoke to the male who advised he was looking for a ride to a nearby bus station as he was trying to get back to his group home. Due to the male being a vulnerable adult, the officer transported the male back to his group home to ensure he got there safely.

Arrest
July 4

Intersection of County Road 6 and Nelson Road, Independence. Officer was on routine patrol in the area and observed a vehicle going 61 miles per hour in a 40 mile per hour zone. Officer initiated a traffic stop on the vehicle and spoke with the driver. Officer noticed the smell of alcohol on the driver's breath and slurred speech. After a series of tests, the driver submitted to a preliminary breath test which he failed. Michael Philip Shelly (34) was arrested for DWI and he refused to submit to a breath test. He was booked and transported to Hennepin County Jail without incident.

Welfare Check

July 5

9100 block of Highway 12, Independence. Officer was dispatched to a welfare check for a possible suicidal female. Female's brother was calling in regarding concerning text messages about her final wishes. Officer arrived in the area and observed the female pulling out of the driveway. Officer spoke to the subject who was irate and yelling at officers. She rolled up her windows and refused medical attention. Officer spoke to a family member who advised she was okay.

Disturbance

July 6

5000 block of Highway 12, Maple Plain. Officer was dispatched to a possible assault that had just occurred between employees of a nearby business. Officer arrived on scene, and everything appeared calm. Officer met with the individuals involved and determined one employee whipped a pressure washer hose and it hit another employee. They felt this act was intentional but did not want police intervention. The issues will be dealt with internally.

Crash

July 6

1900 block of Baker Park Road, Maple Plain. Officer was dispatched to a personal injury crash. Upon arrival, it was determined it was a motorcycle had struck a deer. Witness stated a small deer crossed the roadway striking the motorcycle causing the driver to lose control. Driver was alert and oriented and refused medical treatment. Driver was wearing a helmet and left the scene with minor scratches.

Animal Complaint

July 7

1500 block of Rainbow Avenue, Maple Plain. Officer was dispatched to an elderly dog wandering loose in Rainbow Park. Reporting party stated the animal owner lets the dog out, who then wanders to the park and does its business, but the mess never gets picked up. Officer spoke to the animal owner who stated she tried yelling for the dog to come back but it didn't. Animal owner was aware of the previous warning letter regarding the dog being off leash. A citation was issued to the animal owner for the violation.

Arrest-Flee Police

July 8

Intersection of Highway 12 and Delano Avenue, Maple Plain. Officer was on routine patrol in the area and observed a vehicle driving 58 miles-per-hour in a posted 35 mile-per-hour zone. Officer initiated a traffic stop and the driver fled police at speeds over 100 mile-per-hour. Several assisting police officers used spike strips to slow down the fleeing vehicle and a PIT maneuver was used to stop the vehicle in Robbinsdale. Ultimately, the driver, Courtney Elaine Wolfe (38) was arrested and brought to the hospital for a blood draw for suspected DWI. Pending results of the blood test and formal complaint.

Crash

July 10

Intersection of Highway 12 and County Road 92, Independence. Officer was dispatched to a semi that lost its brakes and went into the ditch. Officer arrived on scene and spoke to the driver who advised he was travelling east on Highway 12 entering the roundabout when his brakes allegedly went out. Eventually, the driver admitted he was driving too fast, and his brakes did not give out. He stated his truck is fully loaded and knew due to his speed, if he tried to take the roundabout he would roll, so he drove through the center of the roundabout and ended up in the ditch. A tow truck was called and got the semi out of the ditch.

Welfare Check

July 12

Intersection of County Road 92 and Pagenkopf Road, Independence. Officer was dispatched to suspicious person walking down the road yelling and screaming. Officer was in the area and responded promptly and was unable to locate the male. Reporting party did not answer the phone on callback and there were no other reports of the disturbance.

Shots Heard

July 13

Intersection of County Road 19 and Independence Street, Maple Plain. Officer was dispatched to possible shots heard in the area. Officer arrived in the area and observed a smoky haze and the smell of expended fireworks. Officer checked the area and located a vehicle unoccupied. Officer surveilled the area and saw the same vehicle leaving the area. Officer initiated a traffic stop and spoke to the driver who admitted to shooting off fireworks. Officer warned the driver about the use of illegal fireworks.

Arrest
July 13

3600 block of Ihduhapi Trail, Independence. Officer was dispatched to a possible fight involving 5-6 adults. Officer arrived on scene and found an individual with minor injuries from being hit in the face with a fishing pole. Long Vang (42) was arrested for 5th degree assault and had an active felony warrant. He was transported to Hennepin County Jail without incident.

Home Alarm
July 14

5200 block of Painter Creek Green, Independence. Officer was dispatched to a residential alarm coving lower-level glass break. Officer found the house to be secure but noted there were sprinklers going off in the basement and could see the water hitting the window. Upon closer inspection, Officer observed water actively flowing from the ceiling through light fixtures and vents. Officer attempted contact with the homeowners via phone, which was unsuccessful. Eventually, Officer gained access to the home and woke up the homeowners. A faucet had been left on in the bathroom causing flooding.

Criminal Damage to Property
July 14

3800 block of County Line Road, Independence. Officer was dispatched to a possible burglary. Officer spoke to the reporting party who advised she just bought the house, she was not currently living there, and there was no property inside of the house. She stated she arrived at the property and noticed damage to the door. It appeared someone took a brick and broke the glass to gain access to the house. Reporting party stated the house will be demolished soon so she wasn't worried about the damage. Extra patrol was requested.

Crime Prevention
July 16

5800 block of Three Oaks Avenue, Maple Plain. Officer was on routine patrol in the neighborhood and noticed multiple garage doors open with vehicles and property exposed. Homeowners were advised.

Trespassing
July 17

5900 block of Henry Street, Maple Plain. Officer was dispatched to a trespassing complaint. Reporting party stated it's an ongoing problem with juveniles removing his pool cover and swimming in his pool overnight. It was found the same teenagers were dingdong ditching at other neighbor's houses. Officer obtained video footage to identify the kids. Kids apologized to the victim for their actions and parents will be handling the discipline.

Criminal Damage to Property
July 18

1800 block of Pioneer Creek Center, Maple Plain. Officer was dispatched to a possible attempted break in. Officer arrived on scene and observed a 6 ½ inch circle cut into a glass window. No cameras in the area. Case assigned to investigations for further follow-up.

Suspicious Activity
July 18

Lewis Cemetery, Main Street West, Independence. Officer was on routine patrol and found a vehicle parked in the cemetery. Officer spoke to the occupant of the vehicle who advised he was going through some hard times and didn't have a place to stay so he slept in his vehicle in the cemetery overnight. Officer provided options for alternative places to stay for the night.

Utility Problem
July 19

7800 block of Pioneer Creek Road, Independence. Officer was dispatched to a wire down over the driveway following heavy winds. Officer responded with MPFD and found a telephone line down from the pole to the residence. Officer assisted with moving the powerline from the driveway. Phone company was contacted.

Fraud
July 20

5800 block of Drake Drive, Independence. Officer as dispatched to possible fraud over Facebook. Reporting party stated she has a business Facebook account that was duplicated and lists a phone number for the suspect. The page is advertising for laborers and cash payment. Reporting party called the number who gave directions of a warehouse in Maplewood. Case assigned to investigations for follow-up.

Burning Complaint
July 20

5500 block of Lake Sarah Heights Drive, Independence. Officer was dispatched to a fire burning green vegetation causing lots of smoke. Officer located the fire and spoke to the homeowner who was watching the fire and advised it would periodically flame up and start smoking. He agreed the brush was too green to burn and would put it out until it dried. Officer also issued a warning about getting a burn permit next time he burned a fire that size.

Suspicious Activity
July 21

6600 block of Franklin Hills Road, Independence. Officer was dispatched to check the outside of the reporting party's home after she heard a noise at her front door and her dogs were continuously barking. Officer arrived on scene and checked the exterior of the home. Officer found the house was secure and there were no footprints in the dew-covered grass. Reporting party was advised.

Medical
July 22

1800 block of Budd Avenue, Maple Plain. Officer was dispatched to a patient having a seizure. Officer arrived on scene and spoke to the patient's parents who advised they were in the other room and heard a noise. They went to check on the patient and found her on the floor shaking for approximately 30 seconds. Officer was advised the patient does not have a history of seizures but does have severe anxiety. North Memorial Paramedics arrived on scene and found the patient blood sugar was elevated. North Memorial cleared the officer before a transport decision was made.

Dumping Complaint
July 25

5300 block of Sunset Lane, Independence. Officer was dispatched to a dumping complaint. Reporting party stated for the last few weeks someone was dumping garbage and brush on their property. Reporting party stated they aren't sure who would be doing it and was requesting extra patrol in the area.

Medical
July 26

3400 block of Ihduhapi Trail, Independence. Officer was dispatched to a medical where a patient was unconscious. Officer arrived with LFD and found the patient sitting on a couch alert and speaking. It was believed the patient was running around a lot outside and possibly suffered from heat exhaustion. North Memorial Paramedics arrived on scene.

Welfare Check
July 27

1500 block of Howard Avenue, Maple Plain. Officer was dispatched to a passerby who was concerned about a male laying on the ground in the middle of a nearby parking lot. Reporting party stated she observed the male get up and walk towards a vehicle. Officer arrived on scene and did not observe anyone laying on the ground and there was no vehicle matching the description provided in the area.

Medical
July 27

3600 block of Ihduhapi Trail, Independence. Officer was dispatched to a person who had a seizure. Officer arrived on scene with West Suburban Fire Department. Patient was conscious, alert, and out of seizure. It is unknown the cause of the seizure. North Memorial Paramedics arrived and transported the patient to the hospital.

Gas Leak
July 28

2800 block of Lindgren Lane, Independence. Officer was dispatched to a hit gas line. Officer contacted the homeowner and contractor doing work. The gas line was kinked as much as it could be and covered by clay dirt. Gas company initially could not locate the gas line and needed to shovel to find it. The gas company shoveled and found the gas line after hitting the line again. Eventually, the gas was shut off.

Gas Spill
July 28

1600 block of Nelson Road, Independence. Officer received a call where the reporting party accidentally tipped over her husband's motorcycle causing six gallons of gas to slowly leak on the garage floor. Officer arrived on scene and assisted with getting the motorcycle upright and cleaning the gas up with towels.

Fire
July 29

Intersection of County Road 90 and Highway 12, Independence. Officer was dispatched to a trailer fire. Officer arrived on scene and observed the trailer with smoke billowing out of it. Driver detached the trailer and moved the vehicle forward. Driver advised two full propane tanks were in the trailer and the trailer is locked and she doesn't have a key. Part of Highway 12 was shut down for safety purposes. Maple Plain Fire Department was able to put the fire out without incident.

Arrest
July 29

5600 block of Pagenkopf Road, Independence. Officer was dispatched to a vehicle that just struck a power pole and the power lines were down. Officer responded with MPFD and secured the scene as the powerlines were in the roadway. Officer spoke to the driver who advised he was distracted by his phone. Driver had minor injuries. Officer observed indications of impairment from the 20-year-old male driver. He was arrested for DWI and provided a breath test which indicated 0.19. He was booked and released to a parent.

City of Independence

2022 Financial Summary and Audit

To: City Council
From: Mark Kaltsas, Administrator
Meeting Date: August 29, 2023

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, BerganKDV has prepared the 2022 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 and best opinion that can be obtained.
- There were several findings noted in the report as follows:
 - BerganKDV found that the City should be reporting liabilities associated with joint powers agreements. In this case they specifically noted that the City needs to identify and report the pension liability for the West Hennepin Public Safety. The City's previous auditor did not agree with this interpretation and therefore, did not report the liability. Staff is in agreement that the pension liability should be report in future years.
 - It was found that the City's escrow accounts relating to any application made to the City are complex. Staff has been working with our financial consultant to improve our process for recording, maintaining, and removing escrow accounts. With the change in personnel, the City is working through an update to this process and is confident that future review of the process will be more easily understood by the auditor.
 - Every year it is noted that the City does not have enough staff to wholly satisfy auditing standards relating to segregation of financial duties. This is an issue that is raised with any organization that has limited staff. In order to address this issue, the City has implemented a series of oversight policies and procedures in addition to utilizing consulting financial services. These policies and procedures along with the significant separation created by utilizing an entire financial firm, should more than satisfy this issue. Even with all of this in place, most auditing

firms will continue to note the condition until the City grows well beyond the current level of staffing.

- The City's year-ending actuals versus budget again shows that the City's expenditures came in less than revenues by \$14,414. In 2022, the City reported a significant increase in revenue from fees as a result of the increase in construction and permitting. The City also made several mid-year staff changes due to retirement and rearrangement that created minor increases to certain expenditures. These expenditures were offset by the additional revenue realized in 2022.

Attachments:

1. 2022 Communications Letter
2. 20223 Audit Report (Financial Statements)

**City of Independence
Hennepin County, Minnesota**

Communications Letter

December 31, 2022

City of Independence Table of Contents

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**Report on Matters Identified as a Result of
the Audit of the Basic Financial Statements**

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

In planning and performing our audit of the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Independence, Minnesota, as of and for the year ended December 31, 2022, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error, or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the City's basic financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

The material weakness identified is stated within this letter.

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

During our audit, we also became aware of deficiencies in internal control other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency. They are described in the accompanying letter under Other Deficiency.

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated August 9, 2023, on such statements.

This communication, which is an integral part of our audit, is intended solely for the information and use of management, the members of the City Council, others within the City and state oversight agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

BerganKDV, Ltd.

Minneapolis, Minnesota
August 9, 2023

City of Independence Material Weakness

Prior Period Adjustment

During the course of our audit, we proposed a prior period adjustment that would not have been identified as a result of the City's existing internal controls and, therefore, could have resulted in a material misstatement of the City's financial statements.

In order to ensure the financial statements were free from material misstatement, a prior period adjustment was required to adjust the equity interest in joint ventures.

We recommend the City annually review all joint venture relationships to ensure items are properly recorded.

**City of Independence
Significant Deficiency**

Reconciliation of Escrow Balances

The City had a variance from supporting documentation in the Escrow Fund related to deposits due to supporting documentation not being updated in a timely manner. Though the variance will not impact the fund balance for the current year, supporting documentation should agree to the general ledger to avoid the risk of a material misstatement.

We recommend management evaluate their escrow reconciliation process and respond with improvements to mitigate these risks.

City of Independence Other Deficiency

Lack of Segregation of Accounting Duties

The City had a lack of segregation of accounting duties due to a limited number of office employees. The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Management and Members of the City Council are aware of this condition and have taken certain steps to compensate for the lack of segregation, but due to the number of staff needed to properly segregate all accounting duties, the costs of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. However, management and the Members of the City Council must remain aware of this situation and should continually monitor the accounting system, including changes that occur.

We recommend management, along with the Members of the City Council, evaluate the risks related to the deficiency and respond with improvements to processes to mitigate these risks. In doing this, management and the Members of the City Council must weigh the costs associated with adding more staff or procedures to its operations.

