



CITY COUNCIL MEETING AGENDA
TUESDAY JULY 21, 2020

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 July 7, 2020 Regular City Council Meeting.
 - b. Approval of Accounts Payable; Checks Numbered 19739-19773.
 - c. Approval of Solicitors Permit for *Zoes Gone Bananas* at Pioneer Creek Golf Course.
 - d. Authorize Staff to Initiate Request for Proposals for Recycling Contract.
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 – Director Gary Kroells: Presentation of the June 2020 Activity Report.
8. Presentation of the 2019 Financial Audit – Chris Knopik, Clifton Larson Allen.
 - a. 2019 Draft Financial Audit
 - b. 2019 Audit Presentation
9. Open/Misc.
10. Adjourn.

MINUTES OF A REGULAR MEETING OF THE
INDEPENDENCE CITY COUNCIL
TUESDAY, JULY 7, 2020 –6:30 P.M.

1. CALL TO ORDER.

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

3. PLEDGE OF ALLEGIANCE.

Mayor Johnson led the group in the Pledge of Allegiance.

2. ROLL CALL

PRESENT: Mayor Johnson, Councilors Betts, Grotting, McCoy and Spencer

ABSENT: None

STAFF: City Administrator Kaltsas, Assistant to Administrator Horner, Public Works Supervisor Bode, City Attorney Vose (remote)

VISITORS: (remote) Carol Mueller President (Minnesota Women in City Government), (remote) Lynda Franklin

Johnson introduced Mueller who is the President of MWCG. Mueller presented Betts with the leadership award from MWCG. The award is generally presented at the League of Minnesota Cities conference and Betts will be honored at a future event this fall. Mueller read the nomination letter. Betts served by starting with the Parks Commission in 1994 and continues to serve as a City Council member. Betts is a voting member of the Police Commission and a founding member of the Highway 12 Safety Coalition. Betts was instrumental in the development of Pioneer Park and many other initiatives.

3. ****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 June 16, 2020 Regular City Council Meeting.
- b. Approval of Accounts Payable; Checks Numbered 19703-19738.
- c. Approval of Election Judges for the August 2020 Primary Election.
- d. 2nd Quarter Building Permit Report (for Information).

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

4. SET AGENDA – ANYONE NOT ON THE AGENDA CAN BE PLACED UNDER OPEN/MISC.

5. REPORTS OF BOARDS AND COMMITTEES BY COUNCIL AND STAFF

Spencer attended the following meetings:

- Planning Commission Meeting
- Minnesota Women in City Government Awards

Grotting attended the following meetings:

- Planning Commission Meeting

McCoy attended the following meetings:

- Planning Commission Meeting
- Minnesota Women in City Government Awards

Betts attended the following meetings:

- Planning Commission Meeting
- Minnesota Women in City Government Awards

Johnson attended the following meetings:

(all meetings were via zoom)

- Minnesota Women in City Government Awards
- Planning Commission Meeting
- National League of Cities Leadership Conference via zoom
- EENR Committee Meeting
- League of Minnesota Cities meeting

Horner attended the following meetings:

- Planning Commission Meeting
- Minnesota Women in City Government Awards

Kaltsas attended the following meetings:

- MnDOT and Hennepin County Highway 12 Update Meeting

6. Brett and Paige Broekema (Owner/Applicant) requests that the City consider the following actions for the property located at 6275 County Road 11, Independence, MN (PID No. 11-118-24-22-0002):

- a. **ORDINANCE No. 2020-02:** Rezoning from AG-Agriculture to RR-Rural Residential; and
- b. **RESOLUTION 20-0707-01:** A minor subdivision to allow a lot line rearrangement and two rural view lot subdivisions.

Kaltsas said the subject property is located west of the intersection of County Road 11 and County Road 90 and on the south side of County Road 11. The property has a single-family home and is comprised of upland pasture, woodlands and wetlands. The property has the following site characteristics:

Property Information: **PID No. 11-118-24-22-0002 County Road 11**

Zoning: *Agriculture*

Comprehensive Plan: *Rural Residential*

Acreage Before: *19.92 acres*

Acreage After Parcel A: *9.96 acres*

Acreage After Parcel B: *9.96 acres* This property is zoned AG-Agriculture, but guided RR-Rural Residential by the City's 2030 Comprehensive Land Use Plan. The applicant is seeking rezoning of the property to Rural

Residential which would then allow the subject property to be subdivided. The City allows the subdivision of property in the rural residential zoning district in accordance with the requirements in the City's zoning ordinance.

Rezoning

Rezoning this property is consistent with the City's 2030 Comprehensive Plan. Rezoning of this property is also consistent with the zoning of the property to the east, west and south.

Minor Subdivision

The City allows the subdivision of property in the rural residential zoning district if it can be shown to meet all applicable criteria of the ordinance. Based on the rural residential lot provisions, the maximum number of lots this property could yield would be four (4). This number is only possible if all applicable requirements were met. It is not anticipated that this property could realize the maximum number of lots due to the unique topography and wetlands and limited public road frontage. One factor that was considered in reviewing the subdivision is the location of the wetlands on the property. The wetlands cover approximately one-half of this property in a manner that appears to limit the future development potential. The City's applicable standards are further defined as follows:

Subd. 3. Density. Lots of record in the rural residential district may be divided or subdivided into the following maximum number of lots, said maximum number to include the lot for any existing dwelling unit or other principal use: (Amended, Ord. 2010-01)

*Area of Lot Maximum Number
of Record of Lots Permitted*

7.5 acres or less One

7.6 through 12.5 acres Two

12.6 through 17.5 acres Three

17.6 through 22.5 acres Four

22.6 through 27.5 acres Five

27.6 through 32.5 acres Six

32.6 through 37.5 acres Seven

37.6 through 42.5 acres Eight

42.6 through 47.5 acres Nine, plus one addn. lot for every five addn. acres of land.

In addition to the maximum lot density, the City has the following standards pertaining to Rural Residential lots.

530.03. Physical Standards.

Subd. 3. Physical standards. All lots and construction thereon must meet the following physical standards:

(a) Minimum lot area a 2.50 acres buildable land

(b) Maximum lot area 10 acres

(c) Minimum lot frontage on an improved public road or street:

Lot area Minimum frontage

2.50 – 3.49 acres b 200 feet

3.50 – 4.99 acres b 250 feet 5.00 – 10.00 acres b 300 feet

(e) Lot depth. The ratio of lot frontage to lot depth must be no more than 1:4.

A lot must be a minimum of 2.50 acres buildable land with a demonstrated capability to accommodate two on-site waste disposal systems. Buildable land must be contiguous and not separated by streams, wetlands, slopes in excess of 10% or other physical impediments.

A waiver to permit lots with reduced frontage on a public right-of-way, neck lots or lots with no frontage on a public right-of-way but with frontage on a common driveway may be considered and granted or not granted. If granted, evidence must be provided that all standards established and defined in Section 510.05, Subdivision 20 of this zoning code are met: (Amended, Ord. 2010-06)

A more detailed breakdown of the proposed individual lots is as follows:

Lot No.	Gross Acres	Upland Acreage	Frontage	Lot Frontage/Depth
Parcel A	9.96 acres	5.00 acres	330.52 LF	~1:4
Parcel B	9.96 acres	5.60 acres	330.52 LF	~1:4

The proposed subdivision would create one new lot. The applicant has essentially proposing to split the existing property down the middle. A wetland delineation has been completed and identifies the wetland edge and requisite buffer. Access to both lots would be from CSAH 11. The existing house has a driveway that would remain in place and the County has reviewed and approved the proposed location (indicated on plans) for a new driveway to serve Parcel B. As historically has been done along County Road 11, Hennepin County is requesting an additional 17 feet of right of way for future trail and road expansion. This has been a consistent request for all subdivisions along CSAH 11.

Both lots are proposing to provide the requisite 10-foot perimeter drainage and utility easements as required by ordinance (Section 500.15, Subd.'s 1 and 2). The proposed development does not trigger the City's stormwater management requirements because there will not be an increase in new impervious surface. The newly created Parcel B will be required to pay the City's requisite park dedication fee. The requisite park dedication fees would be as follows:

Lot No.	Gross Acres	Park Dedication Amount
Parcel A	9.96 acres	Existing Parcel
Parcel B	9.96 acres	\$7,070 (\$3,500 plus 4.96 acres at \$750)

Park dedication fee of \$3,500 per lot up to 4.99 acres, plus \$750 per acre for each acre over 5 acres

Other Considerations:

1. The property is guided rural residential by the City's Comprehensive Plan. The proposed rezoning and subdivision are in keeping with the intent and guidance provided by the Comprehensive Plan.
2. The applicant provided the City with the requisite percolation tests verifying that each lot can accommodate a primary and secondary septic site. The proposed sites are shown on the exhibit.
3. The applicant has prepared a wetland delineation for this property. All wetlands and their requisite buffers will be located within the drainage and utility easements.
4. The existing home on Parcel A will meet all applicable setbacks and standards in the after condition.
5. The applicant shows the building setback lines for Parcel B which demonstrates the ability of the proposed lot to accommodate a residential home and associated accessory structures.
6. The applicant is not proposing any additional public infrastructure as a result of this subdivision. The individual lots will be required to apply for and be granted a grading permit at the time of building permit application. At that time the City will review the individual lot grading.

Summary:

The proposed rezoning and subdivision of this property appears to be in keeping with the vision of the comprehensive plan and with the character of the surrounding properties. The proposed lots conform to all applicable criteria for rural residential lots. Given the extensive wetlands on the property and its proximity to adjacent geographic features as well as the surrounding properties, there does not appear to be anything that the City would be preventing for future development. The proposed subdivision appears to meet all of the applicable standards of the City's zoning and subdivision ordinance.

Planning Commission Discussion:

Planning Commissioners reviewed the request and asked questions of staff and petitioner. Commissioners asked about the additional right of way dedication for Hennepin County. Commissioners clarified the location of the second driveway. Planning Commissioners found that the requirements for approving a minor subdivision had been met by the applicant and recommended approval to the City Council.

Neighbor Comments:

The City has not received any written or verbal comments regarding the proposed subdivision to permit a rural view lot. No comments were made at the Public Hearing held by the Planning Commission.

Recommendation:

The Planning Commission recommended approval of the requested Rezoning and Minor Subdivision to the City Council with the following findings and conditions:

1. The proposed Rezoning and Minor Subdivision meets all applicable conditions and restrictions stated Chapter V, Section 510, Zoning, in the City of Independence Zoning and Subdivision Ordinance.
2. City Council approval of the Minor Subdivision is subject to the following:
 - a. The Applicant shall address all comments and applicable requirements pertaining to the proposed subdivision.
 - b. The Applicant shall make all revisions requested in the staff report, by the Planning Commission and City Council.
 - c. The Applicant shall comply with all applicable Hennepin County transportation review comments and requirements.
 - d. The Applicant shall obtain all necessary City, County, PCA and other regulatory agency approval and permits prior to construction.
3. The Applicant shall pay the park dedication fees in the amount of \$7,070. The Applicant shall pay for all costs associated with the City's review of the rezoning and minor subdivision.
4. The Applicant shall execute all applicable documents to allow recording of the minor subdivision within six months from the date of the City Council approval.

Johnson asked if there was a way to combine the driveways. Kaltsas said the county approved the plan as there is good visibility so they went with their recommendation. Grotting said it ends up being a trade-off between safety and value.

Motion by Spencer, second by Betts to approve ORDINANCE No. 2020-02: Rezoning from AG-Agriculture to RR-Rural Residential for the property located at 6275 County Road 11, Independence, MN (PID No. 11-118-24-22-0002): Ayes: Johnson, Betts, McCoy, Grotting and Spencer. Nays: None. Absent: None. Abstain. None. MOTION DECLARED CARRIED.

Motion by Spencer, second by Betts to approve RESOLUTION 20-0707-01: A minor subdivision to allow a lot line rearrangement and two rural view lot subdivisions for the property located at 6275 County Road 11, Independence, MN (PID No. 11-118-24-22-0002): Ayes: Johnson, Betts, McCoy, Grotting and Spencer. Nays: None. Absent: None. Abstain. None. MOTION DECLARED CARRIED.

7. OPEN/MISC.

8. ADJOURN.

Motion by Betts, second by McCoy to adjourn at 7:10 p.m. Ayes: Johnson, Betts, Grotting, Spencer and McCoy. Nays: None. Absent: None. Abstain. None. MOTION DECLARED CARRIED.

Respectfully Submitted,
Trish Gronstal/ Recording Secretary

City of Independence

Authorization for Staff to Solicit RFP for New Recycling Contract

To: City Council
From: Mark Kaltsas, Administrator
Meeting Date: July 21, 2020

Summary:

The City's recycling contract is set to conclude at the end of 2020. The City has begun preparation to solicit proposals for a new recycling contract for the City. Staff is seeking authorization from the City Council to initiate the request for proposals (RFP) process for a new Citywide recycling contract. It is anticipated that the City would send out the requests at the end of July and present findings to the City Council in September/October for consideration. Important information being requested will be as follows:

- Duration of contract.
- Annual price per household.
- Annual price increase.
- Explanation of how cost calculations are determined.