City of Independence Required Communication

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2022. Professional standards require that we advise you of the following matters related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express opinions about whether the basic financial statements prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the basic financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the basic financial statements are free of material misstatement. An audit of the basic financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Generally accepted accounting principles provide for certain Required Supplementary Information (RSI) to supplement the basic financial statements. Our responsibility with respect to the RSI, which supplements the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

Our responsibility for the supplementary information accompanying the basic financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the basic financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Our Responsibility in Relation to *Government Auditing Standards*

As communicated in our engagement letter, part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

City of Independence Required Communication

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

We have identified the following significant risks of material misstatement:

- **Management Override of Controls** – Management override of internal control is considered a risk in substantially all engagements as management may be incentivized to produce better results.
- **Misappropriation of Assets** – If duties cannot be appropriately segregated, there is a risk of unauthorized disbursements being made by the City. In addition, generally this results in less review taking place as transactions are recorded in the financial statements.
- **Improper Revenue Recognition** – Revenue recognition is considered a fraud risk on substantially all engagements as it generally has a significant impact on the results of the government's operations. In addition, complexities exist surrounding the calculation and recording of various revenue sources.

Qualitative Aspects of the City's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in the notes to basic financial statements. There have been no initial selection of accounting policies and no changes to significant accounting policies or their application during 2022. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's current judgements. Those judgements are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgements. The most sensitive estimates affecting the basic financial statements relate to:

Depreciation – The City is currently depreciating its capital assets over their estimated useful lives, as determined by management, using the straight-line method.

Expense Allocation – Certain expenses are allocated to programs based on an estimate of the benefit to that particular program. Examples are salaries, benefits, and supplies.

City of Independence Required Communication

Qualitative Aspects of the City's Significant Accounting Practices (Continued)

Significant Accounting Estimates (Continued)

Net Pension Liability, Deferred Outflows of Resources Related to Pensions and Deferred Inflows of Resources Related to Pensions – These balances are based on an allocation by the pension plans using estimates based on contributions.

We evaluated the key factors and assumptions used to develop the accounting estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain basic financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The basic financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For the purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effects of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the basic financial statements as a whole and each opinion unit. Management did not identify, and we did not notify them of any uncorrected financial statement misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The following material misstatement that we identified as a result of our audit procedures was brought to the attention of and corrected by management.

- The City had previously not recorded the investment in joint venture for the West Hennepin Public Safety. This resulted in the Governmental Activities beginning of year net position being understated by \$159,830. A prior period restatement was made to correct this and is noted in Note 9 of the notes to the basic financial statements.

Disagreements with Management

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

City of Independence Required Communication

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management has informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the City, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditor.

Other Information Included in Annual Reports

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the City's annual reports, does not extend beyond the information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

We applied certain limited procedures to the RSI that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the basic financial statements.

City of Independence Financial Analysis

The following pages provide graphic representation of select data pertaining to the financial position and operations of the City for the past five years. Our analysis of each graph is presented to provide a basis for discussion of past performance and how implementing certain changes may enhance future performance. A subsequent discussion of this information should be useful for planning purposes.

General Fund – Revenues

The graphs below and on the following page represent the General Fund revenues by source. Overall, revenue in 2022 decreased \$23,596 to a total of \$3,662,435 in 2022, a decrease of 0.6%. The largest decrease of \$160,079 was realized in miscellaneous revenues due to donations from Sperio Academy Charter School and UMB Bank in 2021. Licenses and permits increased \$178,020 in 2022 as building permit revenue was greater compared to 2021. Intergovernmental revenue decreased \$125,495 due in large part to receiving less funding from the Small City Assistance Program in 2022. Taxes and special assessments increased \$85,861 in 2022 as a result of a higher levy than 2021.

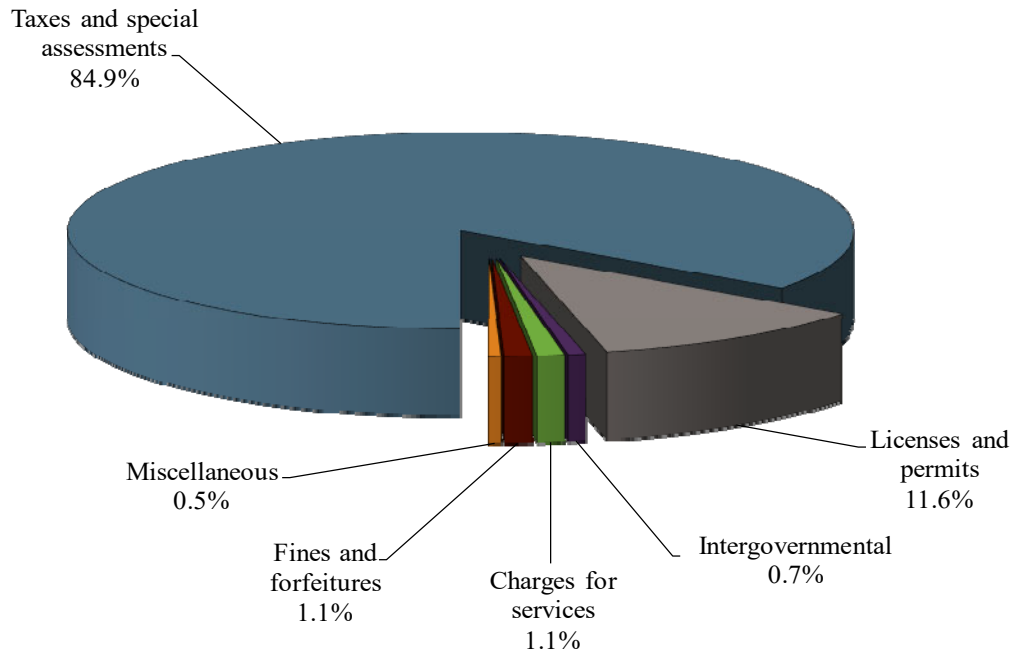
	2018	2019	2020	2021	2022
Taxes and special assessments	\$ 2,540,430	\$ 2,612,827	\$ 2,751,748	\$ 3,022,621	\$ 3,108,482
Licenses and permits	188,169	240,990	273,858	247,346	425,366
Intergovernmental	82,573	44,345	26,185	151,613	26,118
Charges for services	46,288	36,219	26,584	47,151	41,455
Fines and forfeitures	46,593	45,292	35,323	35,451	42,090
Investment income	7,445	8,810	4,769	2,846	-
Miscellaneous	8,271	71,177	5,728	179,003	18,924
Total Revenues	\$ 2,919,769	\$ 3,059,660	\$ 3,124,195	\$ 3,686,031	\$ 3,662,435

The overall allocation of revenues among the various sources changed from 2021 to 2022 as shown on the following page. The allocation remained relatively consistent from 2021 but did change relative to the changes in revenue explained above.

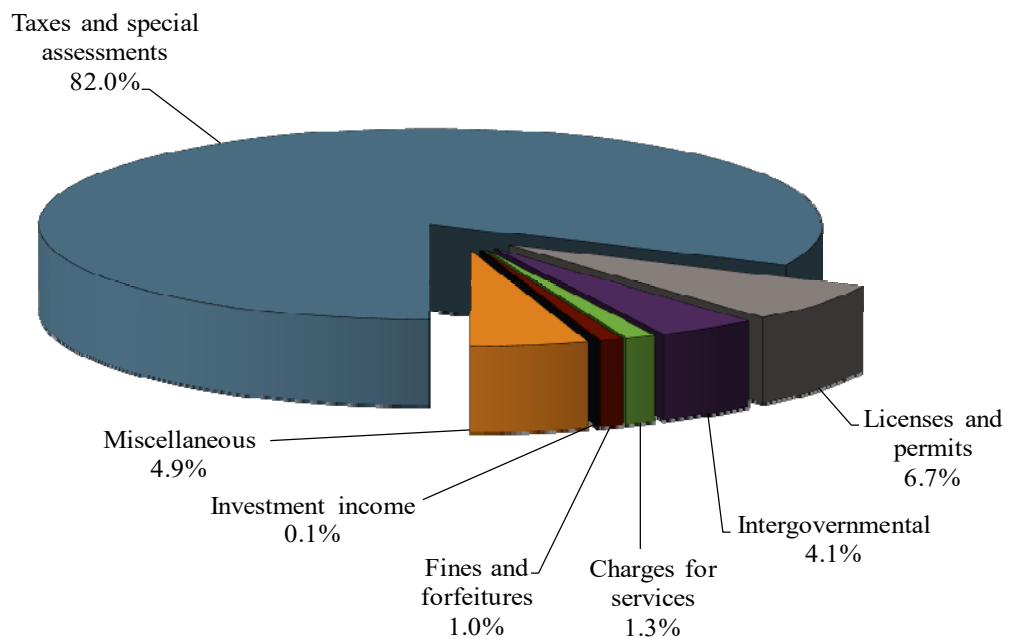
City of Independence Financial Analysis

General Fund – Revenues (Continued)

2022 General Fund Revenues



2021 General Fund Revenues



City of Independence Financial Analysis

General Fund – Budget to Actual Results

For 2022, actual revenues of \$3,662,435 came in \$239,927, or 7.0%, over budgeted revenue of \$3,422,508. There was a variance of \$230,296 in licenses and permits, which was over budget due primarily to conservative budgeting for building permits. Other budgeted revenue categories were in line with actual revenues.

The expenditures budget of \$3,293,738 had a variance of \$149,776, or 4.5%, when compared to actual expenditures of \$3,443,514. The largest variance was in General Government expenditures, which were \$98,872 over budget due to more contracted services than anticipated and restructuring employee time due to a retirement in the current year. Capital Outlay expenditures came in \$70,325 over budget due to costs for the new roof project exceeding budgeted expenditures in 2022. Other budgeted expenditure types were in line with actual expenditures.

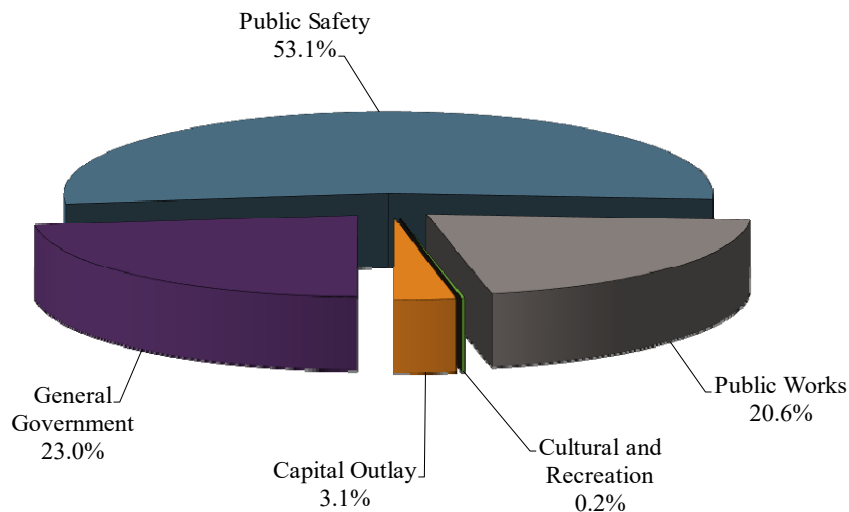
	Budgeted Amounts Final	Actual Amounts	Variance With Final Budget - Over (Under)
Revenues			
Property taxes	\$ 3,114,548	\$ 3,108,482	\$ (6,066)
Licenses and permits	195,070	425,366	230,296
Intergovernmental	16,000	26,118	10,118
Charges for services	41,150	41,455	305
Fines and forfeitures	47,740	42,090	(5,650)
Miscellaneous	8,000	18,924	10,924
Total Revenues	<u>3,422,508</u>	<u>3,662,435</u>	<u>239,927</u>
Expenditures			
General government	694,366	793,238	98,872
Public safety	1,834,328	1,828,943	(5,385)
Public works	707,620	709,037	1,417
Cultural and recreation	21,414	5,961	(15,453)
Capital outlay	36,010	106,335	70,325
Total Expenditures	<u>3,293,738</u>	<u>3,443,514</u>	<u>149,776</u>
Other Financing Sources (Uses)			
Transfers in	-	122,162	122,162
Transfers out	(128,770)	(326,669)	(197,899)
Total Other Financing Sources (Uses)	<u>(128,770)</u>	<u>(204,507)</u>	<u>(75,737)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 14,414</u>	<u>\$ 14,414</u>

City of Independence Financial Analysis

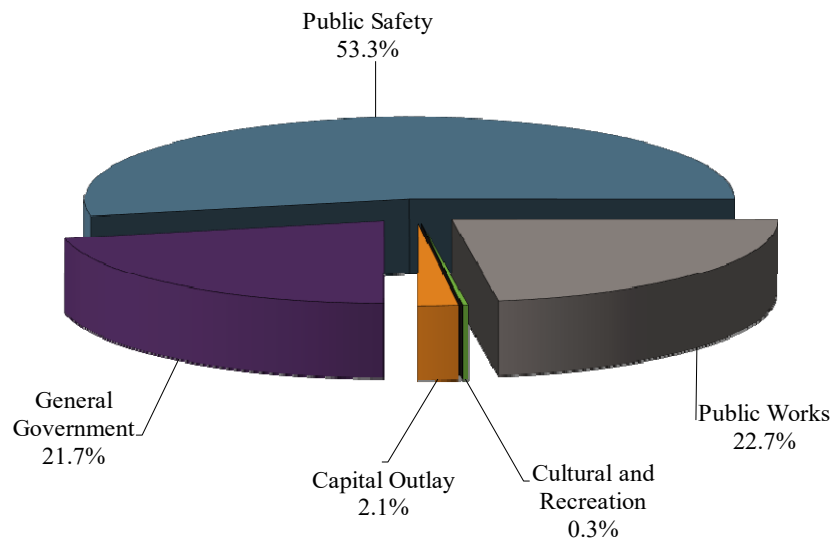
General Fund – Expenditures

General Fund expenditures increased \$237,584, or 7.4%, from 2021 to 2022. There was a \$119,776 increase in the Public Safety program due to an increase in contract with West Hennepin Public Safety Commission. General Government expenditures increased by \$97,699 due to an increase in contracted services costs and salaries and related benefits in 2022. There was a \$40,489 increase in Capital Outlay expenditures due to the new roof project. Public Works expenditures decreased by \$17,444 related to more supplies needed in 2021 for the seal coating project. The following graphs represent the General Fund expenditures by function, with Public Safety making up the largest expenditure category. The percentage of expenditures by function stayed relatively consistent from 2021 to 2022.

2022 General Fund Expenditures



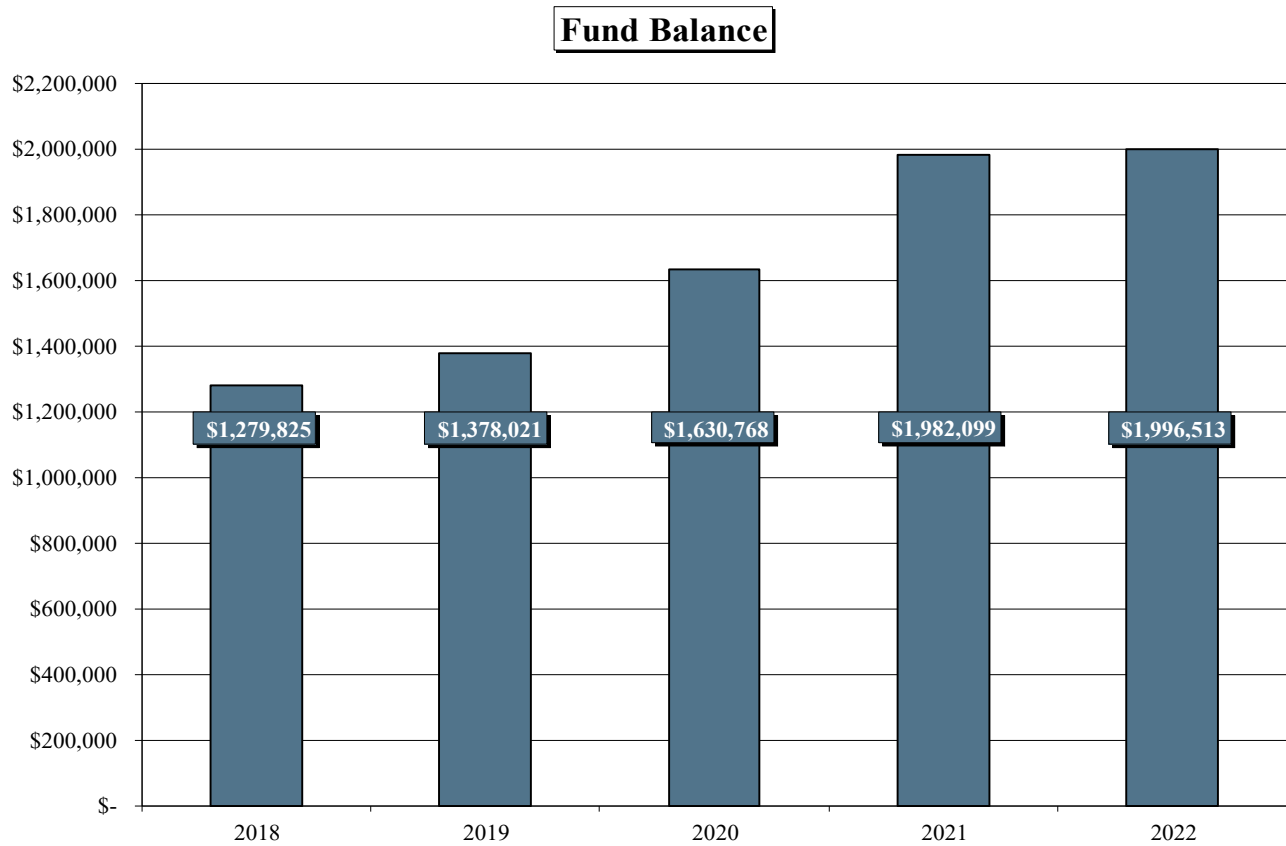
2021 General Fund Expenditures



City of Independence Financial Analysis

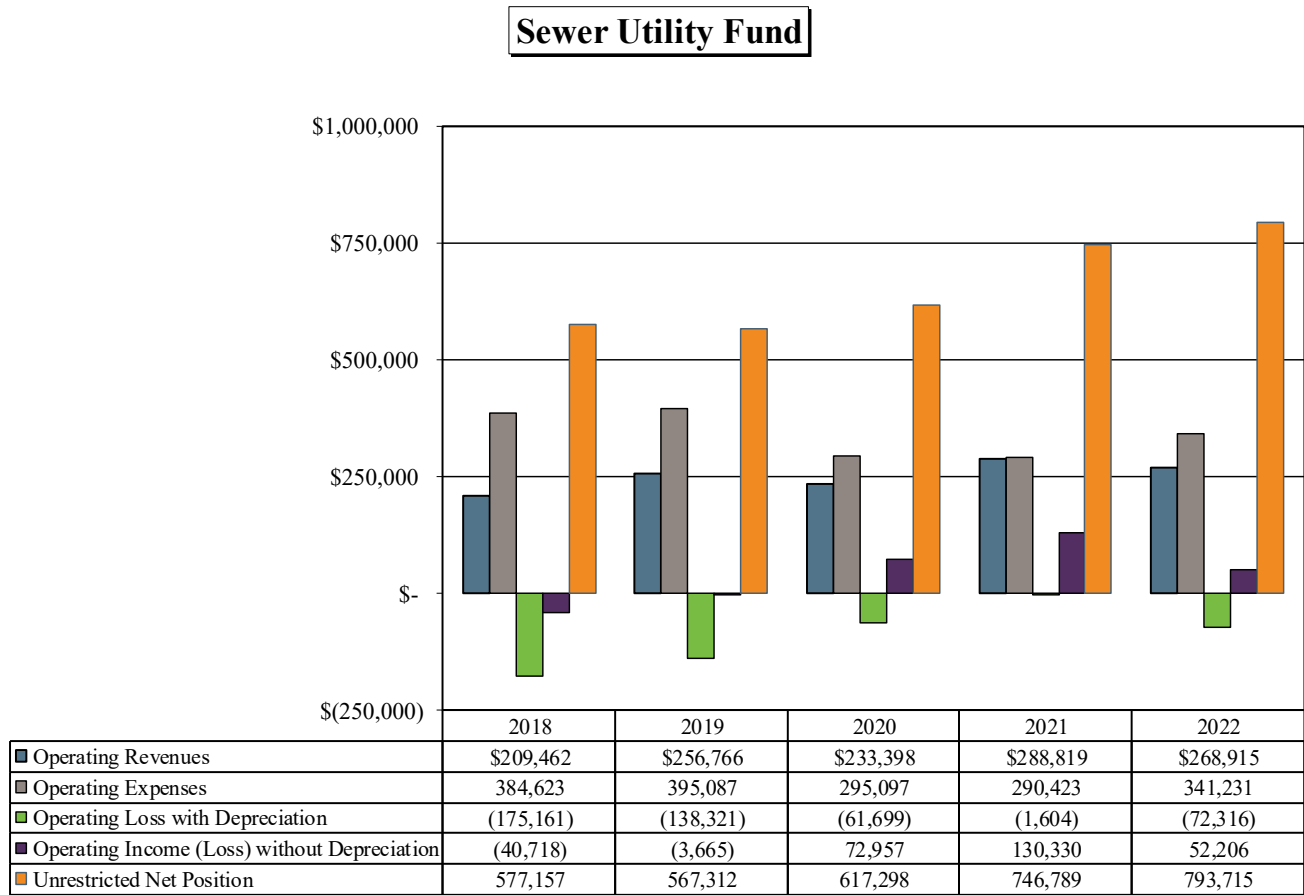
General Fund – Fund Balance

The graph below shows the General Fund balances for the past five years. Fund balance increased in 2022 due to revenues exceeding expenditures. The unrestricted fund balance of \$1,996,513 at the end of 2022 represents approximately seven months of budgeted 2023 expenditures of \$3,761,680. The City's target General Fund balance is to maintain an unassigned fund balance of an amount not less than 40-50% of the next year's budgeted expenditures of the General Fund. At December 31, 2022, the unassigned fund balance in the General Fund represented 48% of 2023 budgeted expenditures.



City of Independence Financial Analysis

Sewer Utility Fund



In 2022, operating revenues decreased \$19,904 due to decrease in user availability charges and SAC fees. Operating expenses increased \$50,808 from 2021 to 2022 with more costs for SAC charges and electric and gas utilities in 2022. The result of 2022 activity was operating income, without depreciation, of \$52,206. Unrestricted net position increased \$46,926 from 2021 to 2022.

City of Independence Emerging Issues

Executive Summary

The following is an executive summary of financial related updates to assist you in staying current on emerging issues in accounting and finance. This summary will give you a preview of the new standards that have been recently issued and what is on the horizon for the near future. The most recent and significant updates include:

- **Accounting Standard Update – GASB Statement No. 96 – Subscription-Based Information Technology Arrangements**

GASB has issued GASB Statement No. 96 relating to accounting and financial reporting for subscription-based information technology arrangements. The requirements of this Statement will improve financial reporting by establishing a definition for subscription-based information technology arrangements and providing uniform guidance for accounting and financial reporting for transactions that meet that definition.

- **Accounting Standard Update – GASB Statement No. 100 – Accounting Changes and Error Corrections**

GASB has issued GASB Statement No. 100 relating to accounting and financial reporting for accounting changes and error corrections. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability.

- **Accounting Standard Update – GASB Statement No. 101 – Compensated Absences**

GASB has issued GASB Statement No. 101 relating to accounting and financial reporting for compensated absences. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave.

The following are extensive summaries of the current updates. As your continued business partner, we are committed to keeping you informed of new and emerging issues. We are happy to discuss these issues with you further and their applicability to your City.

Accounting Standard Update – GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*

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

City of Independence Emerging Issues

Accounting Standard Update – GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements (Continued)*

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The subscription term includes the period during which a government has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will not exercise that option).

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

The subscription asset should be initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. A government should recognize amortization of the subscription asset as an outflow of resources over the subscription term.

Activities associated with a SBITA, other than making subscription payments, should be grouped into the following three stages, and their costs should be accounted for accordingly:

- Preliminary Project Stage, including activities such as evaluating alternatives, determining needed technology, and selecting a SBITA vendor. Outlays in this stage should be expensed as incurred.
- Initial Implementation Stage, including all ancillary charges necessary to place the subscription asset into service. Outlays in this stage generally should be capitalized as an addition to the subscription asset.
- Operation and Additional Implementation Stage, including activities such as subsequent implementation activities, maintenance, and other activities for a government's ongoing operations related to a SBITA. Outlays in this stage should be expensed as incurred unless they meet specific capitalization criteria.

In classifying certain outlays into the appropriate stage, the nature of the activity should be the determining factor. Training costs should be expensed as incurred, regardless of the stage in which they are incurred.

City of Independence Emerging Issues

Accounting Standard Update – GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements (Continued)*

If a SBITA contract contains multiple components, a government should account for each component as a separate SBITA or nonsubscription component and allocate the contract price to the different components. If it is not practicable to determine a best estimate for price allocation for some or all components in the contract, a government should account for those components as a single SBITA.

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

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

GASB Statement No. 96 is effective for reporting periods beginning after June 15, 2022. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.

Accounting Standard Update – GASB Statement No. 100 – *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting – understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement.

City of Independence Emerging Issues

Accounting Standard Update – GASB Statement No. 100 – *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62 (Continued)*

This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

GASB Statement No. 100 is effective for reporting periods beginning after June 15, 2023. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.

Accounting Standard Update – GASB Statement No. 101 – *Compensated Absences*

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

City of Independence
Emerging Issues

Accounting Standard Update – GASB Statement No. 101 – *Compensated Absences* (Continued)

This Statement requires that a liability for certain types of compensated absences – including parental leave, military leave, and jury duty leave – not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

GASB Statement No. 101 is effective for reporting periods beginning after December 15, 2023. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.

**City of Independence
Hennepin County, Minnesota**

Basic Financial Statements

December 31, 2022

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**City of Independence
Elected Officials and Administration
December 31, 2022**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Marvin Johnson	Mayor	December 31, 2024
Lynn Betts	Council Member	December 31, 2026
Brad Spencer	Council Member	December 31, 2026
Ray McCoy	Council Member	December 31, 2024
Steve Grotting	Council Member	December 31, 2024
 <u>Administration</u>		
Mark Kaltsas	City Administrator	

Independent Auditor's 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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Independence, as of and for the year ended December 31, 2022, and the related notes to basic financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements 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, 2022, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison 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 Auditor's 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 Matter – Implementation of GASB 87

The City has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The City of Independence's management is responsible for the preparation and fair presentation of the 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.

Responsibilities of Management for the Financial Statements (Continued)

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 one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 the 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 the 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and Required Supplementary information as listed in the Table of Contents 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 (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming 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 schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and 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 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2023, on our consideration of the City'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BerganKDV, Ltd.

Minneapolis, Minnesota
August 9, 2023

City of Independence Management's Discussion and Analysis

As management of the City of Independence, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2022.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$9,214,946 (net position). Of this amount, \$3,647,299 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- There was an increase in the City's total net position of \$254,688. The increase is attributable to the governmental activities increasing by \$272,283 and business-type activities decreasing by \$17,595. The main contributor to the increase for governmental activities was an increase in property tax revenue and charges for services. The main contributor for the decrease in the business-type activities was higher repair costs, purchase of start capacitors and greater SAC charges in the current year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,184,008, a decrease of \$365,010 in comparison with the prior year. Approximately 50.0% of this total amount, \$1,591,815, is unassigned and available for spending at the City's discretion. An additional 15.9% of this total amount, \$507,869, is restricted for specific purposes. An additional 28.5% of this amount, \$904,681, is assigned by management to show the intent of the funds but is also available for spending at the City's discretion. The remaining 5.6% of this amount, \$179,643, is nonspendable for prepaid items.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,816,870, which is 52.8% of total General Fund expenditures or 49.6% of next year's General Fund budget.
- The City's total debt decreased \$247,479 during the current fiscal year. The decrease is due to regular bond payments made throughout the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

**City of Independence
Management's Discussion and Analysis**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

**Figure 1
Required Components of the
City's Annual Financial Report**

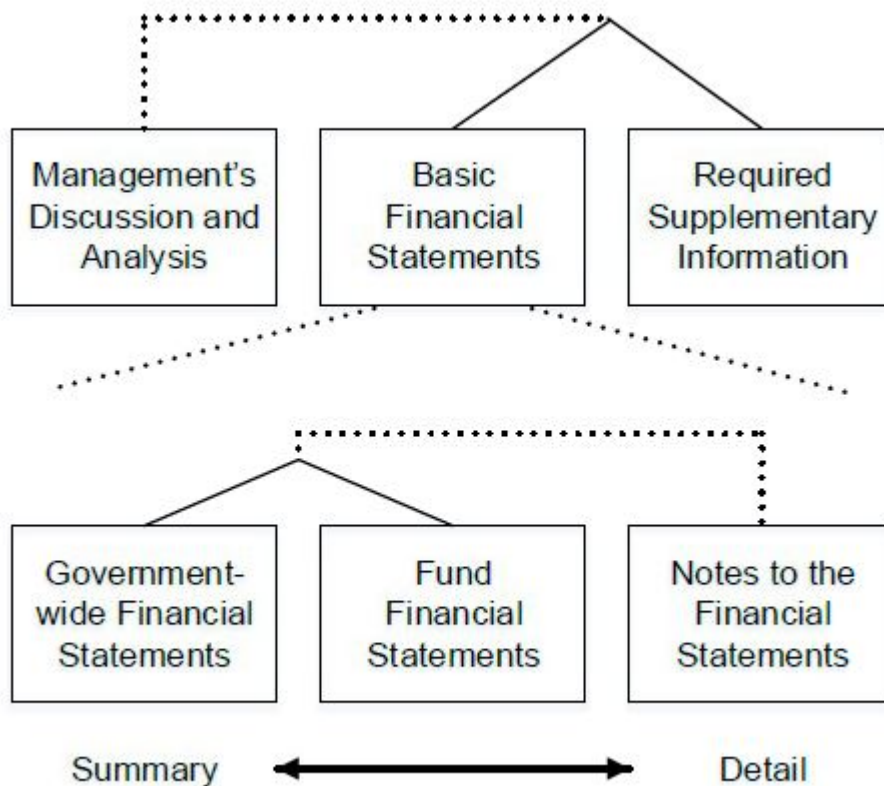


Figure 2 on the following page, summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**City of Independence
Management's Discussion and Analysis**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

**Figure 2
Major Features of the Government-wide and Fund Financial Statements**

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

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

City of Independence Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-wide Financial Statements (Continued). The *Statement of Net Position* presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *Net Position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

The government-wide financial statements start on page 20 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

City of Independence Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Governmental Funds (Continued). The City maintains numerous individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General and Capital Improvements funds, both of which are considered to be major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

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

The basic governmental fund financial statements start on page 22 of this report.