Council Direction:

The City is seeking authorization to solicit RFP's for a new recycling contract.

City of Independence

2019 Financial Summary and Audit

To: City Council
From: Mark Kaltsas, Administrator
Meeting Date: July 21, 2020

Summary:

The City Council is annually presented with the audit findings and receives quarterly financial reports detailing the current financial status of the City. The reports are typically presented for information to the Council. The City's Auditor, Chris Knopik with Clifton Larson Allen will be at the meeting to present the 2019 Year End Financial Audit. There are a few key points that are further detailed in the audit report that I would like to highlight.

- The City received an unmodified opinion for the state of the City's financials. This is the highest opinion that can be obtained.
- There were no material findings presented in the audit.
- The City's fund balance increased from 39.5% to 48.1% (City has targeted 50%).
- The City's year-ending actual versus budget shows that the City's expenditures were lower than revenues by approximately \$200,000.

Staff's overall review of the audit shows that the City's spending was below the 2019 budget for 2019.

Attachments:

1. 2019 Audit Report
2. 2019 Audit Presentation



Date: July 7, 2020

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

From: Director Gary Kroells *G. Kroells*

SUBJECT: June 2020 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 accidents, 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.

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West Hennepin Public Safety Department
1918 County Road 90 / Maple Plain, Minnesota 55359
Phone: (763) 479-0500 / Fax: (763) 479-0504

Web Address: <http://www.westhennepin.com> E-mail: westhennepin@westhennepin.com

Monthly Activity Report

June 2020

Offense	This Month	Same Month Last Year	This Year To Date	Last Year To Date
City Of Independence				
Criminal	5	6	48	40
Traffic	111	107	579	833
Part III	8	15	46	57
Part IV	32	38	172	252
Part V	167	167	742	785
Total City of Independence	323	333	1,587	1,967
City Of Maple Plain				
Criminal	6	6	35	30
Traffic	30	86	320	366
Part III	5	11	33	30
Part IV	30	12	111	105
Part V	70	117	355	544
Total City Of Maple Plain	141	232	854	1,075
Grand Total Both Cities	464	565	2,441	3,042
TZD	9	24	31	137
Agency Assists	10	41	102	126
Total ICR Reports	483	630	2,574	3,305
How Received				
Fax	13	2	58	50
In Person	19	29	107	172
Mail	2	1	4	6
Other	1	0	10	10
Phone	54	44	206	237
Radio	175	208	929	1,011
Visual	157	297	1,033	1,622
Email	46	5	127	35
Lobby Walk In	16	44	100	162
Total	483	630	2,574	3,305

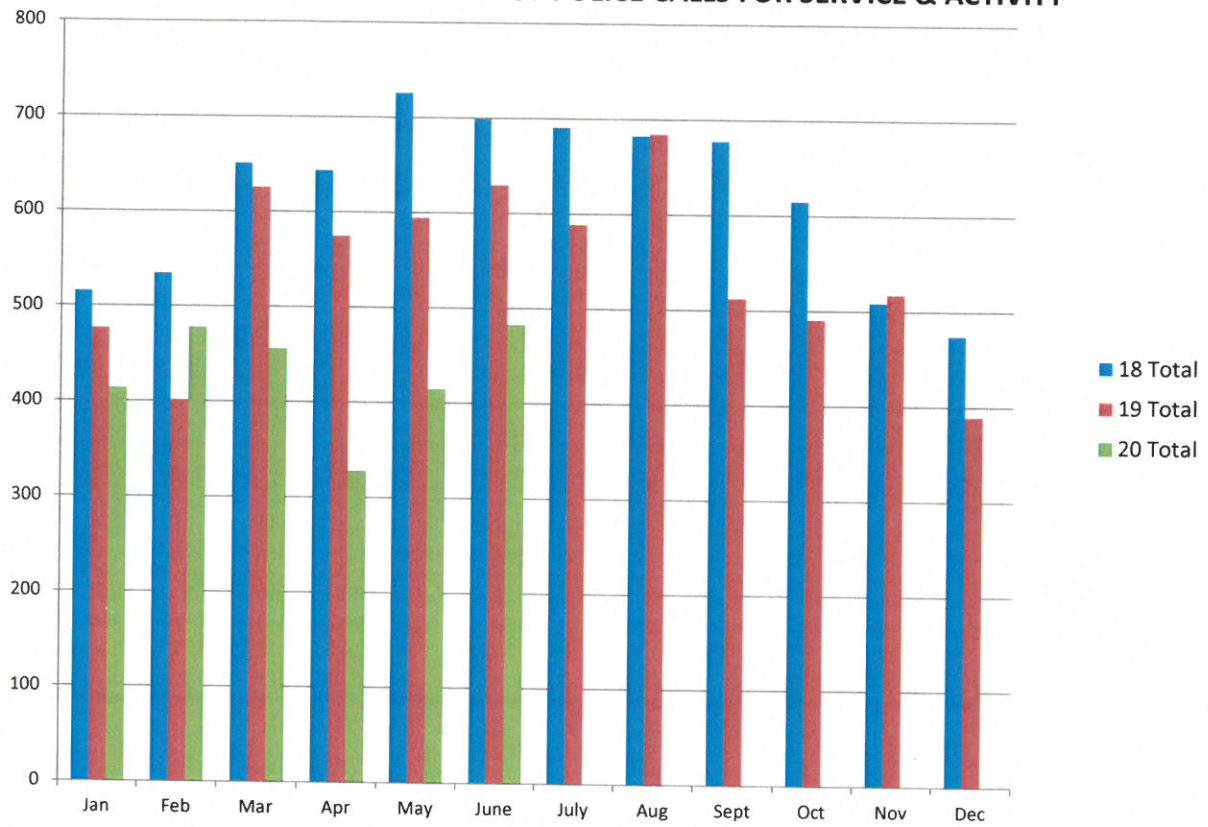
June 2020 Criminal Part I & II**City of Independence Grid #'s 3-5**

AGN	ICR	Title	Grid #	Reported Date	MOC range
WHPS	20002310	Damage to Property	3	6/14/2020	P3119
WHPS	20002377	Gross Misdemeanor Give Peace Officer False Name of Another / DAR	3	6/18/2020	X2200
WHPS	20002558	Burglary	4	6/30/2020	
WHPS	20002561	Burglary	5	6/30/2020	B0864
WHPS	20002570	Theft from Auto	3	6/30/2020	TC159

June 2020 Criminal Part I & II**City of Maple Plain Grid # 1-2**

AGN	ICR	Title	Grid #	Reported Date	MOC range
WHPS	20002158	Theft	1	6/4/2020	U2552
WHPS	20002338	Theft from Vehicle - Diesel Fuel	2	6/16/2020	TM159
WHPS	20002381	Theft from Storage	1	6/18/2020	TM029
WHPS	20002452	DWI - Controlled Substance	1	6/22/2020	JG601
WHPS	20002518	Theft	2	6/26/2020	U1053
WHPS	20002527	Assault - 5th Degree - Fear	1	6/27/2020	A5452

THREE YEAR COMPARISON OF POLICE CALLS FOR SERVICE & ACTIVITY



DIRECTOR'S NEWS & NOTES

WEST HENNEPIN PUBLIC SAFETY June 2020 Activity Report

Year to Date Activity Report

At the end of June 30, 2020 West Hennepin Public Safety (WHPS) handled year-to-date a total 2,574 incident complaints. For the month of June, 323 incidents were in the city of Independence and 141 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.

Recent Highlighted Cases:

Suspicious Activity

June 2 12:08 a.m. 3600 CR 90, Independence. Homeowner reported someone knocking on his door and does not know who it is. Homeowner said it is an ongoing problem. The area was checked and did not find any cars or anyone in the area. Crime Prevention Officer placed a camera outside the residence and no images were captured and issue stopped.

Damage to Property

June 2 6700 block Pagenkopf Rd, Independence. Reported sometime overnight a car lost control on "Dead Man's Curve" while going e/b on Pagenkopf Rd. Vehicle left the road, struck property owners pile of free stuff, and scattered it everywhere. No evidence left behind and no value on the damage since it is all free.

Illegal Dumping

June 2 2700 block Independence Rd, Independence Reported a large amount of wrapped meat in white wrapping was dumped in the ditch. Stamped on some of the packaging was 'Bison Not for Sale'. Across the road was a tub that the meat might have been in before it was dumped. Independence Public Works was notified to pick up the meat.

Welfare Check

June 3 CR 90 / Pagenkopf Rd, Independence. Reported a female walking her two dogs appeared to be in distress. Officer contact with the female who was walking to Baker Park Campground. Due to the weather was very warm and humid, they appeared to be very hot; Officer gave the female and dogs a ride to Baker Park Campground.

Vandalism

June 3 2500 block Independence Rd, Independence. Four T-posts and a 'No Public Access' sign was removed from the right-of-way area on Independence Road where people were illegally launching boats to access Lake Independence. Someone had launched a boat after removing the posts. T-Posts and sign are being replaced. No boat trailer launching is allowed.

Dog Bite

June 3 3700 block Lake Haughey Rd, Independence. Caller reported when they went on their neighbor's property to tell her something was burning; her son was bit by the neighbor's dog. Case is under investigation.

Parking Complaint

June 3 6500 block Genaker Way, Independence. Parking complaint of vehicles parked in the designated 'no parking' areas. 6 citations were left on vehicle windows for 'parking in prohibited area'.

Theft

June 4 1600 block Budd Ave Maple Plain. Resident reported someone obtained her debit card information and used it for numerous small purchases totaling \$5,357.97. Case under investigation.

Welfare Check

June 4 5800 block Main Street, Maple Plain. Dispatched to a welfare check report of a male who had 8 loaded guns and wanted to kill himself and take out police. Police perimeter was set up, the male was contacted and agreed to come out and speak with the police. Male stated he was depressed due to issues in life and was transported to HCMC by North Memorial EMS. Weapons were all recovered for safe keeping.

Vehicle Fire

June 5 Lake Sarah Dr/ Lake Sarah Independence. Dispatched for a garbage truck that had a fire in the hopper of the truck. The driver had dumped the trash on the roadway to prevent the truck from catching on fire. Delano Fire responded and put the fire out. Randy's Sanitation responded with a roll off and a skid steer loader and cleaned the roadway.

Unwanted Person

June 6 10:26 a.m. 4800 block Hwy 12, Maple Plain. Caller reported a male was lying on the grass talking to himself behind a business. Officer located the 58-year-old male from Mound lying on the grass talking to himself. Male said everything was fine, he was waiting for the liquor store to open and he lost track of time. He was told to move along which he did. Male is staying at the Baker Park Campgrounds.

Fireworks

June 5 10:27 p.m. 2100 block Nelson Rd, Independence. Dispatched for a reported unusual popping sound, possible fireworks even though it was raining heavily and strong thunderstorms in the area. Upon arrival, the caller reported the noise had ceased. The area was checked and was unable to find anything unusual, strange, or criminal activity.

Damage to Property

June 7 4800 block of Perkinsville Road, Independence. Motorist was driving EB on Perkinsville Road, a very large tree snapped off and landed on her vehicle. Motorist was not injured but her vehicle had significant damage and was towed. A neighbor used his skid steer to push the tree off the roadway. It was noted the large tree was not a dead tree, but it was windy at the time the tree snapped off.

Welfare Check

June 8 4800 block Drake St. Maple Plain. Dispatched for a male who was talking about hurting himself. Contact with the male who stated he was going through a tough time, he was not sleeping well, he was not suicidal and was not wanting to hurt himself. Father took over care for his son.

Theft

June 8 5600 block Main Street W, Maple Plain. Someone compromised his wife's debit card. 5 transactions occurred in Chicago IL for \$89, and other attempts in California but were not successful. The debit card was closed, and Victim was filing a report with the bank.

Dirt Bike Complaint

June 8 Pioneer Creek Community Park/ Co Rd 90, Independence Reported two dirt bikes and a truck entered Pioneer Creek Community Park. Officer located and spoke with the truck driver and dirt bikes riders, all juveniles. Officer talked to them about ATV laws, ordinances and later called their parents advising them of the contact and warnings. All three were very respectful and apologetic.

Wire Down

June 8 1300 block County Road 83, Independence. A broken wire was down, across a driveway. Officer removed it off to the side. Frontier was contacted to respond and repair

Unauthorized Use

June 8 5200 block Bryantwood Dr., Maple Plain. Caller had given an acquaintance his vehicle to work on it in the apartment parking lot near his garage. The male left with the vehicle, had not returned it and caller wanted it back. Attempts to reach the acquaintance were unsuccessful. Several days later the acquaintance told police where the vehicle was. Vehicle was located and towed to Maple Plain.

Fraud / Scam

June 8 CR 90 / Hwy 12, Independence. Officer was flagged down while on patrol. Driver wanted to report his mother was dealing with someone that called her claiming to be from the FBI. Caller had told his mother her bank account was at risk and convinced her to empty her bank account, purchase gift cards and they would come and get the gift cards. The mother had not provided any monies yet to anyone, still had the gift cards, and no financial loss had incurred. Officer recommended to cut the communication with the caller and to go to www.ftc.gov for more info on scams and how to protect herself from being scammed.