Proprietary Funds. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, refuse utility and storm water operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds. The Water Utility, Sewer Utility, Refuse Utility and Storm Water Utility funds are considered to be major enterprise funds.

The basic proprietary fund financial statements start on page 31 of this report.

Notes to Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 35 of this report.

City of Independence Management's Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Required Supplementary Information. Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 5 and the Schedules of City's Proportionate Share of Net Pension Liability, the Schedules of City Contributions and the notes to the Required Supplementary Information starting on page 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining fund financial statements and schedules start on page 68 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$9,214,946 at the close of the most recent fiscal year.

The largest part of the City's net position (55.3%) is the investment in capital assets. The investment in capital assets (e.g., land, buildings, machinery, and equipment) is reduced by any related debt used to acquire those assets that is still outstanding to arrive at capital assets net of related debt. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of Independence
Management's Discussion and Analysis**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

City of Independence's Summary of Net Position

	Governmental Activities			Business-Type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Assets						
Current and other assets	\$ 4,642,131	\$ 4,634,152	\$ 7,979	\$ 845,693	\$ 803,559	\$ 42,134
Capital assets	8,223,297	7,754,652	468,645	1,511,067	1,635,588	(124,521)
Total assets	<u>12,865,428</u>	<u>12,388,804</u>	<u>476,624</u>	<u>2,356,760</u>	<u>2,439,147</u>	<u>(82,387)</u>
Deferred Outflows of Resources						
Deferred outflows of resources related to pensions	<u>130,522</u>	<u>169,632</u>	<u>(39,110)</u>	<u>12,612</u>	<u>23,875</u>	<u>(11,263)</u>
Liabilities						
Noncurrent liabilities outstanding	4,776,683	4,525,493	251,190	205,000	270,000	(65,000)
Other liabilities	941,066	1,065,345	(124,279)	128,368	109,745	18,623
Total liabilities	<u>5,717,749</u>	<u>5,590,838</u>	<u>126,911</u>	<u>333,368</u>	<u>379,745</u>	<u>(46,377)</u>
Deferred Inflows of Resources						
Deferred inflows of resources related to leases	85,390	-	85,390	-	-	-
Deferred inflows of resources related to pensions	<u>12,647</u>	<u>219,547</u>	<u>(206,900)</u>	<u>1,222</u>	<u>30,900</u>	<u>(29,678)</u>
Total Deferred Inflows of Resources	<u>98,037</u>	<u>219,547</u>	<u>(121,510)</u>	<u>1,222</u>	<u>30,900</u>	<u>(29,678)</u>
Net Position						
Net investment in capital assets	3,858,297	3,509,656	348,641	1,241,067	1,305,588	(64,521)
Restricted for general government	9,271	7,674	1,597	-	-	-
Restricted for debt service	257,225	309,168	(51,943)	-	-	-
Restricted for Park Improvements	201,787	151,336	50,451	-	-	-
Unrestricted	<u>2,853,584</u>	<u>2,770,217</u>	<u>83,367</u>	<u>793,715</u>	<u>746,789</u>	<u>46,926</u>
Total net position	<u>\$ 7,180,164</u>	<u>\$ 6,748,051</u>	<u>\$ 432,113</u>	<u>\$ 2,034,782</u>	<u>\$ 2,052,377</u>	<u>\$ (17,595)</u>

An additional portion of the City's net position (5.1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$3,647,299) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities.

City of Independence
Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities. Governmental activities increased the City's net position by \$272,283. Key elements of the changes are as follows:

City of Independence's Changes in Net Position

	Governmental Activities			Business-Type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 622,486	\$ 538,451	\$ 84,035	\$ 268,915	\$ 288,819	\$ (19,904)
Operating grants and contributions	-	34,917	(34,917)	-	-	-
Capital grants and contributions	48,323	47,931	392	43,443	58,418	(14,975)
General Revenues						
Taxes						
Property taxes, levied for general purposes	3,170,383	3,080,527	89,856	-	-	-
Debt service	299,255	298,258	997	15,569	12,272	3,297
Grants and contributions not restricted to specific programs	128,608	171,230	(42,622)	-	-	-
Unrestricted investment earnings	24,843	3,636	-	4,074	246	3,828
Net income (loss) from joint ventures	(8,608)	-	-	-	-	-
Total revenues	<u>4,285,290</u>	<u>4,174,950</u>	<u>97,741</u>	<u>332,001</u>	<u>359,755</u>	<u>(27,754)</u>
Expenditures						
General government	1,008,558	791,608	216,950	-	-	-
Public safety	1,869,568	1,780,520	89,048	-	-	-
Public works	1,036,505	939,893	96,612	-	-	-
Culture and recreation	12,990	59,286	(46,296)	-	-	-
Interest on long-term debt	85,386	101,680	(16,294)	-	-	-
Sanitary sewer	-	-	-	349,596	302,198	47,398
Total expenses	<u>4,013,007</u>	<u>3,672,987</u>	<u>340,020</u>	<u>349,596</u>	<u>302,198</u>	<u>47,398</u>
Change in Net Position	272,283	501,963	(229,680)	(17,595)	57,557	(75,152)
Net Position, January 1	6,748,051	6,068,505	679,546	2,052,377	1,994,820	57,557
Prior Period Restatement	159,830	177,583	(17,753)	-	-	-
Net Position, December 31	<u>\$ 7,180,164</u>	<u>\$ 6,748,051</u>	<u>\$ 432,113</u>	<u>\$ 2,034,782</u>	<u>\$ 2,052,377</u>	<u>\$ (17,595)</u>

There were increases in charges for services and property taxes levied for general purposes, resulting in an increase in the net position. Expenses increased in the governmental activities, except for culture and recreation and increased in the business type activities.

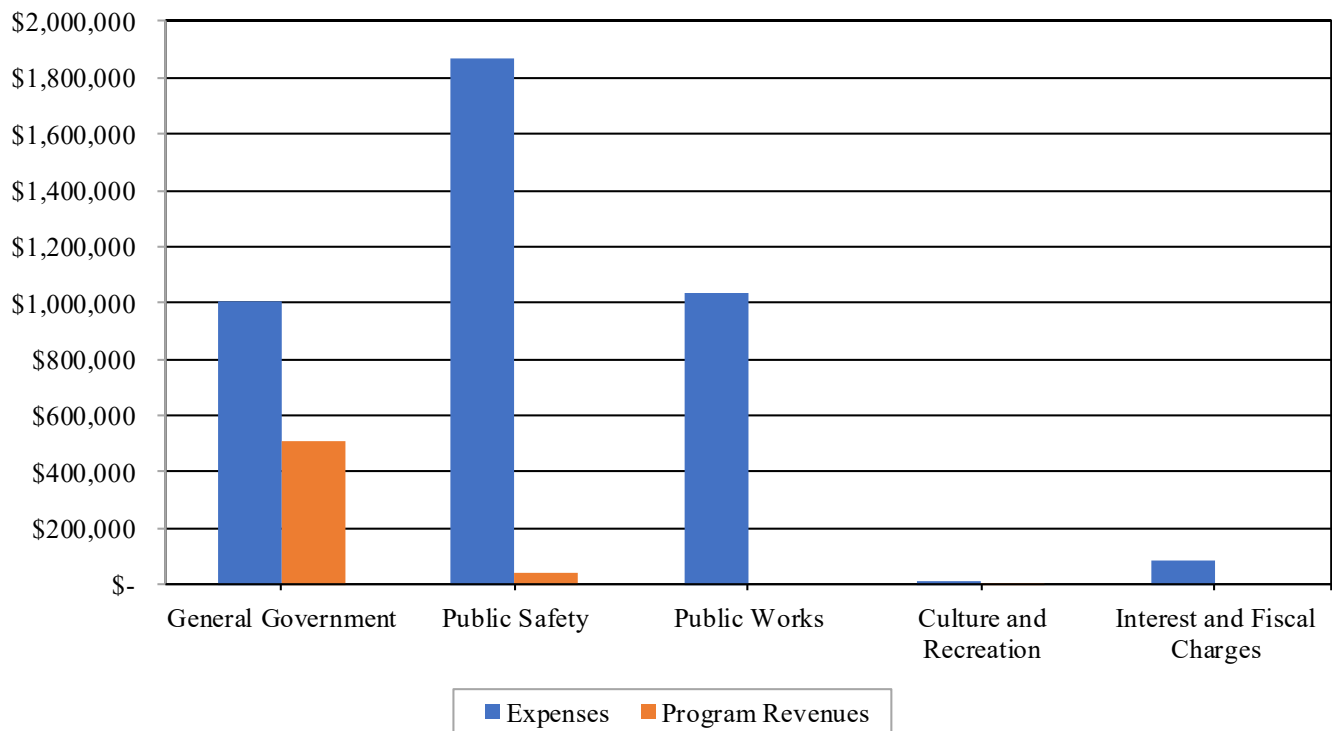
**City of Independence
Management's Discussion and Analysis**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities (Continued).

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

Expenses and Program Revenues - Governmental Activities

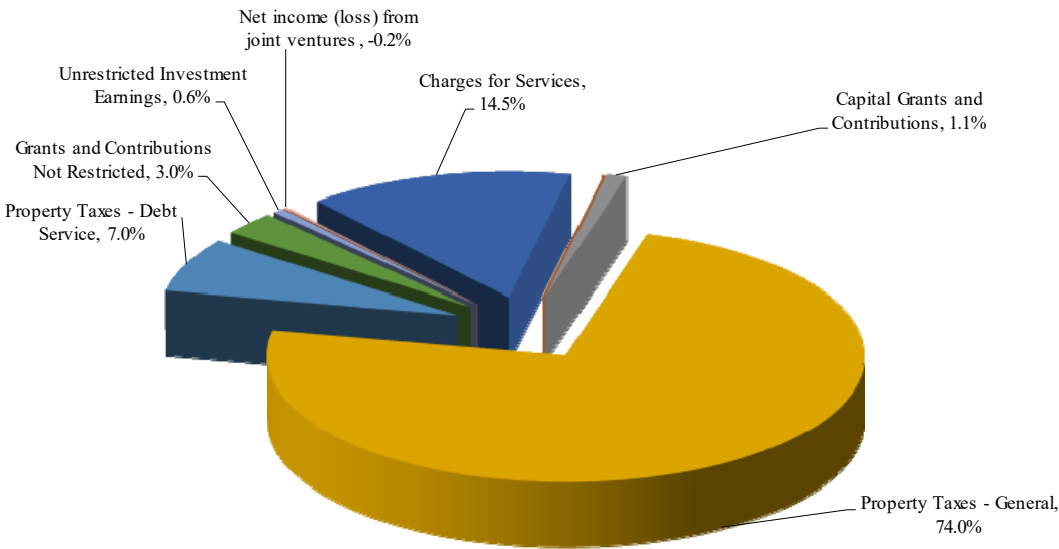


City of Independence
Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities (Continued).

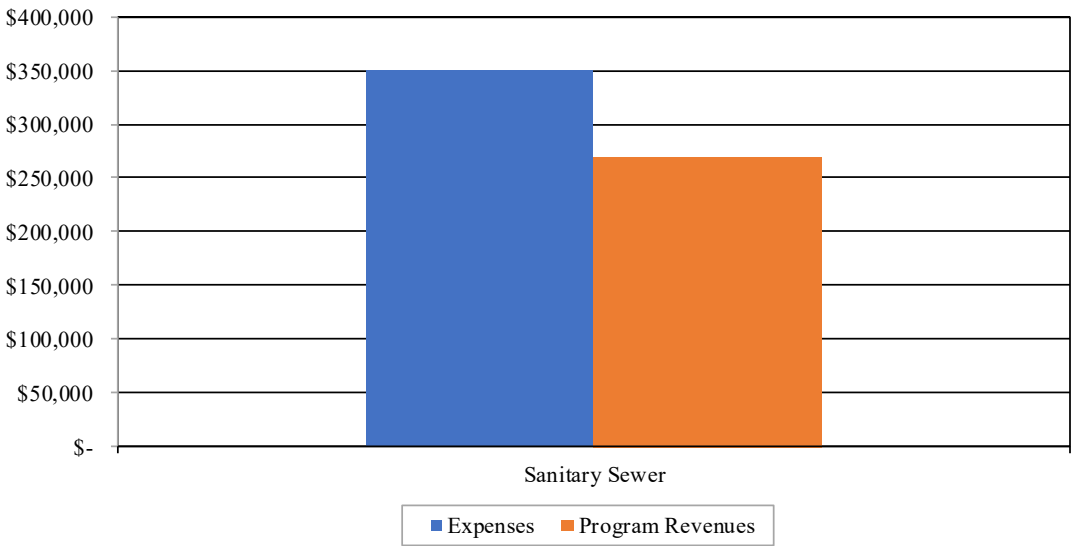
Revenues by Source - Governmental Activities



Business-type Activities. Business-type activities decreased the City's net position by \$17,595.

- Operating loss in the Sanitary Sewer fund of \$72,316, the main contributor for the decrease in the business-type activities was higher repair costs, purchase of start capacitors and greater SAC charges in the current year.

Expenses and Program Revenues - Business-type Activities

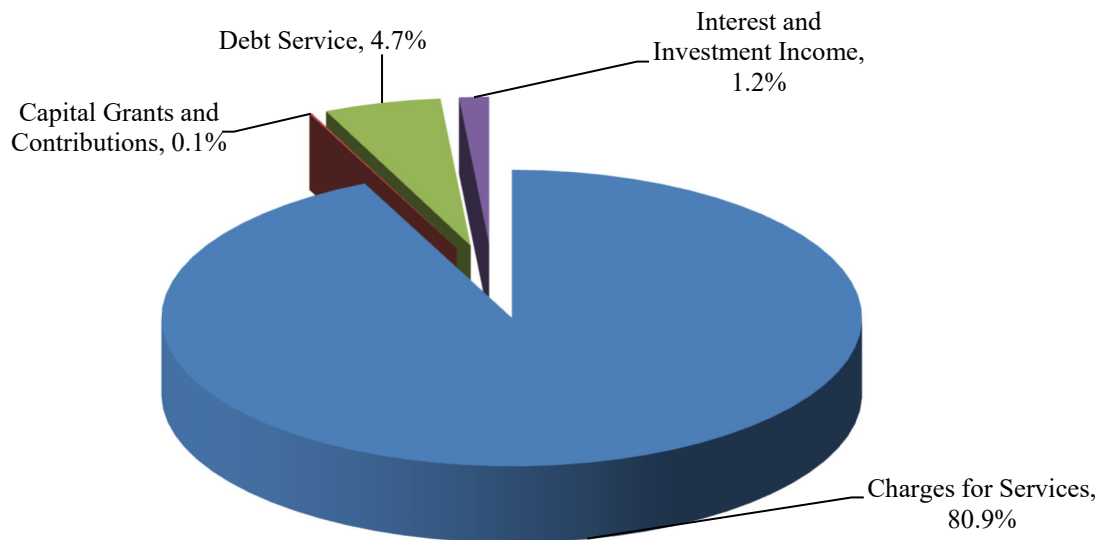


City of Independence Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Business-type Activities (Continued).

Revenues by Source - 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 near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The *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 \$1,996,513. The City's General Fund balance increased \$14,414 during the current fiscal year. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total budgeted expenditures. Total unassigned fund balance represents 52.8% of total 2022 expenditures.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

City of Independence Management's Discussion and Analysis

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's General Fund budget was not amended during the year. The budget was balanced for 2022. Fund balance increased \$14,414 from the prior year.

Overall revenues were over budget by \$239,927. The most significant positive revenue variance was from licenses and permits which was \$230,296 over budget. The most significant negative revenue variance was from property tax income which were less than budget by \$6,066.

Overall expenditures were over budget by \$149,776. The most significant positive expenditure variance was from general government, capital outlay which was \$33,183 under budget. The most significant negative expenditure variance was from the public works, capital outlay program which was more than budget by \$104,518. This was due to the expenses from the hailstorm for the roof damages.

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, 2022, amounts to \$9,734,364 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, vehicles, land improvements, and infrastructure.

Additional information on the City's capital assets can be found in Note 7 starts on page 50 of this report.

City of Independence's Capital Assets (Net of Depreciation)

	Governmental Activities			Business-Type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Land	\$ 591,591	\$ 591,591	\$ -	\$ -	\$ -	\$ -
Construction in Progress	-	2,220,209	(2,220,209)	-	-	-
Equipment	43,049	119,215	(76,166)	-	1,088	(1,088)
Vehicles	341,120	379,577	(38,457)	-	1,883	(1,883)
Buildings	5,189,870	2,291,506	2,898,364	-	-	-
Infrastructure	2,057,667	2,152,554	(94,887)	1,511,067	1,632,617	(121,550)
Total	<u>\$ 8,223,297</u>	<u>\$ 7,754,652</u>	<u>\$ 468,645</u>	<u>\$ 1,511,067</u>	<u>\$ 1,635,588</u>	<u>\$ (124,521)</u>

City of Independence Management's Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-term Debt. At the end of the current fiscal year, the City had total debt outstanding of \$4,635,000. While all of the City's bonds have revenue streams, they are also backed by the full faith and credit of the City.

City of Independence's Outstanding Debt

	Governmental Activities			Business-Type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
General Obligation Improvement Bonds	\$ -	\$ -	\$ -	\$ 270,000	\$ 330,000	\$ (60,000)
General Obligation Tax Abatement	640,000	790,000	(150,000)	-	-	-
Capital Lease	-	2,479	(2,479)	-	-	-
General Obligation Equipment Certificates	3,725,000	3,760,000	(35,000)	-	-	-
Total	<u>\$ 4,365,000</u>	<u>\$ 4,552,479</u>	<u>\$ (187,479)</u>	<u>\$ 270,000</u>	<u>\$ 330,000</u>	<u>\$ (60,000)</u>

The City's total debt decreased during the current fiscal year.

Additional information on the City's long-term debt can be found in Note 5 starting on page 48 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Independence has a comprehensive budgeting process which includes review by department heads and the City Council. The City considers factors such as state aid, county aid, and fees when reviewing revenues. Expenses are monitored based on any potential staffing or equipment needs and changes in resources such as fuel. The City Council also strives to increase and diversify the tax base.

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 Rd. 90, Independence, Minnesota, 55359.

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BASIC FINANCIAL STATEMENTS

City of Independence
Statement of Net Position
December 31, 2022

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (including cash equivalents)	\$ 3,394,488	\$ 363,334	\$ 3,757,822
Cash with fiscal agent	237,502	69,493	306,995
Receivables			
Accounts	7,916	63,303	71,219
Due from other governments	2,659	-	2,659
Interest	217	-	217
Delinquent property taxes	62,362	-	62,362
Delinquent special assessments	-	255	255
Deferred special assessments	40,112	347,912	388,024
Unremitted property taxes	69,862	-	69,862
Lease receivable	86,813	-	86,813
Prepaid items	179,643	1,396	181,039
Equity interest in joint ventures	560,557	-	560,557
Capital assets (net of accumulated depreciation)			
Capital assets not being depreciated	591,591	-	591,591
Capital assets being depreciated	7,631,706	1,511,067	9,142,773
Total assets	<u>12,865,428</u>	<u>2,356,760</u>	<u>15,222,188</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	130,522	12,612	143,134
 Total assets and deferred outflows of resources	<u>\$ 12,995,950</u>	<u>\$ 2,369,372</u>	<u>\$ 15,365,322</u>
Liabilities, Deferred Inflows of Resources and Net Position			
Liabilities			
Accounts payable	\$ 315,641	\$ 3,105	\$ 318,746
Due to other governments	3,818	2,485	6,303
Salaries and benefits payable	19,271	5,233	24,504
Unearned revenue	370,972	-	370,972
Interest payable	39,586	3,744	43,330
Current portion of compensated absences	18,229	4,779	23,008
Noncurrent portion of compensated absences	16,285	3,545	19,830
Current portion of long-term debt	190,000	65,000	255,000
Noncurrent portion of long-term debt	4,325,062	205,000	4,530,062
Net pension liability	418,885	40,477	459,362
Total liabilities	<u>5,717,749</u>	<u>333,368</u>	<u>6,051,117</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to lease receivable	85,390	-	85,390
Deferred inflows of resources related to pensions	12,647	1,222	13,869
Total deferred inflows of resources	<u>98,037</u>	<u>1,222</u>	<u>99,259</u>
Net Position			
Net investment in capital assets	3,858,297	1,241,067	5,099,364
Restricted for general government	9,271	-	9,271
Restricted for debt service	257,225	-	257,225
Restricted for park improvements	201,787	-	201,787
Unrestricted	2,853,584	793,715	3,647,299
Total net position	<u>7,180,164</u>	<u>2,034,782</u>	<u>9,214,946</u>
 Total liabilities, deferred inflows of resources, and net position	<u>\$ 12,995,950</u>	<u>\$ 2,369,372</u>	<u>\$ 15,365,322</u>

See notes to basic financial statements.

City of Independence
Statement of Activities
Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Governmental activities							
General government	\$ 1,008,558	\$ 579,096	\$ -	\$ -	\$ (429,462)	\$ -	\$ (429,462)
Public safety	1,869,568	42,090	-	-	(1,827,478)	-	(1,827,478)
Public works	1,036,505	-	-	-	(1,036,505)	-	(1,036,505)
Culture and recreation	12,990	1,300	-	48,323	36,633	-	36,633
Interest and fiscal charges	85,386	-	-	-	(85,386)	-	(85,386)
Total governmental activities	<u>4,013,007</u>	<u>622,486</u>	<u>-</u>	<u>48,323</u>	<u>(3,342,198)</u>	<u>-</u>	<u>(3,342,198)</u>
Business-type activities							
Sewer	349,596	268,915	-	43,443	-	(37,238)	(37,238)
Total business-type activities	<u>349,596</u>	<u>268,915</u>	<u>-</u>	<u>43,443</u>	<u>-</u>	<u>(37,238)</u>	<u>(37,238)</u>
Total governmental and business-type activities	<u>\$ 4,362,603</u>	<u>\$ 891,401</u>	<u>\$ -</u>	<u>\$ 91,766</u>	<u>(3,342,198)</u>	<u>(37,238)</u>	<u>(3,379,436)</u>
General revenues							
Property taxes					3,170,383	-	3,170,383
Property taxes levied for debt service					299,255	15,569	314,824
Intergovernmental revenues not restricted to specific programs					128,608	-	128,608
Interest and investment income					24,843	4,074	28,917
Net income (loss) from joint ventures					(8,608)	-	(8,608)
Total general revenues					<u>3,614,481</u>	<u>19,643</u>	<u>3,634,124</u>
Change in net position					272,283	(17,595)	254,688
Net position - beginning					6,748,051	2,052,377	8,800,428
Prior period adjustments (see Note 9)					159,830	-	159,830
Net position - beginning, as restated					<u>6,907,881</u>	<u>2,052,377</u>	<u>8,960,258</u>
Net position - ending					<u>\$ 7,180,164</u>	<u>\$ 2,034,782</u>	<u>\$ 9,214,946</u>

See notes to basic financial statements.

City of Independence
Balance Sheet - Governmental Funds
December 31, 2022

		Special Revenue	Capital Projects	
	General Fund (100)	COVID-19 Relief (201)	City Hall Remodel (416)	Permanent Capital (401- 404, 801-805)
Assets				
Cash and investments	\$ 1,822,620	\$ 263,372	\$ 6,825	\$ 699,058
Cash with a fiscal agent	-	-	-	-
Receivables				
Accounts	7,916	-	-	-
Due from other governments	2,659	-	-	-
Interest	217	-	-	-
Due from other funds	-	-	-	-
Unremitted property taxes	68,903	-	-	-
Delinquent property taxes	51,308	-	-	-
Deferred special assessments	40,112	-	-	-
Lease receivable	86,813	-	-	-
Prepaid items	179,643	-	-	-
	<u>179,643</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 2,260,191</u>	<u>\$ 263,372</u>	<u>\$ 6,825</u>	<u>\$ 699,058</u>
Liabilities				
Accounts payable	\$ 63,779	\$ -	\$ 205,682	\$ -
Due to other governments	3,818	-	-	-
Salaries and benefits payable	19,271	-	-	-
Unearned revenue	-	263,372	-	107,600
Total liabilities	<u>86,868</u>	<u>263,372</u>	<u>205,682</u>	<u>107,600</u>
Deferred Inflows of Resources				
Deferred inflows of resources related to lease receivables	85,390	-	-	-
Unavailable revenue - property taxes	51,308	-	-	-
Unavailable revenue - special assessments	40,112	-	-	-
Total deferred inflows of resources	<u>176,810</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable	179,643	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	591,458
Unassigned	1,816,870	-	(198,857)	-
Total fund balances	<u>1,996,513</u>	<u>-</u>	<u>(198,857)</u>	<u>591,458</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,260,191</u>	<u>\$ 263,372</u>	<u>\$ 6,825</u>	<u>\$ 699,058</u>

Nonmajor Governmental Funds	Total Governmental Funds
\$ 602,613	\$ 3,394,488
237,502	237,502
-	7,916
-	2,659
-	217
-	-
959	69,862
11,054	62,362
-	40,112
-	86,813
-	179,643
<u>\$ 852,128</u>	<u>\$ 4,081,574</u>
\$ 46,180	\$ 315,641
-	3,818
-	19,271
-	370,972
<u>46,180</u>	<u>709,702</u>
-	85,390
11,054	62,362
-	40,112
<u>11,054</u>	<u>187,864</u>
-	179,643
507,869	507,869
313,223	904,681
(26,198)	1,591,815
<u>794,894</u>	<u>3,184,008</u>
<u>\$ 852,128</u>	<u>\$ 4,081,574</u>

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

Total fund balances - governmental funds	\$ 3,184,008
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Capital assets	12,987,197
Less accumulated depreciation	(4,763,900)
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:	
Principal payable on bonds and note from direct borrowing	(4,365,000)
Unamortized bond premiums and discounts	(150,062)
Compensated absences payable	(34,514)
Net pension liability	(418,885)
Deferred outflows of resources and deferred Inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.	
Deferred inflows of resources related to pensions	(12,647)
Deferred outflows of resources related to pensions	130,522
Governmental funds do not report an asset for equity interest in joint ventures.	560,557
Delinquent receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	
Property taxes	62,362
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Deferred special assessments	40,112
Governmental funds do not report a liability for accrued interest until due and payable.	(39,586)
Total net position - governmental activities	<u>\$ 7,180,164</u>

City of Independence
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2022

		Special Revenue	Capital Projects	
	General Fund (100)	COVID-19 Relief (201)	City Hall Remodel (416)	Permanent Capital (401- 404, 801-805)
Revenues				
Taxes	\$ 3,108,482	\$ -	\$ -	\$ -
Licenses and permits	425,366	-	-	-
Intergovernmental	26,118	1,150	97,899	-
Charges for services	41,455	-	-	-
Fines and forfeitures	42,090	-	-	-
Miscellaneous				
Investment income	14,051	-	-	5,371
Contributions and donations	-	-	-	-
Park dedication fee	-	-	-	-
Other	4,873	-	-	-
Total revenues	<u>3,662,435</u>	<u>1,150</u>	<u>97,899</u>	<u>5,371</u>
Expenditures				
Current				
General government	793,238	-	-	-
Public safety	1,828,943	1,150	-	-
Public works	709,037	-	-	-
Cultural and recreation	5,961	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay				
General government	1,817	-	750,487	220
Public works	104,518	-	-	-
Total expenditures	<u>3,443,514</u>	<u>1,150</u>	<u>750,487</u>	<u>220</u>
Excess of revenues over (under) expenditures	218,921	-	(652,588)	5,151
Other Financing Sources (Uses)				
Transfers in	122,162	-	197,899	181,615
Transfers out	(326,669)	-	-	-
Total other financing sources (uses)	<u>(204,507)</u>	<u>-</u>	<u>197,899</u>	<u>181,615</u>
Net change in fund balances	14,414	-	(454,689)	186,766
Fund Balances				
Beginning of year	<u>1,982,099</u>	<u>-</u>	<u>255,832</u>	<u>404,692</u>
End of year	<u>\$ 1,996,513</u>	<u>\$ -</u>	<u>\$ (198,857)</u>	<u>\$ 591,458</u>

See notes to basic financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 363,083	\$ 3,471,565
-	425,366
-	125,167
108,702	150,157
-	42,090
5,421	24,843
1,597	1,597
48,323	48,323
-	4,873
<u>527,126</u>	<u>4,293,981</u>
177,640	970,878
-	1,830,093
3,475	712,512
-	5,961
185,000	185,000
97,505	97,505
-	752,524
-	104,518
<u>463,620</u>	<u>4,658,991</u>
63,506	(365,010)
5,548	507,224
(180,555)	(507,224)
<u>(175,007)</u>	<u>-</u>
(111,501)	(365,010)
<u>906,395</u>	<u>3,549,018</u>
<u>\$ 794,894</u>	<u>\$ 3,184,008</u>

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City of Independence
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to
the Statement of Activities - Governmental Funds
Year Ended December 31, 2022

Net change in fund balances - total governmental funds:	\$ (365,010)
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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 outlay	746,843
Depreciation expense	(278,198)

Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.