ID Theft

June 8 500 block Game Farm Road N, Independence Caller received notification from his employers Human Resources Administrator that someone had filed for unemployment under his name. Caller stated this act was fraudulent as he is still employed, and he has no idea who would have done this. Caller had filed a report with the Federal Trade Commission and started the process with the MN Unemployment Claims Dept. This is an apparent widespread scam. <https://www.nytimes.com/2020/05/16/us/coronavirus-unemployment-fraud-secret-service-washington> has info on this type of scam. Case under investigation.

Wire Down

June 9 Independence Rd / Providence Rd Independence. Three Officers and Maple Plain Fire responded to a call of a wire down on top of a semi, and the driver was still inside. Officer called the driver and reaffirmed to him to stay in the semi. Officer arrival found a pole had snapped, multiple lines were down, including power lines and cable lines were draped on the semi-tractor and caught between the cab and the trailer. Wright Hennepin Electric arrived, was able to free the semi from the wires and had the driver drive out from the area. It was found that the cable lines were too low for legal height vehicles and was the cable companies' fault.

Vehicle in Ditch

June 10 5700 block of Highway 12, Maple Plain. Truck driver was driving east on Hwy 12 when traffic was suddenly stopped in front of him. He swerved to avoid hitting cars, went on the grass area and truck a fire hydrant. The truck had settled into the soft ground and Burda's towing pulled the semi free. The City of Maple Plain responded and inspected the water main access and hydrant. Driver was issued a citation Fail to Drive Due Care.

Suspicious Act

June 10 7400 block CR 6, Independence. Dispatched of a male approaching houses saying he needed help. Officer located a male in a front yard waving frantically, stating he needed police help. The male was struggling with some paranoia issues, and he was transported to the hospital by North Memorial EMS.

Fake ID / Alcohol Purchase Attempt

June 10 4900 block Highway 12, Maple Plain M&M Wine and Spirits reported a male attempted to purchase two cases of beer with a fake Illinois driver's license. The clerk noticed the edge of the D/L looked altered and told the male she was going to call law enforcement to confirm it. The male became upset and wanted the ID back. The clerk refused to give it back and the male left the store. The fake D/L was taken as evidence along with the store security camera video. Investigation found a match of the male with a date of birth of 17 years old. The male will be charged with a misdemeanor use of fictitious driver's license.

Found Property

June 11 1500 block Rainbow Ave, Maple Plain, Female found a credit card in Rainbow Park. The owner was identified who lives on Rainbow Ave by the park, and the credit card was returned to his possession.

Noise Complaint

June 11 10:02 p.m. 1800 block Gladview Ln, Maple Plain. Caller was trying to sleep; the next-door neighbors had moved out of their residence and a company was cleaning up the property. Upon arrival, the company had just shut off the lawn tractor but were still outside working. Workers were advised of the complaint and stated they were completely done and would not be coming back.

Health Problem

June 12 3675 Ihduhapi Trl, Independence. Vinland Center reported a client from the Carlton County Jail has been coming to Vinland for their program. The client stated he has been feeling an increasing amount of paranoia and anxiety. North Memorial EMS transported him to the hospital.

Anxiety Attack

June 12 1800 block Pioneer Creek Center, Maple Plain. Report received of male having an anxiety attack. Officers responded and found the male sitting next to vehicle in a parking lot. Male stated he was having an anxiety attack. Officers spoke to the male for some time and was able to calm the male who refused an ambulance. Male stated he felt ok to drive and intended to go to urgent care in Delano.

Theft

June 16 5900 block Hwy 12, Maple Plain. Business reported they were victims of a theft of approximately 65 gallons of diesel fuel from a truck. Business video showed a clear picture of the vehicle, but the license plates were missing. On June 18th, a WHPS Officer recognized the suspect vehicle and stopped the vehicle. The male driver was identified and admitted to the theft. Charges pending for Theft and 4th Degree Damage to Property.

Road Hazard

June 18 5200 block Manchester Dr Maple Plain. Routine patrol Officer observed a city water valve cover was upended and creating a traffic hazard. Officer replaced the cover.

Theft

June 18 5300 block Pioneer Creek, Maple Plain. Reported theft from a storage locker. Stolen is a Galveston Guitar Acoustic /Electric Guitar that is unique. Value of the guitar is \$400. Also missing are 3 - 45 lb. plate weights, 2 -25 lb. plate weights, and Everlast 16 oz extra-large sparring gloves. Estimated total loss is \$650.00 Case under investigation.

Theft

June 19 1200 block CR 83, Independence. Resident reported theft of a 3-ton floor jack. Resident returned home and found an envelope on his door with \$40.00 inside. Note written on the envelope stated: hoped \$40 would cover the cost of the floor jack, took the jack because you were not home. Resident stated the cost to replace the floor jack is \$150. The floor jack was an older model, unknown brand, orange in color, with a white handle and the metal was split 2 inches on the bottom. No suspects.

Fireworks Complaint

June 19 11:45 p.m. 5200 block Bryantwood Dr, Maple Plain. Complaint of fireworks outside an apartment window. The caller checked outside, and around the area and did not see anyone who would have lit fireworks.

Personal Injury/ Bicyclist

June 23 8:17 a.m. CR 11 /Townline Rd, Independence. An eastbound truck on Co Rd 11 turned north on Townline Road and in front of bicyclist that was traveling west on Co Rd 11. The bicyclist was injured with road rash and a concussion. North Memorial EMS transported the bicyclist to the hospital. Truck driver was cited for Fail to Yield, No Medical Certificate and Break-away-Brakes.

ID Theft

June 23 1800 Copeland Rd, Independence. Resident received a call stating someone filed for unemployment insurance benefits in his name. The fraudulent account was closed, and no further payments will be made.

Medical Pain

June 25 3675 Ihduhapi Trl, Independence. Dispatched to a medical at Vinland National Center for a male complaining of jaw and ear pain after having nine teeth removed last week. North Memorial EMS responded and transported the male to the hospital.

Medical

June 26 1900 block CR 90 Independence. Female unable to sleep, had been up for 4 days and wanted to go to the hospital. She was having mental health issues. Female was transported to the hospital by ambulance.

Fire Complaint

June 26 3300 block CR 92, Independence. Caller reported ash and smoke blowing from a fire. Contact with the homeowner who stated he had cut down some pine trees from his property, put them on the burn pile and hot coals must have ignited it. Delano Fire ordered the fire to be put out. Homeowner was cited for Illegally burning a brush pile without a burn permit.

Theft

June 26 5200 block Bryantwood Dr, Maple Plain. Resident responded to a post on FB from someone she thought she knew and gave the party access to her FB account. She was locked out of her FB, passwords changed, money withdrawn from her account and she was unable to close her FB account. Case under investigation.

Crash

June 27 Hwy 12/ Budd, Maple Plain. Three vehicles were stopped at the Hawk Signal Crosswalk. Suspect vehicle driven by 37-year-old, Keooudone Xayachak, from Albert Lea, swerved around the stopped traffic, struck two of the stopped vehicles with a large amount of force which deployed their vehicle airbags. A motorist helped Xayachak out of his vehicle and took off running while the WHPS Officer was checking others for injuries. HCSO K9 located Xayachak hiding in a ravine in the 1900 block of Budd Ave. Xayachak was handcuffed, arrested, and transported to Henn Co Jail. A search warrant was issued for a blood draw, charges pending blood result; Criminal Vehicular Operation - Bodily Harm, 3rd Degree DWI, Fleeing a Peace Officer, Open Bottle, Dangerous Weapons, DAR, and Uninsured Vehicle.

Welfare Check

June 28 1500 block Howard Ave, Maple Plain. Caller requested a welfare check for male who had not returned calls and did not show up for church. Officer knocked on the apartment door and did not receive a response. Master key was used to enter the apartment and found the 46-year-old male on his bed unconscious. Officer was able to wake the male, who was sweaty and confused. North Memorial EMS arrived, took over care of the male and recommended transportation to the hospital.

Illegal Dumping

June 29 4900 block of Hwy 12, Maple Plain. Business owner reported a female was illegally dumping garbage in their dumpster. Photo of the female and vehicle license plate identified the suspect. Case under investigation.

Burglary

June 30

3425 Ihduhapi Trail, Independence. Someone forced entry into the office of the YMCA building and stole a Nikon camera and a laptop. Office was ransacked, drawers and cabinets were all gone through. Other items were loaded into a bag that was left behind in the lobby area. Case under investigation.

Burglary

June 30

3800 block Lake Haughey Road, Independence. A 2009 Honda 5000-Watt Generator, model EM5002ANH with rolling wheels was stolen from a pole shed. The generator was entered in NCIC. Case under investigation.

Theft from Auto

June 30

5300 block Moline Rd, Independence. Reported a Glock, G19 with a Viridian Reactor Laser Sight and a black holster was stolen from a vehicle. Glock was entered in NCIC and case is under investigation.

151 contacts of citations, verbal and written warnings were issued for traffic and equipment violations
1 citation for 'hands-free'

City of Independence, Minnesota

Audit Results and Communications

December 31, 2019

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WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor



Create Opportunities

Agenda

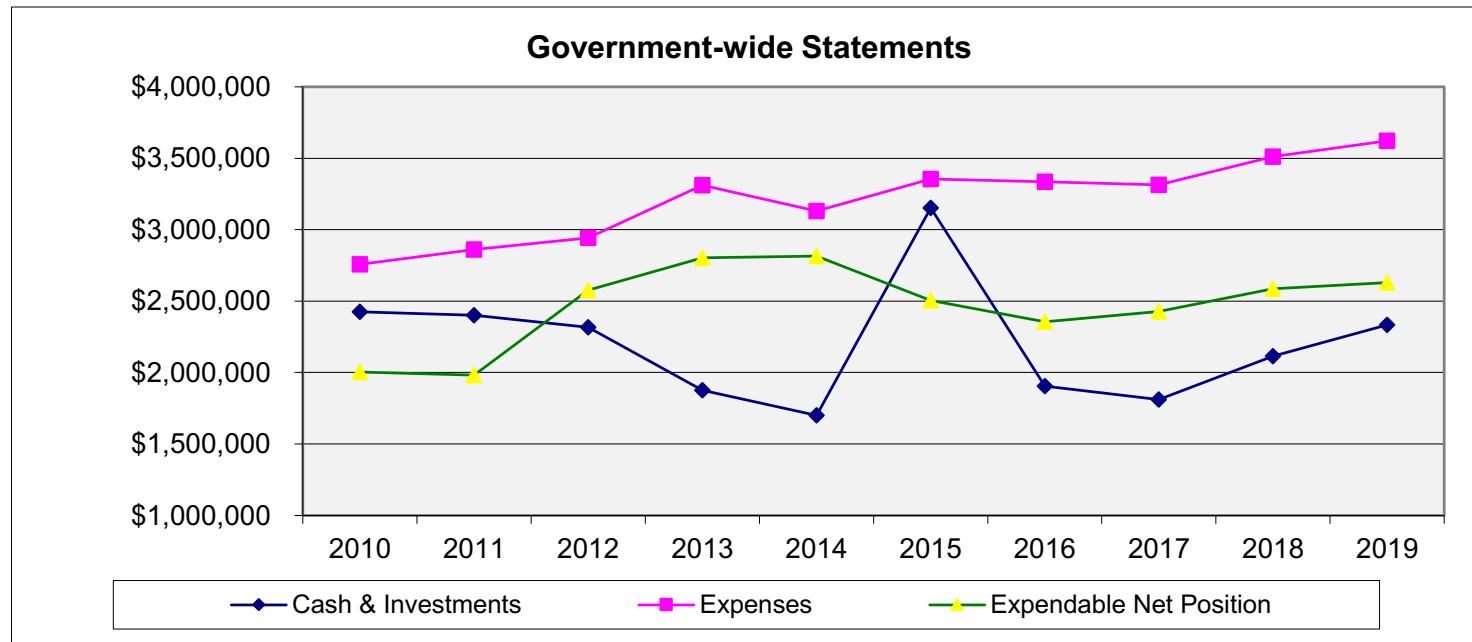
- Audit Results
- Financial Results
- MN Legal Compliance Letter
- Required Communications
- Internal Control Letter
- Other Items

Financial Results

- Unmodified Opinion
- Comparative information for the Sanitary Sewer Fund



Financial Results (continued)

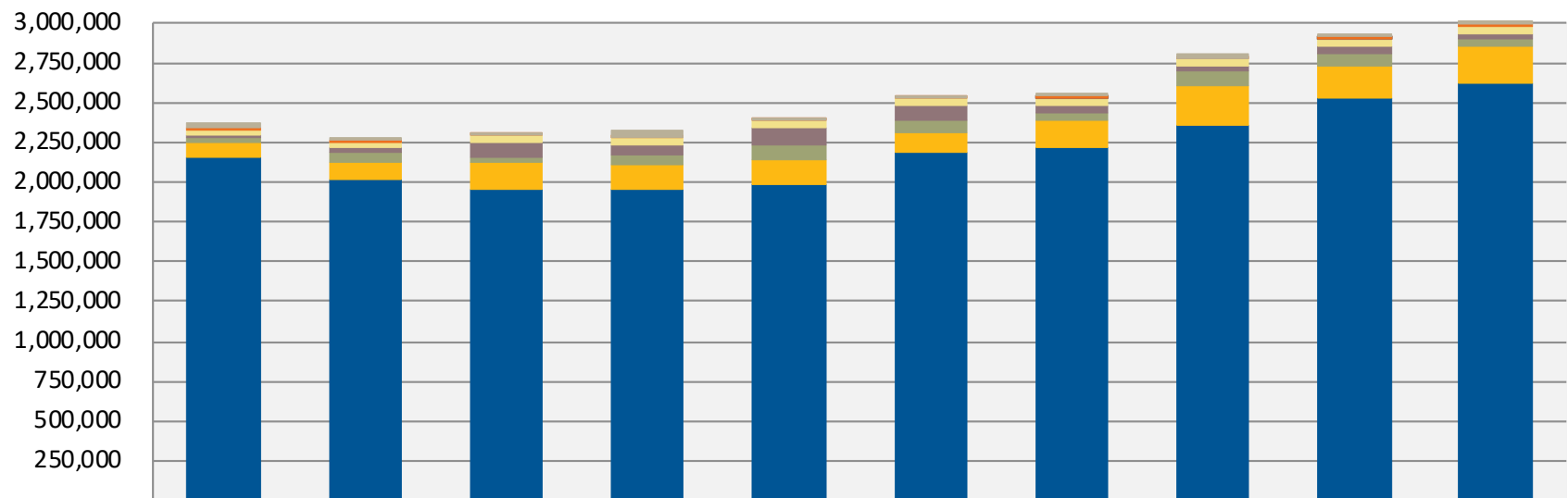


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Cash & Investments	\$ 2,425,515	\$ 2,400,047	\$ 2,317,446	\$ 1,876,037	\$ 1,699,751	\$ 3,153,077	\$ 1,903,697	\$ 1,811,579	\$ 2,113,590	\$ 2,334,404
Expenses	2,758,256	2,860,683	2,942,665	3,311,817	3,130,273	3,355,597	3,335,346	3,315,036	3,511,171	3,622,152
Expendable Net Position	2,004,226	1,981,543	2,577,263	2,804,415	2,815,582	2,504,514	2,354,330	2,428,313	2,587,330	2,628,856



Financial Results (continued)

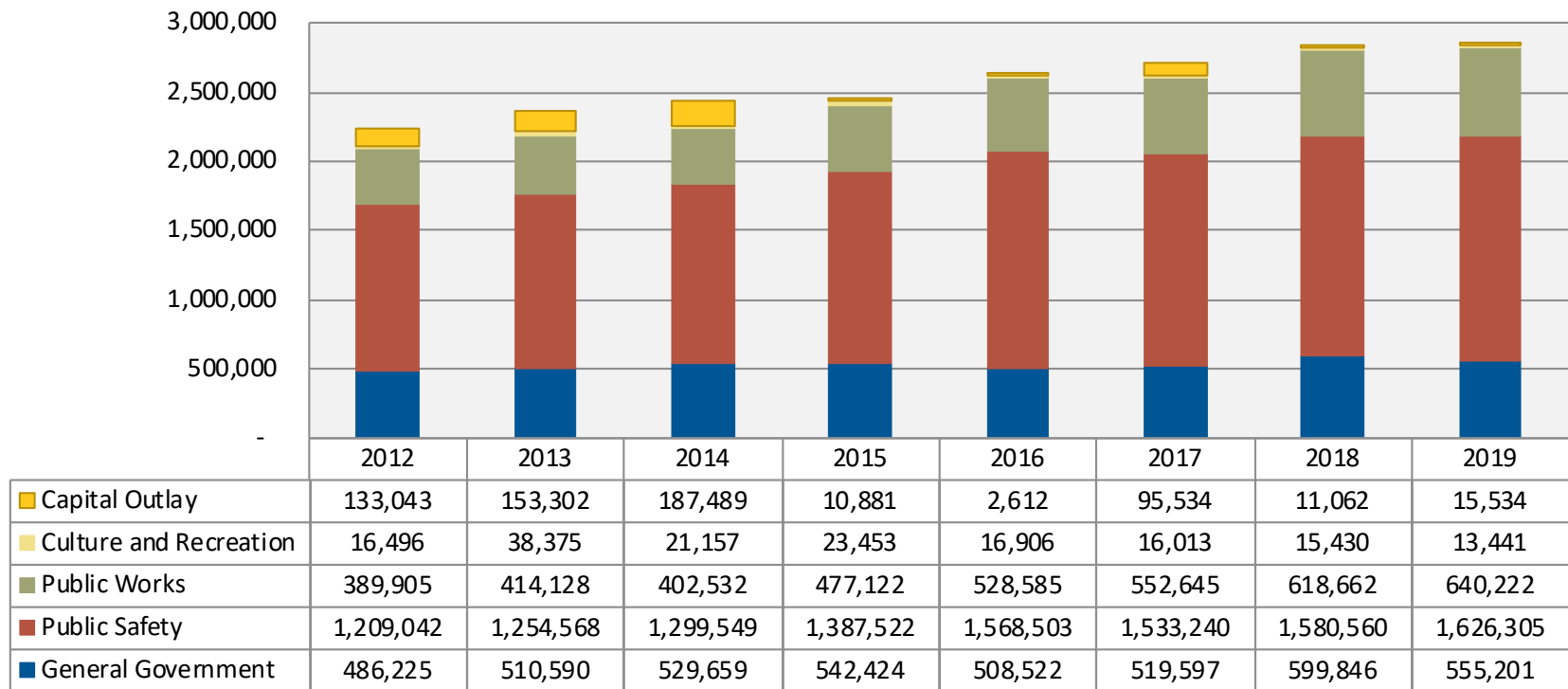
General Fund Revenues



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Miscellaneous	16,536	12,876	21,197	38,120	10,896	19,524	16,365	31,110	8,271	71,177
Interest on Investments	16,333	6,814	4,920	5,624	2,217	2,884	5,429	4,347	6,374	8,810
Special Assessments	-	-	-	-	-	-	2,748	-	7,445	-
Fines and Forfeitures	36,902	35,278	41,364	40,094	49,188	49,517	54,637	48,421	46,593	45,292
Charges for Service	23,640	21,907	91,881	74,295	100,542	81,973	37,275	34,854	46,288	36,219
Intergovernmental	26,273	67,384	25,819	48,849	88,440	84,866	46,312	84,224	82,573	44,345
Licenses and Permits	95,337	117,658	175,528	157,077	166,832	123,407	181,139	246,018	188,169	240,990
Property Taxes	2,149,915	2,008,482	1,952,097	1,957,411	1,980,146	2,183,200	2,211,660	2,360,957	2,534,056	2,612,827

Financial Results (continued)

General Fund Expenditures



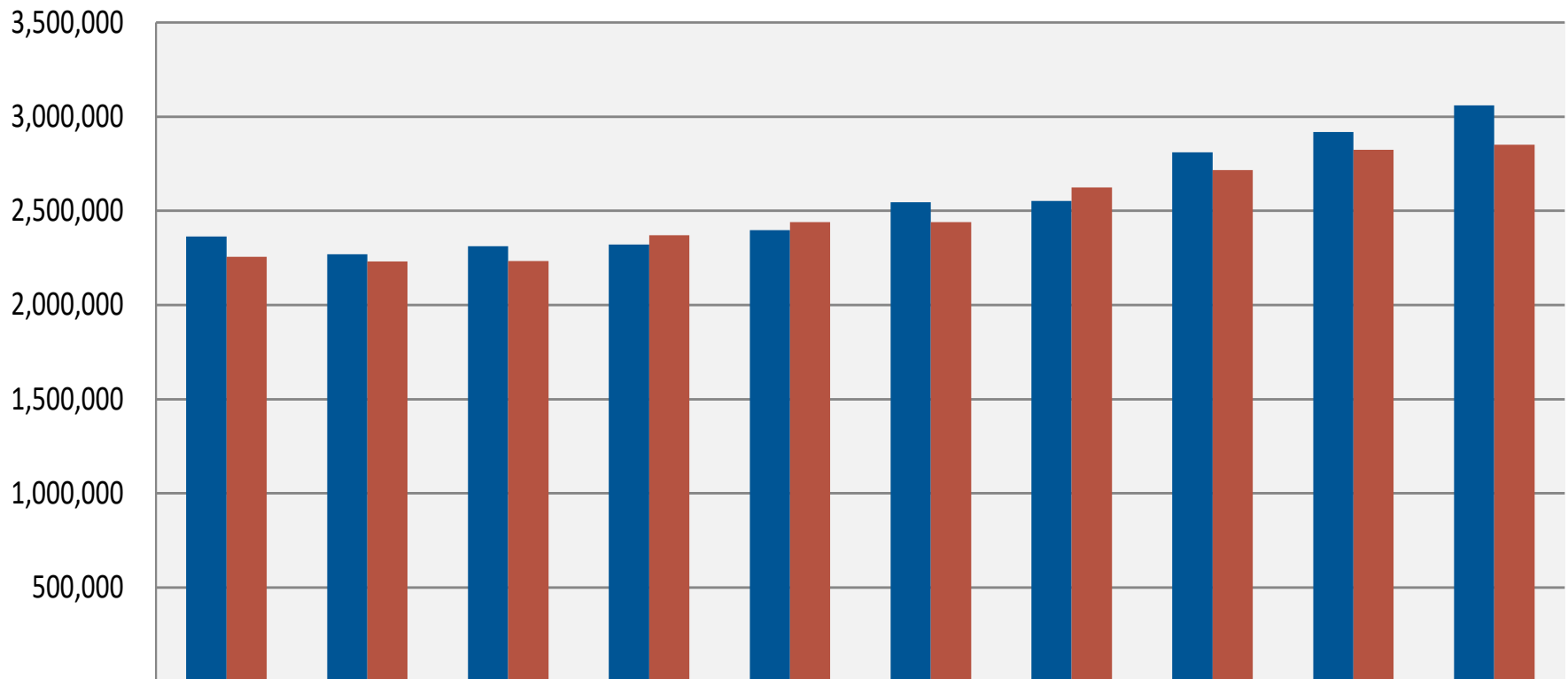
Financial Results (continued)

- Delinquent taxes receivable per year
 - 2019: \$136,192 (98% collection rate)
 - 2018: \$110,252 (98% collection rate)
 - 2017: \$99,780 (99% collection rate)
 - 2016: \$104,442 (99% collection rate)
 - 2015: \$91,553 (99% collection rate)
 - 2014: \$56,126 (98% collection rate)
 - 2013: \$90,985 (96% collection rate)
 - 2012: \$83,886
 - 2011: \$91,342
 - 2010: \$107,526
- \$2,964,927 collected on \$3,037,841 levy for 2019 (98.0% collection rate)



Financial Results (continued)