2,324

Governmental funds recognize pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.

Pension expense	(22,739)
-----------------	----------

Governmental funds do not report income or loss in a joint venture.

(8,608)

Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no impact on net position in the Statement of Activities.

185,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires 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.

4,167

The governmental funds report the effect of bond premiums, discounts, and other similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Amortization of bond premiums and discounts	10,431
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Delinquent receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are not revenues in the funds.

Delinquent property taxes	(1,927)
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Change in net position of governmental activities	\$ <u>272,283</u>
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City of Independence
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2022

	Budgeted Amounts Original and Final	Actual	Variance with Final Budget - Over (Under)
Revenues			
Property taxes	\$ 3,114,548	\$ 3,108,482	\$ (6,066)
Licenses and permits	195,070	425,366	230,296
Intergovernmental	16,000	26,118	10,118
Charges for services	41,150	41,455	305
Fines and forfeitures	47,740	42,090	(5,650)
Miscellaneous			
Investment income	3,000	14,051	11,051
Refunds and reimbursements	4,000	3,573	(427)
Other	1,000	1,300	300
Total miscellaneous	8,000	18,924	10,924
Total revenues	<u>3,422,508</u>	<u>3,662,435</u>	<u>239,927</u>
Expenditures			
Current			
General government	694,366	793,238	98,872
Public safety	1,834,328	1,828,943	(5,385)
Public works	707,620	709,037	1,417
Cultural and recreation	21,414	5,961	(15,453)
Capital outlay			
General government	35,000	1,817	(33,183)
Public safety	430	-	(430)
Public works	-	104,518	104,518
Culture and recreation	580	-	(580)
Total expenditures	<u>3,293,738</u>	<u>3,443,514</u>	<u>149,776</u>
Excess of revenues over expenditures	128,770	218,921	90,151
Other financing sources (uses)			
Transfers in	-	122,162	122,162
Transfers out	<u>(128,770)</u>	<u>(326,669)</u>	<u>(197,899)</u>
Total other financing sources (uses)	<u>(128,770)</u>	<u>(204,507)</u>	<u>(75,737)</u>
Net change in fund balance	<u>\$ -</u>	<u>14,414</u>	<u>\$ 14,414</u>
Fund Balance			
Beginning of year		<u>1,982,099</u>	
End of year		<u>\$ 1,996,513</u>	

City of Independence
Statement of Net Position - Proprietary Funds
December 31, 2022

	<u>Sanitary Sewer Fund (602)</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 363,334
Cash with fiscal agent	69,493
Accounts receivable	63,303
Special assessment receivable	
Delinquent	255
Deferred	347,912
Prepaid items	1,396
Total current assets	<u>845,693</u>
Noncurrent assets	
Capital assets	
Infrastructure	4,876,873
Machinery and equipment	17,340
Vehicles	37,649
Total capital assets	4,931,862
Less accumulated depreciation	(3,420,795)
Total noncurrent assets and net capital assets	<u>1,511,067</u>
Total Assets	<u>2,356,760</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to pension activity	<u>12,612</u>
Total assets and deferred outflows of resources	<u>\$ 2,369,372</u>
Liabilities	
Current liabilities	
Accounts payable	\$ 3,105
Due to other governments	2,485
Salaries and benefits payable	5,233
Interest payable	3,744
Current portion of compensated absences	4,779
Current portion of bonds payable	65,000
Total current liabilities	<u>84,346</u>
Noncurrent liabilities	
Noncurrent portion of compensated absences	3,545
Noncurrent portion of bonds payable	205,000
Net pension liability	40,477
Total noncurrent liabilities	<u>249,022</u>
Total liabilities	<u>333,368</u>
Deferred Inflows of Resources	
Deferred inflows of resources related to pension activity	<u>1,222</u>
Net Position	
Net investment in capital assets	1,241,067
Unrestricted	793,715
Total net position	<u>2,034,782</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 2,369,372</u>

See notes to basic financial statements.

City of Independence
Statement of Revenues, Expenses, and Changes
in Net Position - Proprietary Funds
Year Ended December 31, 2022

	Sanitary Sewer Fund (602)
Operating revenues	
Charges for services	\$ 268,915
Operating expenses	
Personal Services	68,602
Materials and supplies	13,271
Repairs and maintenance	1,210
Insurance	706
Utilities	37,824
Depreciation	124,521
Miscellaneous	95,097
Total operating expenses	<u>341,231</u>
Operating income (loss)	(72,316)
Nonoperating revenues (expenses)	
Property taxes	15,569
Special assessments	26,317
Connection charges	16,851
Investment income	4,074
Refunds and reimbursements	275
Interest expense	<u>(8,365)</u>
Total nonoperating revenues (expenses)	<u>54,721</u>
Change in net position	(17,595)
Net position	
Beginning of year	<u>2,052,377</u>
End of year	<u><u>\$ 2,034,782</u></u>

City of Independence
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2022

	Sanitary Sewer Fund (602)
Cash Flows - Operating Activities	
Receipts from customers and users	\$ 256,572
Payments to suppliers	(142,193)
Payments to employees	(72,655)
Net cash flows - operating activities	<u>41,724</u>
Cash Flows - Noncapital Financing Activities	
Refunds and reimbursements	<u>275</u>
Cash Flows - Capital and Related Financing Activities	
Principal paid on debt	(60,000)
Interest paid on debt	(9,915)
Property taxes	15,569
Special assessments	94,994
Connection charges	16,851
Net cash flows - capital and related financing activities	<u>57,499</u>
Cash Flows - Investing Activities	
Interest and dividends received	<u>4,074</u>
Net change in cash and cash equivalents	103,572
Cash and Cash Equivalents	
January 1	<u>329,255</u>
December 31	<u><u>\$ 432,827</u></u>
Reconciliation of Operating Gain (Loss) to Net Cash Flows - Operating Activities	
Operating income (loss)	\$ (72,316)
Adjustments to reconcile operating gain (loss) to net cash flows	
Operating activities:	
Depreciation expense	124,521
Pension related activity	(10,079)
Accounts receivable	(12,343)
Prepaid items	5,104
Accounts payable	(1,674)
Due to other governmental units	2,485
Salaries payable	2,521
Compensated absences payable	3,505
Total adjustments	<u>114,040</u>
Net cash flows - operating activities	<u><u>\$ 41,724</u></u>

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City of Independence
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Independence (the "City") is a statutory city governed by an elected mayor and four council members. The accompanying financial statements present the government entities for which the government is considered to be financially accountable.

The financial statements present the City and its component units. The City includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of 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 with the City.

The City is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the City.

As a result of applying the component unit definition criteria above, certain organizations have been defined and are presented in this report as follows:

Blended Component Units – Reported as if they were part of the City.

Joint Ventures and Jointly Governed Organizations – The relationship of the City with the entity is disclosed.

For each of the categories above, the specific entities are identified as follows:

1. Blended Component Unit

The Independence Housing and Redevelopment Authority (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.

2. Joint Ventures and Jointly Governed Organizations

The 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.

City of Independence
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

1. Joint Ventures and Jointly Governed Organizations (Continued)

The West Hennepin Public Safety Commission (Continued)

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, 2022, the amount reported as investment in joint venture was \$133,683 for the City's share of capital assets. According to a formula in the agreement, the City's share of the Commission's budget is 68%. Payments to the Commission in 2022 totaled \$1,314,399. The Commission's financial statements for the period ended December 31, 2022, can be obtained at the City's Municipal Center.

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.

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, 2022, the amount reported as investment in joint venture was \$426,874.

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 \$47,642 to the commission in 2022. 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.

City of Independence
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the City. The fiduciary funds are only reported in the statement of fiduciary net position and the statement of changes in fiduciary net position at the fund financial statement level. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated revenues are reported as general revenues rather than program revenues.

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Aggregate information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

C. Measurement Focus Basis, of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

City of Independence
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus Basis, of Accounting, and Financial Statement Presentation (Continued)

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

Description of Funds:

Major Governmental Funds:

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

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

City Hall Remodel Fund – This fund accounts for resources set aside for the City Hall capital improvement.

Permanent Capital Fund – This fund accounts for resources set aside for future capital improvements.

Proprietary Funds:

Sanitary Sewer Fund – This fund accounts for the operations of the City's sanitary sewer utility.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sanitary Sewer Fund are charges to customers for sales 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.

City of Independence
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

1. Deposits and Investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Minnesota Statutes authorizes the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days and in the Minnesota Municipal Investment Pool.

In accordance with GASB Statement No. 79, the Minnesota Municipal Investment Pool securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to 7 days interest on the amount withdrawn. Seven days notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption.

2. Receivables and Payables

All trade and property tax receivables are shown at a gross amount since both are assessable to the property taxes and are collectible upon the sale of the property.

The City levies its property tax for the subsequent year during the month of December. December 28 is the last day the City can certify a tax levy to the County Auditor for collection the following year. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. The property tax is recorded as revenue when it becomes measurable and available. The County is the collecting agency for the levy and remit the collections to the City three times a year. The tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

The County Auditor prepares the tax list for all taxable property in the City, applying the applicable tax rate to the tax capacity of individual properties, to arrive at the actual tax for each property. The County Auditor also collects all special assessments, except for certain prepayments paid directly to the City.

City of Independence
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)**

2. Receivables and Payables (Continued)

The County Auditor submits the list of taxes and special assessments to be collected on each parcel of property to the County Treasurer in January of each year.

3. Special Assessments

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with *Minnesota Statutes*. These assessments are collectible by the City over a term usually consistent with the terms of the related bond issue. Collection of annual installments (including interest) is handled by the County Auditor in the same manner as property taxes. Property owners are allowed to (and often do) prepay future installments without interest or prepayment penalties.

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City.

If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale. Proceeds of sales from tax forfeit properties are remitted to the City in payment of delinquent special assessments. Pursuant to *Minnesota Statutes*, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural, or seasonal recreational land in which event the property is subject to such sale after five years.

The City recognizes special assessment revenue in the period that the assessment roll was adopted by the City Council.

Revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year. All remaining delinquent and deferred assessments receivable in governmental funds are offset by deferred inflows of resources. In the proprietary funds all special assessment receivables are shown as revenue in the year they are recorded.

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

City of Independence
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)**

5. Capital Assets

Capital assets, which include land, land improvements, buildings, building improvements, construction in progress, machinery and equipment, vehicles, infrastructure, easements, works of art and historical treasures acquired by the City for use in providing services to its citizens, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost as noted on the table below and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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.

<u>Assets</u>	<u>Threshold</u>
Building	\$ 25,000
Equipment	5,000
Vehicles	5,000
Land	10,000
Infrastructure	100,000

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Equipment	3-15
Vehicles	3-12
Infrastructure	20-60

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has one item that qualifies for reporting in this category. The City presents deferred outflows of resources on the Statement of Net Position for deferred outflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

City of Independence
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)**

6. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category. The City presents deferred inflows of resources on the Governmental Fund Balance Sheet as unavailable revenue. 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 City presents deferred inflows of resources on the Statement of Net Position for deferred inflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years. Deferred inflows of resources related to lease receivable is reported in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet.

7. Pensions

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

8. 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.

9. Long-Term Obligations

In the government-wide and proprietary 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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

**City of Independence
Notes to Basic Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)**

9. Long-Term Obligations (Continued)

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

10. Fund Balance

a. Classification

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- **Nonspendable Fund Balances** – These are amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact.
- **Restricted Fund Balances** – These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.
- **Committed Fund Balances** – These are amounts comprised of unrestricted funds used for a specific purpose pursuant to constraints imposed by formal action of the City Council and that remain binding unless removed by the City Council by subsequent formal action.
- **Assigned Fund Balances** – These are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed and include all remaining amounts (except for negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable, restricted, or committed. The City Council has delegated authority to assign and remove fund balance assignments to the City Administrator.
- **Unassigned Fund Balance** – These are residual amounts in the General Fund not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

City of Independence
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)**

10. Fund Balance (Continued)

b. Minimum Fund Balance

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 40-50% of budgeted operating expenditures for cash-flow timing needs.

11. Net Position

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

12. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

13. Budgetary Information

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In August of each year, City staff submits to the City Council, a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution after obtaining taxpayer comments.
4. Budgets for the General Fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Expenditures may not legally exceed budgeted appropriations at the department level. No fund's budget can be increased without City Council approval. The City Council may authorize transfer of budgeted amounts between departments within any fund. Management may amend budgets within a department level, so long as the total department budget is not changed.
6. Annual appropriated budgets are adopted during the year for the General Fund. Annual appropriated budgets are not adopted for Debt Service Funds because effective budgetary control is alternatively achieved through bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls and formal appropriated budgets are not adopted.

City of Independence
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

13. Budgetary Information (Continued)

7. Budgeted amounts are as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original amounts budgeted. Budgeted expenditure appropriations lapse at year-end.
8. The City does not use encumbrance accounting.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Balances

The following Funds had deficit fund balances at December 31, 2022:

Major Funds	
City Hall Remodel	\$ 198,857
Nonmajor Funds	
Escrow	26,198

NOTE 3 – DEPOSITS AND INVESTMENTS

Cash balances of the City's funds are combined (pooled) and invested to the extent available in various investments authorized by *Minnesota Statutes*. Each fund's portion of this pool (or pools) is displayed in the financial statements as "cash and cash equivalents" or "investments". For purposes of identifying risk of investing public funds, the balances and related restrictions are summarized as follows.

A. Deposits

Custodial Credit Risk – Deposits: This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has a policy that requires the District's deposits be collateralized as required by *Minnesota Statutes* for an amount exceeding FDIC, SAIF, BIF, or FCUA coverage. As of December 31, 2022, the City's bank balances of \$2,659,938 was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the City's name. The book balance as of December 31, 2022, was \$2,158,493. The City also had deposits with fiscal agent of \$306,995 at December 31, 2022.