General Fund Revenues & Expenditures

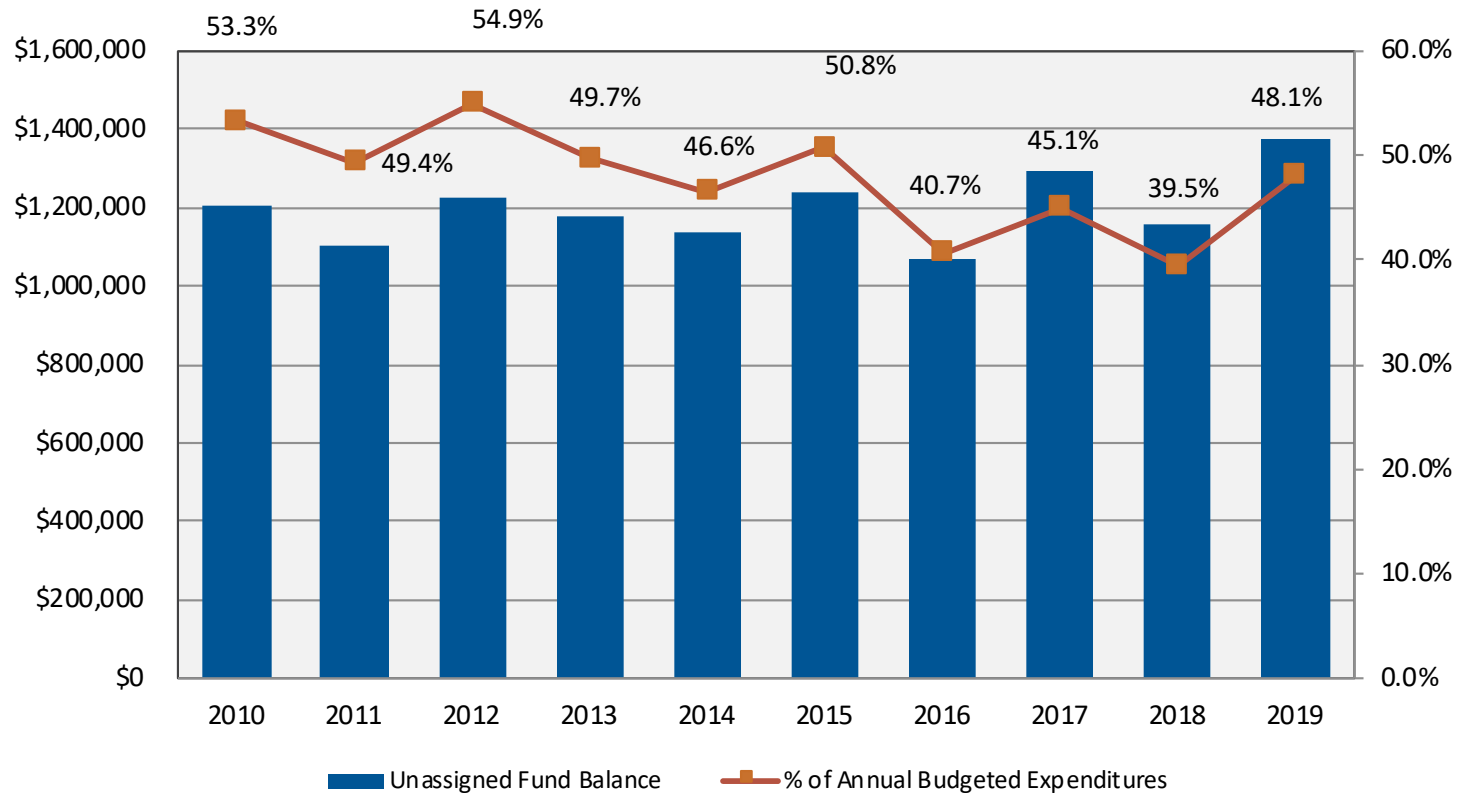


	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues	2,364,936	2,270,399	2,312,806	2,321,470	2,398,261	2,545,371	2,552,817	2,809,931	2,919,769	3,059,660
Expenditures	2,257,195	2,231,588	2,234,711	2,370,963	2,440,386	2,441,402	2,625,128	2,717,029	2,825,560	2,850,703

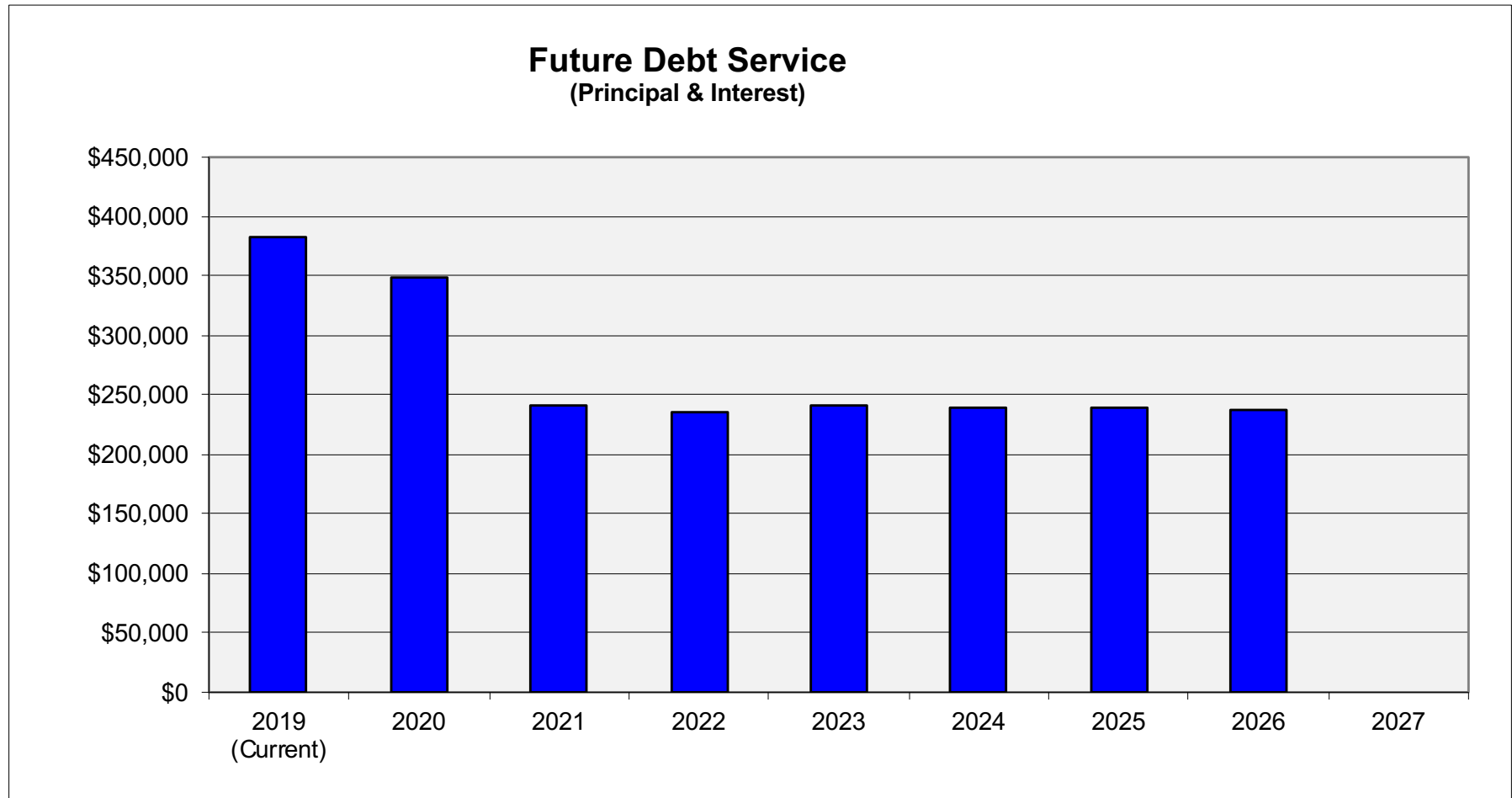


Financial Results (continued)

Unassigned Fund Balance - General Fund

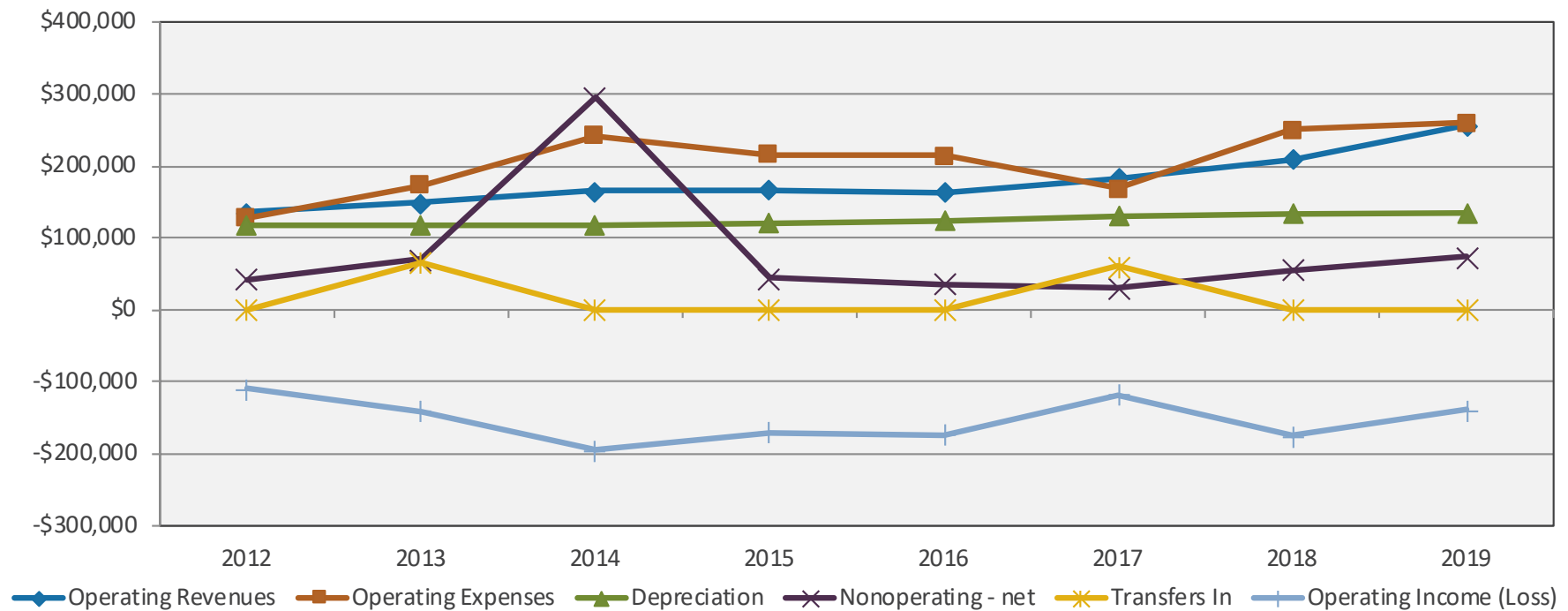


Financial Results (continued)



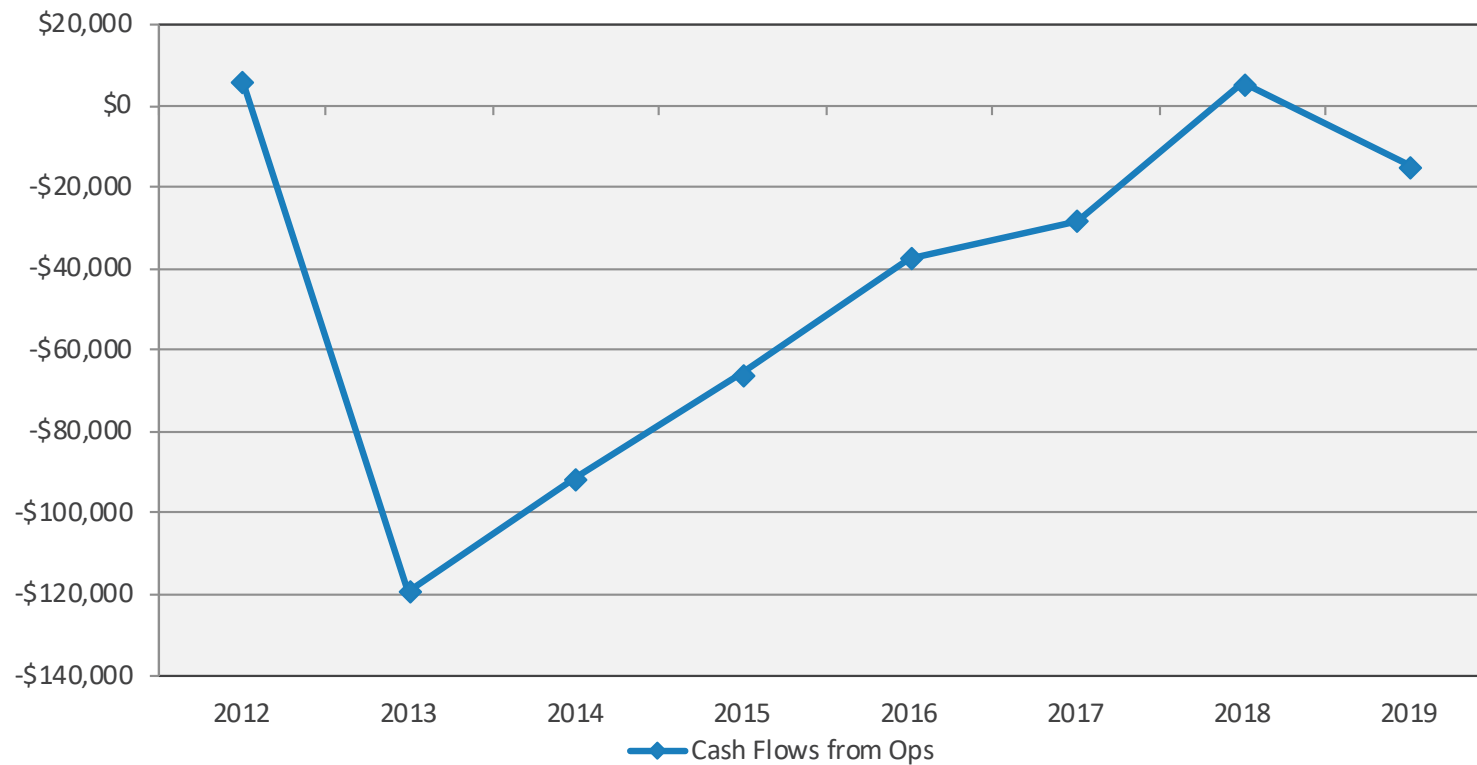
Financial Results (continued)

Sanitary Sewer Fund



Financial Results (continued)

Cash Flows from Operations



MN Legal Compliance

- No Minnesota legal compliance issues noted.