B. Investments

The City's investments as of December 31, 2022, consisted of \$1,599,329 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:

City of Independence
Notes to Basic Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Concentration of Credit Risk: This is the risk associated with investing a significant portion of the City's investments (considered 5% or more) in securities of a single user, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. As of December 31, 2022, the City's investment portfolio includes a 100% investment in the 4M fund which is an external investment pool.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fully fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized rating service.

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market value interest rates. This risk is minimal with the City being fully invested in the 4M fund.

Custodial Credit Risk – Investments: For an investment, this is the risk in the event of the failure of the counterparty the City will 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.

C. Deposits and Investments

Summary of cash deposits and investments as of December 31, 2022, were as follows:

Carrying amount of deposits (Note 3. A.)	\$ 2,158,493
Cash with fiscal agent (Note 3. A.)	306,995
Investments (Note 3. B.)	<u>1,599,329</u>
 Total cash and investments	 <u><u>\$ 4,064,817</u></u>

Deposits and investments are presented in the December 31, 2022, basic financial statements as follows:

Statement of Net Position	
Cash and investments	\$ 3,757,822
Cash with fiscal agent	<u>306,995</u>
 Total	 <u><u>\$ 4,064,817</u></u>

NOTE 4 – LEASE RECEIVABLE

The City has entered into a building lease agreement with North Memorial Health Care for space leased on premises located at 1920 County Road 90, Independence, MN. This lease was entered into December 2022 and will continue through the end of 2027. The payment due in 2022 was \$1,717 with a 3% increase each year after. The deferred inflow and receivable balance related to this lease is \$85,390 and \$86,813 respectively as of December 31, 2022.

City of Independence
Notes to Basic Financial Statements

NOTE 5 – INTERFUND ACTIVITY

A. Interfund Transfers

Transfers during the year ended December 31, 2022, were as follows:

Fund	Transfer In				Total
	General	City Hall Remodel	Permanent Capital	Nonmajor Governmental	
Transfers out					
General	\$ -	\$ 197,899	\$ 128,770	\$ -	\$ 326,669
Nonmajor governmental	122,162	-	52,845	5,548	180,555
 Total transfers out	 \$ 122,162	 \$ 197,899	 \$ 181,615	 \$ 5,548	 \$ 507,224

The transfers out were for capital items, road maintenance costs, closing various debt service funds, covering a cash deficit, and a correction for prior year escrow activity coding.

City of Independence
Notes to Basic Financial Statements

NOTE 6 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 591,591	\$ -	\$ -	\$ 591,591
Construction in progress	2,220,209	746,843	(2,967,052)	-
Total capital assets not being depreciated	<u>2,811,800</u>	<u>746,843</u>	<u>(2,967,052)</u>	<u>591,591</u>
Capital assets being depreciated				
Equipment	864,996	-	-	864,996
Vehicles	643,681	-	-	643,681
Buildings	3,738,722	2,967,052	-	6,705,774
Infrastructure	<u>4,181,155</u>	<u>-</u>	<u>-</u>	<u>4,181,155</u>
Total capital assets being depreciated	<u>9,428,554</u>	<u>2,967,052</u>	<u>-</u>	<u>12,395,606</u>
Less accumulated depreciation for				
Equipment	745,781	76,166	-	821,947
Vehicles	264,104	38,457	-	302,561
Buildings	1,447,216	68,688	-	1,515,904
Infrastructure	<u>2,028,601</u>	<u>94,887</u>	<u>-</u>	<u>2,123,488</u>
Total accumulated depreciation	<u>4,485,702</u>	<u>278,198</u>	<u>-</u>	<u>4,763,900</u>
Total capital assets being depreciated, net	<u>4,942,852</u>	<u>2,688,854</u>	<u>-</u>	<u>7,631,706</u>
Governmental activities capital assets, net	<u>\$ 7,754,652</u>	<u>\$ 3,435,697</u>	<u>\$ (2,967,052)</u>	<u>\$ 8,223,297</u>

City of Independence
Notes to Basic Financial Statements

NOTE 6 – CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets being depreciated				
Equipment	\$ 17,340	\$ -	\$ -	\$ 17,340
Vehicles	37,649	-	-	37,649
Infrastructure	4,876,873	-	-	4,876,873
Total capital assets being depreciated	4,931,862	-	-	4,931,862
Less accumulated depreciation for				
Equipment	16,252	1,088	-	17,340
Vehicles	35,766	1,883	-	37,649
Infrastructure	3,244,256	121,550	-	3,365,806
Total accumulated depreciation	3,296,274	124,521	-	3,420,795
Total capital assets being depreciated, net	1,635,588	(124,521)	-	1,511,067
Business-type activities capital assets, net	\$ 1,635,588	\$ (124,521)	\$ -	\$ 1,511,067

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

Governmental activities	
General government	\$ 30,208
Public safety	36,869
Public works	209,288
Cultural and recreation	1,833
Total depreciation expense - governmental activities	\$ 278,198
Business-type activities	
Sewer	124,521
Total depreciation expense - governmental activities	\$ 124,521

City of Independence
Notes to Basic Financial Statements

NOTE 7 – LONG-TERM DEBT

A. General Obligation Bonds

The City issues general obligation (G.O.) bonds to provide for financing tax increment projects and street improvements. Debt service is covered respectively by tax increments and special assessments against benefited properties with any shortfalls being paid from general taxes.

G.O. bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 15 year serial bonds with equal debt service payments each year.

B. Components of Long-Term Liabilities

	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>12/31/22 Balance</u>	<u>Due Within</u>
Governmental activities						
General obligation improvement bonds						
2010A bonds	6/11/2020	2.00-3.00%	\$ 3,760,000	2/1/2041	\$3,725,000	\$ 35,000
General obligation tax abatement bonds						
2015A Bonds	8/19/2015	2.00-2.25%	1,495,000	2/1/2026	640,000	155,000
Bond premium					150,062	-
Compensated absences					34,514	18,229
Total governmental activities					<u>4,549,576</u>	<u>208,229</u>
Business-Type Activities						
General obligation improvement bonds						
2010A bonds	10/21/2010	1.00-3.40%	855,000	2/1/2026	270,000	65,000
Compensated absences					8,324	4,779
Total business-type activities					<u>278,324</u>	<u>69,779</u>
Total long-term liabilities					<u><u>\$4,827,900</u></u>	<u><u>\$278,008</u></u>

City of Independence
Notes to Basic Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

C. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds Payable					
General obligation tax abatement bonds	\$ 790,000	\$ -	\$ (150,000)	\$ 640,000	\$ 155,000
General obligation capital improvement bond	3,760,000	-	(35,000)	3,725,000	35,000
Bond premium	160,493	-	(10,431)	150,062	-
Total bonds payable	4,710,493	-	(195,431)	4,515,062	190,000
Capital lease payable	2,479	-	(2,479)	-	-
Compensated absences payable	36,838	35,214	(37,538)	34,514	18,229
Governmental activity long-term liabilities	<u>\$ 4,749,810</u>	<u>\$ 35,214</u>	<u>\$ (235,448)</u>	<u>\$ 4,549,576</u>	<u>\$ 208,229</u>
Business-type activities					
Bonds Payable					
General obligation improvement bonds	\$ 330,000	\$ -	\$ (60,000)	\$ 270,000	\$ 65,000
Total bonds payable	330,000	-	(60,000)	270,000	65,000
Compensated absences payable	4,819	7,833	(4,328)	8,324	4,779
Business-type activity long-term liabilities	<u>\$ 334,819</u>	<u>\$ 7,833</u>	<u>\$ (64,328)</u>	<u>\$ 278,324</u>	<u>\$ 69,779</u>

The General Fund and Proprietary Funds typically liquidate the liability related to compensated absences.

City of Independence
Notes to Basic Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

D. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term liabilities:

Year Ending December 31,	Governmental Activities			
	G.O. Improvement Bonds		G.O. Tax Abatement Bonds	
	Principal	Interest	Principal	Interest
2023	\$ 35,000	\$ 80,467	\$ 155,000	\$ 12,463
2024	35,000	79,417	160,000	9,112
2025	40,000	78,292	160,000	5,513
2026	40,000	77,092	165,000	1,856
2027	40,000	75,893	-	-
2028-2032	1,150,000	302,188	-	-
2033-2037	1,275,000	176,463	-	-
2038-2041	1,110,000	45,399	-	-
Total	<u>\$ 3,725,000</u>	<u>\$ 915,211</u>	<u>\$ 640,000</u>	<u>\$ 28,944</u>

Year Ending December 31,	Business-Type Activities	
	G.O. Improvement Bonds	
	Principal	Interest
2023	\$ 65,000	\$ 7,929
2024	65,000	5,816
2025	70,000	3,570
2026	70,000	1,190
Total	<u>\$ 270,000</u>	<u>\$ 18,505</u>

City of Independence
Notes to Basic Financial Statements

NOTE 8 – FUND BALANCES/NET POSITION

A. Fund Balances

Fund balances are classified as listed below to reflect the limitations and restrictions of the respective funds.

	General Fund	COVID-19 Relief	City Hall Remodel	Permanent Capital	Nonmajor Governmental Funds	Total
Nonspendable						
Prepaid items	\$ 179,643	\$ -	\$ -	\$ -	\$ -	\$ 179,643
Restricted						
General Government	-	-	-	-	9,271	9,271
Debt Service	-	-	-	-	296,811	296,811
COVID-19 Relief	-	-	-	-	-	-
Park Improvements	-	-	-	-	201,787	201,787
Assigned						
Buildings Capital	-	-	-	103,967	-	103,967
Roads Capital	-	-	-	88,601	236,989	325,590
Equipment Capital	-	-	-	314,389	-	314,389
Administration Capital	-	-	-	84,501	-	84,501
City Hall Remodel	-	-	-	-	-	-
Water Resource Department	-	-	-	-	76,234	76,234
Unassigned	1,816,870	(1,150)	(198,857)	-	(26,198)	1,590,665
Total fund balance	<u>\$ 1,996,513</u>	<u>\$ (1,150)</u>	<u>\$ (198,857)</u>	<u>\$ 591,458</u>	<u>\$ 794,894</u>	<u>\$ 3,182,858</u>

B. Net Position

Restricted net position is comprised of the total restricted fund balances in the governmental funds plus the effect of the conversion to the government-wide net position.

NOTE 9 – PRIOR PERIOD RESTATEMENT

During fiscal year 2022, the City restated its beginning net position in the governmental activities to record the investment in joint venture for West Hennepin Public Safety. The effects of the prior period restatement are below:

	Governmental Activities
Beginning Net Position	\$ 6,748,051
Prior Period Restatement - Joint Venture	<u>159,830</u>
Beginning Net Position, as Restated	<u><u>\$ 6,907,881</u></u>

City of Independence
Notes to Basic Financial Statements

NOTE 10 – RISK MANAGEMENT

The City purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT) with other cities in the state which is a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through commercial companies for excess claims. The City is covered through the pool for any claims incurred but unreported, however, retains risk for the deductible portion of its insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three years.

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid.

At December 31, 2022, there were no other claims liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 11 – CONDUIT DEBT

The City's workers' 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, 2022, the Healthcare Facilities Revenue Note of 2012 was outstanding with a principal balance amount payable of \$2,276,070.

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, 2022, the Charter School Lease Revenue Bond, Series 2016A and the Taxable Charter School Lease Revenue Bond, Series 2016A had an outstanding amount payable of \$15,390,000.

City of Independence
Notes to Basic Financial Statements

NOTE 11 – CONDUIT DEBT (CONTINUED)

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, 2022, the Health Care Facilities Revenue Note, Series 2017A was outstanding with a principal balance amount payable of \$3,955,000.

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, 2022, the Senior Housing Revenue Note, Series 2019C had an outstanding amount payable of \$8,689,003.

During 2021, the City issued a Charter School Lease Revenue and Refunding Bonds, Series 2021A and 2021B to provide financial assistance for Global Academy ABC, a Minnesota nonprofit corporation and Global Academy Inc, a nonprofit corporation for the following: for construction, equipping, renovation and improvement of an existing approximately 64,737 square foot existing kindergarten through grade 8 charter school facility, including but not limited to, the addition of an approximately 7,000 square foot gymnasium and refunding outstanding debt of the Borrower originally used to acquire the facility. The Bonds are secured by a mortgage lien on and a security interest in the bond financed facility financed by the Bonds and a security interest in the revenues of the bond financed facility and the School. As of December 31, 2022, the Charter School Lease Revenue and Refunding Bonds, Series 2021A and 2021B had an outstanding amount payable of \$13,410,000.

NOTE 12 – PENSION PLANS

The City participates in various pension plans, total pension expense for the year ended December 31, 2022, was \$50,941. The components of pension expense are noted in the following plan summaries.

The General Fund and Proprietary Funds typically liquidates the liability related to the pensions.

Public Employees' Retirement Association

A. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by 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.

City of Independence
Notes to Basic Financial Statements

NOTE 12 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

A. Plan Description (Continued)

General Employees Retirement 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 a Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% 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. 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.

C. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

City of Independence
Notes to Basic Financial Statements

NOTE 12 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

C. Contributions (Continued)

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2022 and the City was required to contribute 7.5% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2022, were \$36,259. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2022, the City reported a liability of \$459,362 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$13,535.

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0058% at the end of the measurement period and 0.0061% for the beginning of the period.

City's proportionate share of net pension liability	\$ 459,362
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>13,535</u>
Total	<u><u>\$ 472,897</u></u>

For the year ended December 31, 2022, the City recognized pension expense of \$50,941 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized \$2,022 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.

City of Independence
Notes to Basic Financial Statements

NOTE 12 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

At December 31, 2022, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 3,837	\$ 5,131
Net collective difference between projected and actual investment earnings	-	1,373
Changes in proportion	11,990	5,529
Changes in actuarial assumptions	109,177	1,836
Contributions paid to PERA subsequent to the measurement date	18,130	-
	<u>18,130</u>	<u>-</u>
Total	<u>\$ 143,134</u>	<u>\$ 13,869</u>

The \$18,130 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2023	\$ 36,800
2024	44,052
2025	(11,259)
2026	41,542
	<u>41,542</u>
Total	<u>\$ 111,135</u>

City of Independence
Notes to Basic Financial Statements

NOTE 12 – PENSION PLANS (CONTINUED)

E. Long-Term Expected Return on Investment

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term</u>
Domestic equity	33.5 %	5.10 %
International equity	16.5	5.30
Fixed income	25.0	0.75
Private markets	25.0	5.90
Total	<u>100.0 %</u>	

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. 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.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table.

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.

City of Independence
Notes to Basic Financial Statements

NOTE 12 – PENSION PLANS (CONTINUED)

F. Actuarial Methods and Assumptions (Continued)

The following changes in actuarial assumptions and plan provisions occurred in 2022:

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the previous valuation.

G. Discount Rate

The discount rate for the General Employees Plan used to measure the total pension liability in 2022 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 positions 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.

H. Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (5.5%)	Current Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
City's proportionate share of the General Employees Fund net pension liability	\$ 725,586	\$ 459,362	\$ 241,017

I. Pension Plan Fiduciary Net Position

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

NOTE 13 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* establishes that a Subscription-Based Information Technology Arrangement (SBITA) results in a right-to-use subscription asset and a corresponding liability. Under this statement, a governmental entity generally should recognize a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability. This statement will be effective for the year ending December 31, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

City of Independence
Schedule of City's Proportionate Share
of Net Pension Liability - General Employees Retirement Fund
Last Ten Years*

For Fiscal Year Ended June 30,	City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0070%	\$ 352,411	\$ -	\$ 352,411	\$ 367,560	95.88%	78.20%
2016	0.0055%	446,573	5,862	452,435	358,760	124.48%	68.90%
2017	0.0053%	338,349	4,268	342,617	354,600	95.42%	75.90%
2018	0.0061%	338,403	11,100	349,503	407,973	82.95%	79.53%
2019	0.0061%	331,727	10,333	342,060	422,733	78.47%	80.23%
2020	0.0057%	341,741	10,582	352,323	427,733	79.90%	79.06%
2021	0.0061%	260,497	7,972	268,469	417,147	62.45%	87.00%
2022	0.0058%	459,362	13,535	472,897	436,840	105.16%	76.67%

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

City of Independence
Schedule of City Contributions -
General Employees Retirement Fund
Last Ten Years*

<u>Fiscal Year Ending December 31,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2015	\$ 27,567	\$ 27,567	\$ -	\$ 367,560	7.50%
2016	26,907	26,907	-	358,760	7.50%
2017	26,595	26,595	-	354,600	7.50%
2018	30,598	30,598	-	407,973	7.50%
2019	31,705	31,705	-	422,733	7.50%
2020	32,080	32,080	-	427,733	7.50%
2021	31,286	31,286	-	417,147	7.50%
2022	36,259	36,259	-	483,453	7.50%

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

City of Independence
Notes to Required Supplementary Information

General Employees Fund

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

City of Independence
Notes to Required Supplementary Information

General Employees Fund (Continued)

2020 Changes (Continued)

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% thereafter. 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 was 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 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

City of Independence
Notes to Required Supplementary Information

General Employees Fund (Continued)

2017 Changes (Continued)

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

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 \$6.0 million, which meets the special funding situation definition, was due September 2015.

SUPPLEMENTARY INFORMATION

**City of Independence
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2022**

	Special Revenue			Debt Service
	Water Resource Depot (200)	Lawful Gambling Fund (202)	Total Special Revenue Funds	Debt Service (309, 311, 312, 314, 315)
Assets				
Cash and investments	\$ 75,375	\$ 9,271	\$ 84,646	\$ 59,309
Cash with a fiscal agent	-	-	-	237,502
Taxes receivable				
Delinquent	11,054	-	11,054	-
Unremitted	959	-	959	-
Total assets	<u>\$ 87,388</u>	<u>\$ 9,271</u>	<u>\$ 96,659</u>	<u>\$ 296,811</u>
Liabilities				
Accounts payable	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ -</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	<u>11,054</u>	<u>-</u>	<u>11,054</u>	<u>-</u>
Fund Balances				
Restricted	-	9,271	9,271	296,811
Assigned	76,234	-	76,234	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>76,234</u>	<u>9,271</u>	<u>85,505</u>	<u>296,811</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 87,388</u>	<u>\$ 9,271</u>	<u>\$ 96,659</u>	<u>\$ 296,811</u>

Capital Projects					Total Nonmajor Governmental Funds
2020 Street Improvement Project (415)	2015 Street Improvement Project (414)	Escrow (430)	Park (501)	Total Capital Project Funds	
\$ 199,620	\$ 37,369	\$ 19,882	\$ 201,787	\$ 458,658	\$ 602,613
-	-	-	-	-	237,502
-	-	-	-	-	11,054
-	-	-	-	-	959
<u>\$ 199,620</u>	<u>\$ 37,369</u>	<u>\$ 19,882</u>	<u>\$ 201,787</u>	<u>\$ 458,658</u>	<u>\$ 852,128</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,080</u>	<u>\$ -</u>	<u>\$ 46,080</u>	<u>\$ 46,180</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,054</u>
-	-	-	201,787	201,787	507,869
199,620	37,369	-	-	236,989	313,223
-	-	(26,198)	-	(26,198)	(26,198)
<u>199,620</u>	<u>37,369</u>	<u>(26,198)</u>	<u>201,787</u>	<u>412,578</u>	<u>794,894</u>
<u>\$ 199,620</u>	<u>\$ 37,369</u>	<u>\$ 19,882</u>	<u>\$ 201,787</u>	<u>\$ 458,658</u>	<u>\$ 852,128</u>

City of Independence
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2022

	Special Revenue			Debt Service
	Water Resource Depot (200)	Lawful Gambling Fund (202)	Total Special Revenue Funds	Debt Service (309, 311, 312, 314, 315)
Revenues				
Property taxes	\$ 63,828	\$ -	\$ 63,828	\$ 299,255
Charges for services	-	-	-	-
Miscellaneous				
Investment income	431	-	431	2,464
Contributions and donations	-	1,597	1,597	-
Park dedication fees	-	-	-	-
Total revenues	<u>64,259</u>	<u>1,597</u>	<u>65,856</u>	<u>301,719</u>
Expenditures				
Current				
General government	61,334	-	61,334	-
Public works	-	-	-	-
Debt service				
Principal	-	-	-	185,000
Interest and other charges	-	-	-	97,505
Total expenditures	<u>61,334</u>	<u>-</u>	<u>61,334</u>	<u>282,505</u>
Excess of revenues over (under) expenditures	2,925	1,597	4,522	19,214
Other Financing Sources (Uses)				
Transfers in	5,548	-	5,548	-
Transfers out	-	-	-	(72,845)
Total other financing sources (uses)	<u>5,548</u>	<u>-</u>	<u>5,548</u>	<u>(72,845)</u>
Net change in fund balances	8,473	1,597	10,070	(53,631)
Fund Balances				
Beginning of year	<u>67,761</u>	<u>7,674</u>	<u>75,435</u>	<u>350,442</u>
End of year	<u>\$ 76,234</u>	<u>\$ 9,271</u>	<u>\$ 85,505</u>	<u>\$ 296,811</u>

Capital Projects					
2020 Street Improvement Project (415)	2015 Street Improvement Project (414)	Escrow (430)	Park (501)	Total Capital Project Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 363,083
-	-	108,702	-	108,702	108,702
-	398	-	2,128	2,526	5,421
-	-	-	-	-	1,597
-	-	-	48,323	48,323	48,323
-	398	108,702	50,451	159,551	527,126
495	-	115,811	-	116,306	177,640
3,475	-	-	-	3,475	3,475
-	-	-	-	-	185,000
-	-	-	-	-	97,505
3,970	-	115,811	-	119,781	463,620
(3,970)	398	(7,109)	50,451	39,770	63,506
-	-	-	-	-	5,548
(100,000)	-	(7,710)	-	(107,710)	(180,555)
(100,000)	-	(7,710)	-	(107,710)	(175,007)
(103,970)	398	(14,819)	50,451	(67,940)	(111,501)
303,590	36,971	(11,379)	151,336	480,518	906,395
\$ 199,620	\$ 37,369	\$ (26,198)	\$ 201,787	\$ 412,578	\$ 794,894

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City of Independence
Sub-Combining Balance Sheet -
Debt Service Funds
December 31, 2022

	2001 Lease Revenue Bonds (309)	2005 GO Improvement Bonds (311)	2007 GO Equipment Certificates (312)	2015A GO Tax Abatement Bonds (314)	2020A GO Improvement Bonds (315)	Total Debt Service Funds
Assets						
Cash and investments	\$ -	\$ -	\$ -	\$ 46,949	\$ 12,360	\$ 59,309
Cash with a fiscal agent	-	-	-	162,006	75,496	237,502
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 208,955</u>	<u>\$ 87,856</u>	<u>\$ 296,811</u>
Fund Balances						
Restricted for Debt Service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 208,954</u>	<u>\$ 87,857</u>	<u>\$ 296,811</u>

City of Independence
Sub-Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Debt Service Funds
Year Ended December 31, 2022

	2001 Lease Revenue Bonds (309)	2005 GO Improvement Bonds (311)	2007 GO Equipment Certificates (312)
Revenues			
Property taxes	\$ -	\$ -	\$ -
Investment income	765	11	-
Total revenues	<u>765</u>	<u>11</u>	<u>-</u>
Expenditures			
Debt service			
Principal	-	-	-
Interest and other charges	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	765	11	-
Other Financing Sources (Uses)			
Transfers out	<u>(71,791)</u>	<u>(1,021)</u>	<u>(33)</u>
Net change in fund balances	(71,026)	(1,010)	(33)
Fund Balances			
Beginning of year	<u>71,026</u>	<u>1,010</u>	<u>33</u>
End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

2015A GO Tax Abatement Bonds (314)	2020A GO Improvement Bonds (315)	Total Debt Service Funds
\$ 177,463	\$ 121,792	\$ 299,255
1,019	669	2,464
<u>178,482</u>	<u>122,461</u>	<u>301,719</u>
150,000	35,000	185,000
15,988	81,517	97,505
<u>165,988</u>	<u>116,517</u>	<u>282,505</u>
12,494	5,944	19,214
-	-	(72,845)
12,494	5,944	(53,631)
<u>196,460</u>	<u>81,913</u>	<u>350,442</u>
<u>\$ 208,954</u>	<u>\$ 87,857</u>	<u>\$ 296,811</u>

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City of Independence
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2022

	Budgeted Amounts <u>Original and Final</u>	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Taxes			
Property taxes	\$ 3,114,548	\$ 3,108,482	\$ (6,066)
Licenses and permits	195,070	425,366	230,296
Intergovernmental revenue			
Local government aids	8,000	16,895	8,895
Other grants and aids	8,000	9,223	1,223
Total intergovernmental revenue	<u>16,000</u>	<u>26,118</u>	<u>10,118</u>
Charges for services			
General government	40,550	41,455	905
Public works	600	-	(600)
Total charges for services	<u>41,150</u>	<u>41,455</u>	<u>305</u>
Fines and forfeitures	47,740	42,090	(5,650)
Miscellaneous revenues			
Investment income	3,000	14,051	11,051
Refunds and reimbursements	4,000	3,573	(427)
Other	1,000	1,300	300
Total miscellaneous revenues	<u>8,000</u>	<u>18,924</u>	<u>10,924</u>
Total revenues	<u>3,422,508</u>	<u>3,662,435</u>	<u>239,927</u>
Expenditures			
General government			
Administration			
Current	322,486	384,331	61,845
Legal services			
Current	43,830	37,544	(6,286)
Finance			
Current	200,117	253,452	53,335
Council and elections			
Current	30,464	23,580	(6,884)
Capital outlay	-	-	-
Total council and elections	<u>30,464</u>	<u>23,580</u>	<u>(6,884)</u>
Planning and zoning			
Current	<u>47,050</u>	<u>42,771</u>	<u>(4,279)</u>
Other general government			
Current	50,419	51,560	1,141
Capital outlay	35,000	1,817	(33,183)
Total other general government	<u>85,419</u>	<u>53,377</u>	<u>(32,042)</u>
Total general government	<u>729,366</u>	<u>795,055</u>	<u>65,689</u>

City of Independence
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2022

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget - Over (Under)
Expenditures (Continued)			
Public safety			
Police			
Current	\$ 1,317,329	\$ 1,319,261	\$ 1,932
Fire			
Current	386,100	377,388	(8,712)
Building and inspections			
Current	130,899	132,294	1,395
Capital outlay	430	-	(430)
Total building and inspections	131,329	132,294	965
Total public safety	1,834,758	1,828,943	(5,815)
Public works			
Streets and highways			
Current			
Personal services	165,597	246,207	80,610
Snow and ice removal	29,850	21,857	(7,993)
Supplies	191,810	140,137	(51,673)
Other services and charges	247,913	211,045	(36,868)
Total current	635,170	619,246	(15,924)
Capital outlay	-	104,518	104,518
Total streets and highways	635,170	723,764	88,594
Street lighting			
Current	3,600	6,422	2,822
Recycling			
Current	68,850	83,369	14,519
Total public works	707,620	813,555	105,935
Cultural and recreation			
Current	21,414	5,961	(15,453)
Capital outlay	580	-	(580)
Total cultural and recreation	21,994	5,961	(16,033)
Total expenditures	3,293,738	3,443,514	149,776
Excess of revenues over expenditures	128,770	218,921	90,151
Other financing sources			
Transfers in	\$ -	\$ 122,162	\$ 122,162
Transfers out	(128,770)	(326,669)	(197,899)
Total other financing sources (uses)	(128,770)	(204,507)	(75,737)
Net change in fund balance	\$ -	14,414	\$ 14,414
Fund Balance			
Beginning of year		1,982,099	
End of year		\$ 1,996,513	

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**Report on Internal Control over Financial
Reporting and on Compliance and other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Independence, Minnesota, as of and for the year ended December 31, 2022, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 9, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses on Internal Control and Legal Compliance, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses on Internal Control and Legal Compliance to be a material weakness, Audit Finding 2022-001.

Report on Compliance and Other Matters

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses on Internal Control and Legal Compliance to be significant deficiency, Audit Finding 2022-002.

Report on Compliance and Other Matters

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

City's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit are described in the Schedule of Findings and Responses on Internal Control and Legal Compliance. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

BerganKDV, Ltd.

Minneapolis, Minnesota

August 9, 2023

Minnesota Legal Compliance**Independent Auditor's Report**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Independence, Minnesota, as of and for the year ended December 31, 2022, and the related notes to financial statements, and have issued our report thereon dated August 9, 2023.

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

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

BerganKDV, Ltd.

Minneapolis, Minnesota
August 9, 2023

**City of Independence
Schedule of Findings and Responses on
Legal Compliance and Internal Control**

CURRENT YEAR INTERNAL CONTROL FINDINGS:

Material Weakness:

Audit Finding 2022-001 – Prior Period Adjustment

During the course of our audit, we proposed a prior period adjustment that would not have been identified as a result of the City's existing internal controls and, therefore, could have resulted in a material misstatement of the City's financial statements.

In order to ensure the financial statements were free from material misstatement, a prior period adjustment was required to adjust the equity interest in joint ventures.

City's Response:

The City will annually review all joint venture relationships to ensure items are properly recorded.

Significant Deficiency:

Audit Finding 2022-002 – Reconciliation of Escrow Balances

The City had a variance from supporting documentation in the Escrow Fund related to deposits due to supporting documentation not being updated in a timely manner. Though the variance will not impact the fund balance for the current year, supporting documentation should agree to the general ledger to avoid the risk of a material misstatement.

City's Response:

The City will review reconciliation process for escrow accounts to ensure proper recording of escrow balances and related activity.