Required Communications

- Audit provides reasonable, but not *absolute* assurance
- Accounting policies
 - Implemented GASB 84 – Fiduciary Funds – resulted in new Escrow fund being created (nonmajor fund) – shows Cash and accounts payable, no fund balance)

Required Communications (continued)

- Significant accounting estimates
- Audit adjustments and uncorrected misstatements
- No disagreements or difficulties with management

Internal Control Letter

- Material weakness
 - None
- Significant deficiencies
 - None
- Management comments
 - None

Other Items – Future Standards

- GASB No. 87 – Leases
 - Applicable December 31, 2022
- GASB No. 96 – Subscription Based Information Technology Agreements
 - Applicable December 31, 2022



Thank You!

Chris Knopik, Principal

612-397-3266

Christopher.Knopik@CLAconnect.com



CITY OF INDEPENDENCE. MINNESOTA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2019

**CITY OF INDEPENDENCE. MINNESOTA
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2019**

INTRODUCTORY SECTION

ELECTED AND APPOINTED OFFICIALS	1
--	----------

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	2
-------------------------------------	----------

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS	5
---	----------

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATEMENT OF NET POSITION	17
----------------------------------	-----------

STATEMENT OF ACTIVITIES	18
--------------------------------	-----------

FUND FINANCIAL STATEMENTS

BALANCE SHEET – GOVERNMENTAL FUNDS	19
---	-----------

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES	20
--	-----------

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	21
---	-----------

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES	22
---	-----------

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL	23
---	-----------

STATEMENT OF NET POSITION – PROPRIETARY FUND	24
---	-----------

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY FUND	25
--	-----------

STATEMENT OF CASH FLOWS – PROPRIETARY FUND	26
---	-----------

NOTES TO FINANCIAL STATEMENTS	28
--------------------------------------	-----------

**CITY OF INDEPENDENCE. MINNESOTA
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2019**

FINANCIAL SECTION (CONTINUED)

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN THE MD&A

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	57
SCHEDULE OF THE CITY'S CONTRIBUTIONS	58

SUPPLEMENTARY INFORMATION

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL	60
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS	64
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS	65
DEBT SERVICE FUND – SUB-COMBINING BALANCE SHEET	66
DEBT SERVICE FUND – SUB-COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES	67

OTHER INFORMATION

SUMMARY FINANCIAL SCHEDULE – REVENUES AND EXPENDITURES (UNAUDITED) FOR GENERAL OPERATIONS – GOVERNMENTAL FUNDS	68
INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE	69

INTRODUCTORY SECTION

**CITY OF INDEPENDENCE. MINNESOTA
ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2019**

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Marvin Johnson	Mayor	12/31/2021
Lynn Betts	Council Member	12/31/2021
Brad Spencer	Council Member	12/31/2021
Ray McCoy	Council Member	12/31/2019
Steve Grotting	Council Member	12/31/2019

APPOINTED

Mark Kaltsas	City Administrator	Appointed
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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Independence (the City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Independence as of December 31, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison schedule for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior-year Comparative Information

We have previously audited the City's 2018 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information in our report dated June 24, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions, be presented to supplement the basic financial statements. Such information, 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

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 summary financial schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Honorable Mayor and
Members of the City Council
City of Independence

The summary financial schedule – revenues and expenditures for general operations – governmental funds has not been subjected to the auditing procedure applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

We also have previously audited, in accordance with auditing standards generally accepted in the United State of America, the City of Independence's basic financial statements for the year ended December 31, 2018, which are not presented with the accompanying financial statements and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. The audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The supplementary information for the year ended December 31, 2018, is presented for purposes of additional analysis and is 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 2018 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of those basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying account 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 State of America. In our opinion, 2018 supplementary information is fairly stated in all material respects in related to the basic financial statements from which they have been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2020, on our consideration of the City of Independence's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Independence's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Independence's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 29, 2020

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF INDEPENDENCE. MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

This section of the City of Independence's (the City) annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on December 31, 2019. Certain comparative information between the current year, 2019, and the prior year, 2018, is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2019 include the following:

- ◆ The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$7,971,024 (net position). After providing for restrictions related to debt service and park improvements (\$370,647) and net investment in capital assets (\$4,971,701), the City has net position remaining of \$2,628,856.
- ◆ The City's total net position increased \$189,960. This net increase related to governmental activities increasing \$254,461, offset by the business-type activities which decreased \$64,501.
- ◆ As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,170,447, an increase of \$55,371, in comparison with the prior year.
- ◆ At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,374,005.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

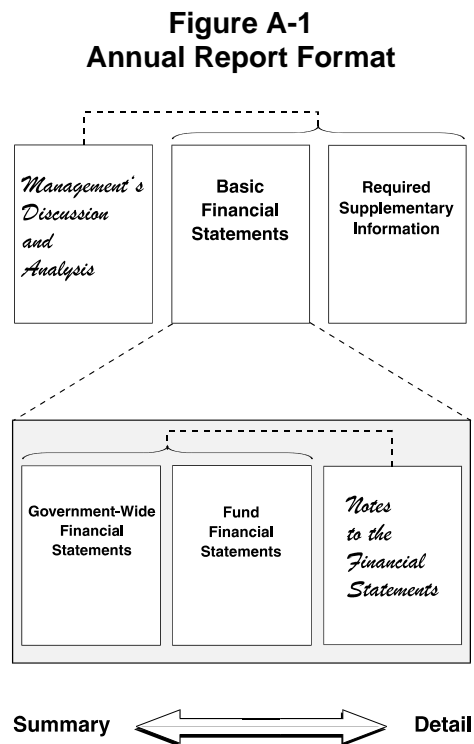
- ◆ The first two statements are City-wide financial statements which provide both short-term and long-term information about the City's overall financial status.
- ◆ The remaining statements are fund financial statements which focus on individual parts of the City, reporting the City's operations in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

**CITY OF INDEPENDENCE. MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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



**CITY OF INDEPENDENCE. MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

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

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

**CITY OF INDEPENDENCE. MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Statements

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

- ◆ The statement of net position includes all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the difference between the two reported as net position. Over time, increases or decreases in the City's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- ◆ The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.
- ◆ To assess the overall health of the City, you need to consider additional nonfinancial factors such as changes in the City's property tax base and the condition of City buildings and other facilities.

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

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

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

Fund Financial Statements

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

Governmental Funds

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

**CITY OF INDEPENDENCE. MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Governmental Funds (Continued)

The City maintains nine funds, two of which are special revenue. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Debt Service Fund, and the Permanent Capital Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements or schedules elsewhere in this report.

Proprietary Funds

The City reports one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its sanitary sewer. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

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

**CITY OF INDEPENDENCE. MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$7,971,024 at the close of the most recent fiscal year. The governmental activities make up 74.66% of the total (\$5,951,534).

By far, the largest portion of the City's net position (62.4%) reflects its investment in capital assets (e.g., land, buildings, vehicles, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital asset themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (\$370,467) represents resources that are subject to external restrictions related to debt issuance and park dedication fees. The remaining balance of unrestricted net position is \$2,061,544.

City of Independence's Summary of Net Position

The City's net position was \$7,971,024 on December 31, 2019. Overall, the statement of net position changes that were significant relate to a reduction in long-term liabilities due to scheduled repayment of bonds and a change in the net pension liability and related deferred outflows and inflows of resources.

	Governmental Activities			Business-Type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Assets:						
Current and Other Assets	\$ 2,886,989	\$ 2,600,982	\$ 286,007	\$ 661,285	\$ 726,522	\$ (65,237)
Capital Assets	4,733,422	5,060,354	(326,932)	1,902,178	2,157,477	(255,299)
Total Assets	7,620,411	7,661,336	(40,925)	2,563,463	2,883,999	(320,536)
Deferred Outflows of Resources	40,954	72,899	(31,945)	8,739	8,905	(166)
Liabilities:						
Long-Term Liabilities Outstanding	960,777	1,476,954	(516,177)	390,000	530,000	(140,000)
Other Liabilities	693,496	672,950	20,546	150,856	143,550	7,306
Total Liabilities	1,654,273	2,149,904	(495,631)	540,856	673,550	(132,694)
Deferred Inflows of Resources	55,558	124,569	(69,011)	11,856	15,217	(3,361)
Net Position:						
Net Investment in Capital Assets	3,519,523	3,340,462	179,061	1,452,178	1,547,477	(95,299)
Restricted for Debt Service	370,467	265,480	104,987	-	82,167	(82,167)
Unrestricted	2,061,544	1,853,820	207,724	567,312	574,493	(7,181)
Total Net Position	\$ 5,951,534	\$ 5,459,762	\$ 491,772	\$ 2,019,490	\$ 2,204,137	\$ (184,647)

**CITY OF INDEPENDENCE. MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Changes in Net Position

The Citywide total revenues were \$3,812,112 the year ended December 31, 2019. Property taxes and intergovernmental revenues accounted for 79.9% of total revenue for the year.

	Governmental Activities			Business-Type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
REVENUES						
Program Revenues:						
Charges for Services	\$ 393,678	\$ 360,903	\$ 32,775	\$ 256,766	\$ 183,018	\$ 73,748
Operating Grants and Contributions	19,041	55,485	(36,444)	-	-	-
Capital Grants and Contributions	11,167	34,500	(23,333)	72,213	36,508	35,705
General Revenues:						
Taxes:						
Property Taxes, Levied for General Purposes	2,700,762	2,419,645	281,117	-	-	-
Debt Service	300,838	294,044	6,794	15,957	13,652	2,305
Grants and Contributions Not Restricted to Specific Programs	27,310	29,796	(2,486)	-	-	-
Unrestricted Investment Earnings	14,155	7,620	6,535	225	184	41
Total Revenues	3,466,951	3,201,993	264,958	345,161	233,362	111,799
EXPENSES						
General Government	603,554	545,983	57,571	-	-	-
Public Safety	1,683,991	1,580,631	103,360	-	-	-
Public Works	826,654	747,013	79,641	-	-	-
Culture and Recreation	65,853	75,207	(9,354)	-	-	-
Interest on Long-Term Debt	32,438	46,354	(13,916)	-	-	-
Sanitary Sewer	-	-	-	409,662	319,848	89,814
Total Expenses	3,212,490	2,995,188	217,302	409,662	319,848	89,814
Transfers	-	(60,000)	60,000	-	60,000	(60,000)
Change in Net Position	254,461	146,805	107,656	(64,501)	(26,486)	(38,015)
Net Position, Beginning of Year	5,697,073	5,195,223	501,850	2,083,991	2,230,623	(146,632)
Prior Period Restatement	-	117,734	(117,734)	-	-	-
Net Position, End of Year	<u>\$ 5,951,534</u>	<u>\$ 5,459,762</u>	<u>\$ 491,772</u>	<u>\$ 2,019,490</u>	<u>\$ 2,204,137</u>	<u>\$ (184,647)</u>

**CITY OF INDEPENDENCE. MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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

Governmental type activities –

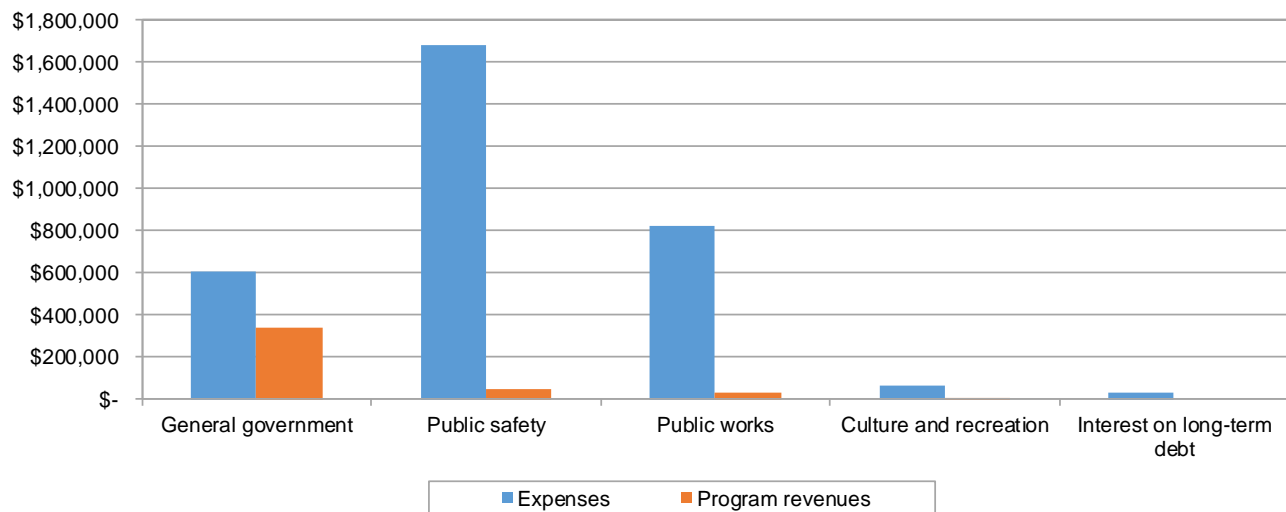
- The increase in governmental activities net position is primarily due to increases property tax revenues.

Business-type activities –

- The decrease in business-type activities net position is due to increased expenses related to the replacement of the Ox Yoke septic system. This expense was partially reimbursed in 2019 and the remainder will be assessed to upcoming property taxes.

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

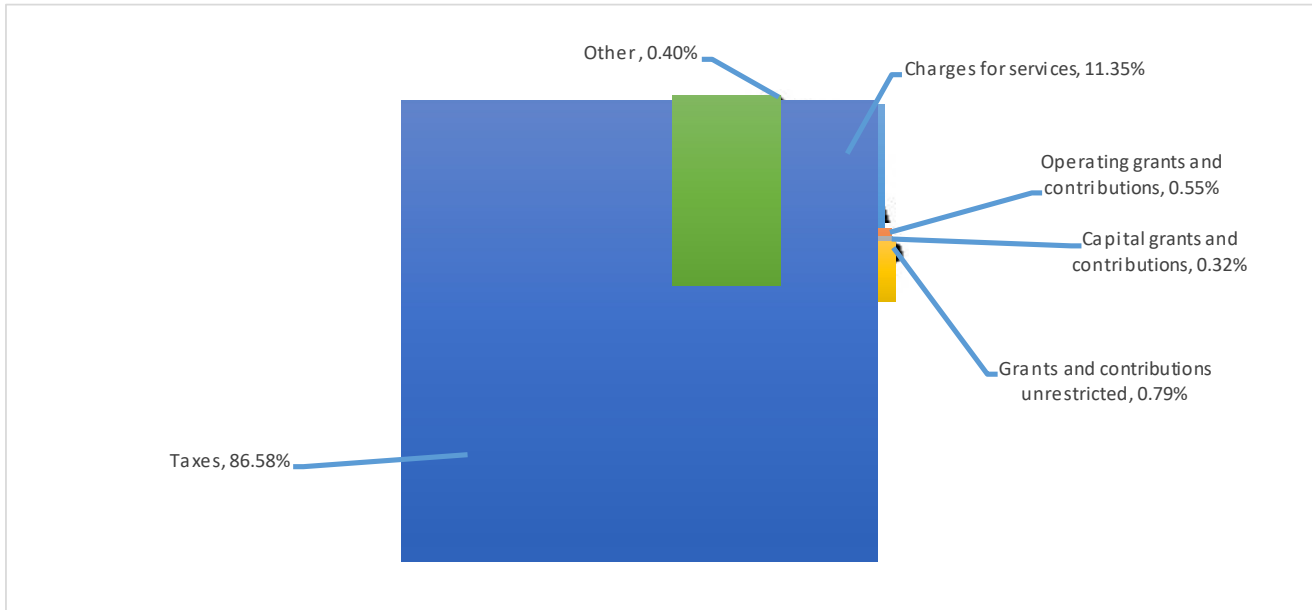
2019 Expenses and Program Revenues – Governmental Activities



**CITY OF INDEPENDENCE. MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

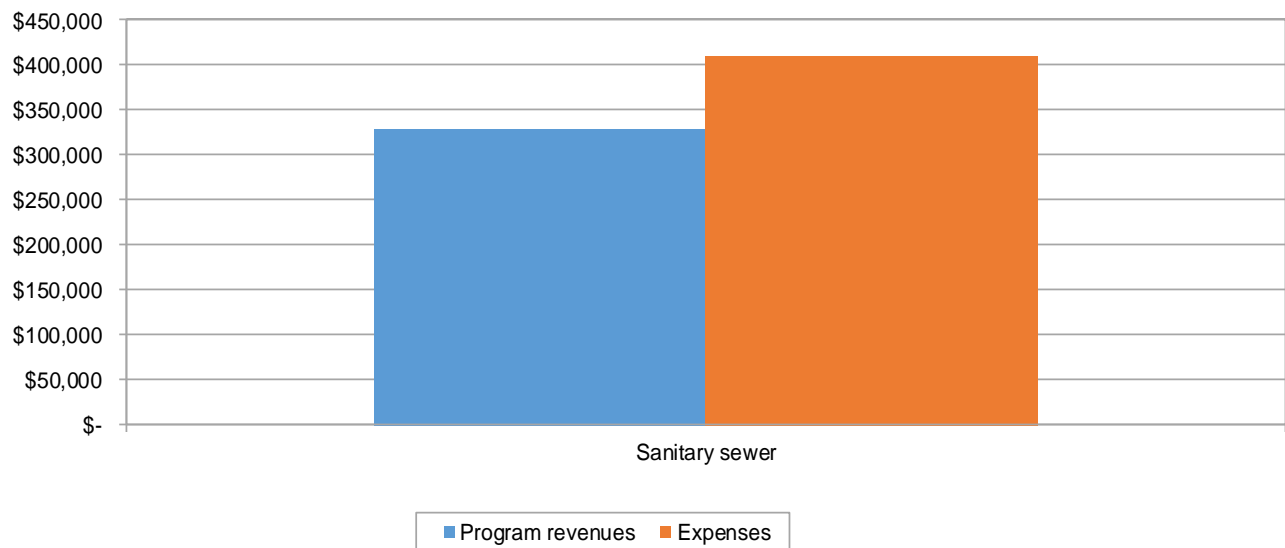
2019 Revenues by Source – Governmental Activities



Business-Type Activities

Business-type activities decreased the City's net position by \$64,501.

2019 Expenses and Program Revenues – Business-type Activities



**CITY OF INDEPENDENCE. MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$2,170,447, an increase of \$55,371 in comparison with the prior year.

The General Fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General Fund was \$1,378,021. The fund balance of the City's General Fund increased \$98,196 during the current fiscal year. This was mainly due to an increase in revenues related to property taxes and intergovernmental revenues.

The Debt Service Fund has a total fund balance of \$309,764. This is an increase of \$13,197 from the prior year as a result of levying for the upcoming principal and interest payments of the outstanding bonds being paid down of prior issuances.

The Permanent Capital Fund had a total balance of \$296,041. This is a decrease of \$59,551 from the prior year. The decrease is primarily the result of an increase in expenditures to purchase a Mack Truck and a Hydraulic Snowplow as well as for initial costs for the City Hall Remodel and 2020 Road Overlay. The equipment purchases were partially offset by a budget transfer from the General Fund to the Capital Fund.

Proprietary Fund

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

Net position of the enterprise fund at the end of the year totaled \$2,019,490. Overall, the change in net position was a decrease of \$64,501 from the prior year due to operating expenses exceeding operating revenues.

General Fund Budgetary Highlights

During the year, expenditures were under budget by \$4,099. The largest expenditure variances were related to Public Works expenditures being over budget by \$6,249 which was offset by general government expenditures being under budget by \$11,326.

In addition, revenues exceeded budget \$122,165. This excess over budget is primarily due to the licenses and permits revenues and refunds and reimbursements exceeding budget.

**CITY OF INDEPENDENCE. MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

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, 2019 totaled \$6,635,600 (net of accumulated depreciation). The investment in capital assets includes land, buildings, vehicles, equipment, and infrastructure.

City of Independence's Capital Assets

	Governmental Activities			Business-Type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Land	\$ 591,591	\$ 591,591	\$ -	\$ -	\$ -	\$ -
Construction in Progress	151,547	-	151,547	-	-	-
Buildings	1,343,607	1,412,295	(68,688)	-	-	-
Infrastructure	2,346,977	2,444,190	(97,213)	1,878,448	1,997,077	(118,629)
Equipment	145,553	180,251	(34,698)	6,788	11,403	(4,615)
Vehicles	154,147	187,062	(32,915)	16,942	28,355	(11,413)
Total	<u>4,733,422</u>	<u>4,815,389</u>	<u>(81,967)</u>	<u>1,902,178</u>	<u>2,036,835</u>	<u>(134,657)</u>

Long-Term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$1,648,820. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

City of Independence's Outstanding Debt

	Governmental Activities			Business-Type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
General Obligation Improvement Bonds	\$ 105,000	\$ 215,000	\$ (110,000)	\$ 450,000	\$ 505,000	\$ (55,000)
General Obligation Revenue Bonds	-	-	-	-	25,000	(25,000)
General Obligation Tax Abatement	1,085,000	1,230,000	(145,000)	-	-	-
Capital Lease	8,820	11,849	(3,029)	-	-	-
Total	<u>\$ 1,198,820</u>	<u>\$ 1,456,849</u>	<u>\$ (258,029)</u>	<u>\$ 450,000</u>	<u>\$ 530,000</u>	<u>\$ (80,000)</u>

The City's total noncurrent liabilities decreased \$338,029 during the current fiscal year due to scheduled repayment on bonds.

**CITY OF INDEPENDENCE. MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Property market valuations increase in total for 2018, the market values of Cities are expected to increase again in 2018 into 2019.
- The City continues to update a comprehensive financial plan that addresses future capital needs and other growth related issues.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Administrator, City of Independence, 1920 County Road 90, Independence, Minnesota 55359-9448.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF INDEPENDENCE. MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Temporary Investments	\$ 2,215,804	\$ 118,600	\$ 2,334,404
Receivables:			
Interest	589	-	589
Delinquent Taxes	136,192	-	136,192
Accounts	6,306	27,881	34,187
Special Assessments	40,112	514,804	554,916
Due from Other Governments	9,252	-	9,252
Investment in Joint Venture	474,718	-	474,718
Prepays	4,016	-	-
Capital Assets:			
Land and Construction in Progress	743,138	-	743,138
Depreciable Capital Assets (Net of Accumulated Depreciation)	3,990,284	1,902,178	5,892,462
 Total Assets	 7,620,411	 2,563,463	 10,183,874
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	40,954	8,739	49,693
LIABILITIES			
Accounts Payable	120,940	17,774	138,714
Accrued Salaries Payable	18,563	3,113	21,676
Due to Other Governments	758	2,485	3,243
Accrued Interest Payable	9,897	5,981	15,878
Noncurrent Liabilities:			
Net Pension Liability	273,386	58,341	331,727
Due within One Year	269,952	63,162	333,114
Due in More than One Year	960,777	390,000	1,350,777
 Total Liabilities	 1,654,273	 540,856	 2,195,129
DEFERRED INFLOWS OF RESOURCES			
Pension Related	55,558	11,856	67,414
NET POSITION			
Net Investment in Capital Assets	3,519,523	1,452,178	4,971,701
Restricted for Debt Service	299,867	-	299,867
Restricted for Park Improvements	70,600	-	70,600
Unrestricted	2,061,544	567,312	2,628,856
 Total Net Position	 <u>\$ 5,951,534</u>	 <u>\$ 2,019,490</u>	 <u>\$ 7,971,024</u>

See accompanying Notes to Financial Statements.

**CITY OF INDEPENDENCE. MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expenses) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General Government	\$ 603,554	\$ 338,720	\$ -	\$ -	\$ (264,834)	\$ -	\$ (264,834)
Public Safety	1,683,991	47,766	-	-	(1,636,225)	-	(1,636,225)
Public Works	826,654	6,042	19,041	3,917	(797,654)	-	(797,654)
Culture and Recreation	65,853	1,150	-	7,250	(57,453)	-	(57,453)
Interest on Long-Term Debt	32,438	-	-	-	(32,438)	-	(32,438)
Total Governmental Activities	3,212,490	393,678	19,041	11,167	(2,788,604)	-	(2,788,604)
Business-Type Activities:							
Sanitary Sewer	409,662	256,766	-	72,213	-	(80,683)	(80,683)
Total	<u>\$ 3,622,152</u>	<u>\$ 650,444</u>	<u>\$ 19,041</u>	<u>\$ 83,380</u>	(2,788,604)	(80,683)	(2,869,287)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes					2,700,762	-	2,700,762
Property Taxes, Levied for Debt Service					300,838	15,957	316,795
Grants and Contributions Not Restricted to Specific Programs					27,310	-	27,310
Unrestricted Investment Earnings					14,155	225	14,380
Total General Revenues and Transfers					<u>3,043,065</u>	<u>16,182</u>	<u>3,059,247</u>
Change in Net Position					254,461	(64,501)	189,960
Net Position, Beginning of Year					<u>5,697,073</u>	<u>2,083,991</u>	<u>7,781,064</u>
Net Position, End of Year					<u>\$ 5,951,534</u>	<u>\$ 2,019,490</u>	<u>\$ 7,971,024</u>

See accompanying Notes to Financial Statements.

FUND FINANCIAL STATEMENTS

**CITY OF INDEPENDENCE. MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	General	Debt Service	Permanent Capital	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Temporary Investments	\$ 1,347,778	\$ 309,764	\$ 334,582	\$ 223,680	\$ 2,215,804
Receivables:					
Interest	589	-	-	-	589
Delinquent Taxes	126,433	-	-	9,759	136,192
Accounts	6,234	-	-	72	6,306
Special Assessments	40,112	-	-	-	40,112
Prepaid Items	4,016	-	-	-	4,016
Due from Other Governments	9,252	-	-	-	9,252
Total Assets	<u>\$ 1,534,414</u>	<u>\$ 309,764</u>	<u>\$ 334,582</u>	<u>\$ 233,511</u>	<u>\$ 2,412,271</u>
LIABILITIES					
Accounts Payable	\$ 44,127	\$ -	38,541	\$ 38,272	\$ 120,940
Accrued Salaries Payable	18,563	-	-	-	18,563
Due to Other Governments	758	-	-	-	758
Total Liabilities	<u>63,448</u>	<u>-</u>	<u>38,541</u>	<u>38,272</u>	<u>140,261</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	52,833	-	-	8,618	61,451
Unavailable Revenue - Special Assessments	40,112	-	-	-	40,112
Total Deferred Inflows of Resources	<u>92,945</u>	<u>-</u>	<u>-</u>	<u>8,618</u>	<u>101,563</u>
FUND BALANCES					
Nonspendable	4,016	-	-	-	4,016
Restricted for:					
Debt Service	-	309,764	-	-	309,764
Park Improvements	-	-	-	70,600	70,600
Assigned to:					
Buildings Capital	-	-	105,130	-	105,130
Roads Capital	-	-	12,990	36,708	49,698
Equipment Capital	-	-	94,934	-	94,934
Administration Capital	-	-	82,987	-	82,987
Water Resource Department	-	-	-	79,313	79,313
Unassigned	1,374,005	-	-	-	1,374,005
Total Fund Balances	<u>1,378,021</u>	<u>309,764</u>	<u>296,041</u>	<u>186,621</u>	<u>2,170,447</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,534,414</u>	<u>\$ 309,764</u>	<u>\$ 334,582</u>	<u>\$ 233,511</u>	<u>\$ 2,412,271</u>

See accompanying Notes to Financial Statements.

CITY OF INDEPENDENCE. MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019

Total Fund Balances - Governmental	\$ 2,170,447
Amounts reported for the governmental activities in the statement of net position are different because:	
Governmental funds do not report an asset for equity interest in the joint venture	474,718
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of Capital Assets	8,695,283
Less Accumulated Depreciation	(3,961,861)
The City's net pension liability and related deferred outflows and inflows of resources are recorded only on the statement of net position. Balances at year-end are:	
Net Pension Liability	(273,386)
Deferred Inflows of Resources - Pension Related	(55,558)
Deferred Outflows of Resources - Pension Related	40,954
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Capital Lease Payable	(8,820)
Bonds Payable	(1,190,000)
Plus Premium Net of Accumulated Amortization	(15,079)
Compensated Absences Payable	(16,830)
Some receivables are not available soon enough to pay for the current-period's expenditures and, therefore, are unavailable in the funds.	
Property Taxes	61,451
Special Assessments	40,112
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(9,897)</u>
Total Net Position - Governmental Activities	<u><u>\$ 5,951,534</u></u>

See accompanying Notes to Financial Statements.

CITY OF INDEPENDENCE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019

	General	Debt Service	Permanent Capital	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Property Taxes	\$ 2,612,827	\$ 300,838	\$ -	\$ 62,911	\$ 2,976,576
Licenses and Permits	240,990	-	-	-	240,990
Intergovernmental	44,345	-	-	-	44,345
Charges for Services	36,219	-	-	-	36,219
Fines and Forfeitures	45,292	-	-	-	45,292
Interest on Investments	8,810	1,372	2,753	1,220	14,155
Miscellaneous	71,177	-	-	9,256	80,433
Total Revenues	3,059,660	302,210	2,753	73,387	3,438,010
EXPENDITURES					
Current:					
General Government	555,201	-	-	80,155	635,356
Public Safety	1,626,305	-	-	-	1,626,305
Public Works	640,222	-	-	31,841	672,063
Culture and Recreation	13,441	-	-	-	13,441
Capital Outlay:					
General Government	15,234	-	-	-	15,234
Public Works	300	-	130,927	-	131,227
Debt Service:					
Principal	-	255,000	-	-	255,000
Interest and Other	-	34,013	-	-	34,013
Total Expenditures	2,850,703	289,013	130,927	111,996	3,382,639
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	208,957	13,197	(128,174)	(38,609)	55,371
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	68,623	42,138	110,761
Transfers Out	(110,761)	-	-	-	(110,761)
Total Other Financing Sources (Uses)	(110,761)	-	68,623	42,138	-
NET CHANGE IN FUND BALANCES	98,196	13,197	(59,551)	3,529	55,371
Fund Balance Beginning of Year	1,279,825	296,567	355,592	183,092	2,115,076
FUND BALANCE END OF YEAR	<u>\$ 1,378,021</u>	<u>\$ 309,764</u>	<u>\$ 296,041</u>	<u>\$ 186,621</u>	<u>\$ 2,170,447</u>

See accompanying Notes to Financial Statements.

**CITY OF INDEPENDENCE. MINNESOTA
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES –
GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

Total Net Change in Fund Balance - Governmental Funds	\$ 55,371
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds do not report income or loss in a joint venture.	(19,505)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital Outlays	158,247
Depreciation Expense	(240,214)
Pension expenditures on the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in net pension liability and the related deferred inflows and outflows of resources.	(4,047)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of bonds payable consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	
Principal Repayments	255,000
Amortization of Premium on Bonds	2,513
Principal Payments for Capital Leases	3,029
Interest on bonds payable in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	1,575
Certain revenues are recognized as soon as it is earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Property Taxes	25,024
Special Assessments	3,917
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated Absences	13,551
Change in Net Position - Governmental Activities	<u>\$ 254,461</u>

See accompanying Notes to Financial Statements.

CITY OF INDEPENDENCE. MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Property Taxes	\$ 2,656,535	\$ 2,656,535	\$ 2,612,827	\$ (43,708)
Licenses and Permits	165,070	165,070	240,990	75,920
Intergovernmental	16,000	16,000	44,345	28,345
Charges for Services	41,150	41,150	36,219	(4,931)
Fines and Forfeitures	47,740	47,740	45,292	(2,448)
Interest on Investments	5,000	5,000	8,810	3,810
Miscellaneous	6,000	6,000	71,177	65,177
Total Revenues	2,937,495	2,937,495	3,059,660	122,165
EXPENDITURES				
Current:				
General Government	566,527	566,527	555,201	11,326
Public Safety	1,626,980	1,626,980	1,626,305	675
Public Works	623,881	623,881	640,222	(16,341)
Culture and Recreation	17,414	17,414	13,441	3,973
Capital Outlay	20,000	20,000	15,534	4,466
Total Expenditures	2,854,802	2,854,802	2,850,703	4,099
EXCESS OF REVENUES OVER EXPENDITURES	82,693	82,693	208,957	126,264
OTHER FINANCING SOURCES				
Transfers out	(68,623)	(68,623)	(110,761)	(42,138)
Total Other Financing Sources	(68,623)	(68,623)	(110,761)	(42,138)
NET CHANGE IN FUND BALANCES	14,070	14,070	98,196	84,126
Fund Balances - Beginning of Year	1,279,825	1,279,825	1,279,825	-
FUND BALANCES - END OF YEAR	<u>\$ 1,293,895</u>	<u>\$ 1,293,895</u>	<u>\$ 1,378,021</u>	<u>\$ 84,126</u>

See accompanying Notes to Financial Statements.

CITY OF INDEPENDENCE. MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF DECEMBER 31, 2018)

	Sanitary Sewer	
	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Temporary Investments	\$ 118,600	\$ 121,814
Accounts Receivable	27,881	19,834
Prepaid Items	-	3,456
Total Current Assets	<u>146,481</u>	<u>145,104</u>
NONCURRENT ASSETS		
Special Assessments Receivable - Delinquent	934	6,317
Special Assessments Receivable - Noncurrent	513,870	527,349
Capital Assets:		
Machinery and Equipment	17,340	17,340
Vehicles	37,649	37,649
Infrastructure	4,876,873	4,876,873
Less: Accumulated Depreciation	<u>(3,029,684)</u>	<u>(2,895,028)</u>
Net Capital Assets	<u>1,902,178</u>	<u>2,036,834</u>
Total Noncurrent Assets	<u>2,416,982</u>	<u>2,570,500</u>
Total Assets	2,563,463	2,715,604
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related	8,739	17,902
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	17,774	10,876
Accrued Salaries Payable	3,113	3,995
Due to Other Governments	2,485	4,920
Accrued Interest Payable	5,981	7,080
Compensated Absences Payable - Current	3,162	9,296
Bonds Payable - Current	<u>60,000</u>	<u>80,000</u>
Total Current Liabilities	<u>92,515</u>	<u>116,167</u>
NONCURRENT LIABILITIES		
Net Pension Liability	58,341	63,388
Bonds Payable	<u>390,000</u>	<u>450,000</u>
Total Noncurrent Liabilities	<u>448,341</u>	<u>513,388</u>
Total Liabilities	540,856	629,555
DEFERRED INFLOW OF RESOURCES		
Pension Related	<u>11,856</u>	<u>19,960</u>
NET POSITION		
Net Investment in Capital Assets	1,452,178	1,506,834
Unrestricted	<u>567,312</u>	<u>577,157</u>
Total Net Position	<u>\$ 2,019,490</u>	<u>\$ 2,083,991</u>

See accompanying Notes to Financial Statements.

CITY OF INDEPENDENCE. MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018)

	Sanitary Sewer	
	2019	2018
OPERATING REVENUES		
Charges for Services	\$ 256,766	\$ 209,462
OPERATING EXPENSES		
Personal Services	92,599	123,116
Supplies	13,766	13,472
Repairs and Maintenance	13,054	25,505
Other Services and Charges	114,300	63,748
Insurance	726	794
Utilities	25,986	23,545
Depreciation	134,656	134,443
Total Operating Expenses	395,087	384,623
OPERATING LOSS	(138,321)	(175,161)
NONOPERATING REVENUES (EXPENSES)		
Property Taxes	15,957	12,296
Special Assessments	68,353	56,640
Connection Fees	3,860	2,610
Interest Income	225	662
Interest Expense	(14,575)	(17,193)
Total Nonoperating Revenues (Expenses)	73,820	55,015
CHANGE IN NET POSITION	(64,501)	(120,146)
Net Position - Beginning of Year	2,083,991	2,204,137
NET POSITION - END OF YEAR	<u>\$ 2,019,490</u>	<u>\$ 2,083,991</u>

See accompanying Notes to Financial Statements.

CITY OF INDEPENDENCE. MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018)

	Sanitary Sewer	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	\$ 248,719	\$ 226,376
Payments to Suppliers, Contractors, and Other Governments	(159,913)	(122,343)
Payments to Employees	(103,603)	(98,534)
Net Cash Provided (Used) by Operating Activities	(14,797)	5,499
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Special Assessments	87,215	88,136
Property Taxes	15,957	12,296
Acquisition of Capital Assets	-	(13,800)
Connection Fees Received	3,860	2,610
Principal Paid on Bonds Payable	(80,000)	(80,000)
Interest Paid on Bonds Payable	(15,674)	(18,201)
Net Cash Provided (Used) by Capital and Related Financing Activities	11,358	(8,959)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	225	662
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,214)	(2,798)
Cash and Cash Equivalents - Beginning of Year	121,814	124,612
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 118,600</u>	<u>\$ 121,814</u>

See accompanying Notes to Financial Statements.

CITY OF INDEPENDENCE, MINNESOTA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUND
YEAR ENDED DECEMBER 31, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2018)

	Sanitary Sewer	
	2019	2018
RECONCILIATION OF OPERATING LOSS		
TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (138,321)	\$ (175,161)
Adjustments to Reconcile Operating Loss to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation	134,656	134,443
(Increase) Decrease in Assets and Deferred		
Outflows of Resources:		
Accounts Receivable	(8,047)	16,914
Prepaid Items	3,456	(3,456)
Deferred Outflows of Resources	9,163	(8,997)
Increase (Decrease) in Liabilities and Deferred		
Inflows of Resources:		
Accounts Payable	6,898	5,717
Due to Other Governments	(2,435)	2,460
Accrued Salaries Payable	(882)	981
Compensated Absences Payable	(6,134)	1,299
Net Pension Liability	(5,047)	26,556
Deferred Inflows of Resources	(8,104)	4,743
Net Cash Provided (Used) by Operating Activities	<u>\$ (14,797)</u>	<u>\$ 5,499</u>

See accompanying Notes to Financial Statements.

**CITY OF INDEPENDENCE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

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

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information about the Primary Government. These statements include the financial activities of the overall City government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

**CITY OF INDEPENDENCE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The City considers all revenues to be available if they are collected within 60 days after the end of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, as well as expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

CITY OF INDEPENDENCE. MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

The City reports the following major governmental funds:

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

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

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

**CITY OF INDEPENDENCE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

The City reports the following major proprietary fund:

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

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

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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

1. Deposits and Investments

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

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

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

CITY OF INDEPENDENCE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Deposits and Investments (Continued)

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

- a. Direct obligations or obligations guaranteed by the United States or its agencies.
- b. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
- c. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rate "AA" or better.
- d. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
- e. Bankers' acceptances of United States bank eligible for purchase by the Federal Reserve System.
- f. Commercial paper issued by United States bank corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
- g. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- h. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top rating categories by a nationally recognized rating agency.

**CITY OF INDEPENDENCE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Property Taxes

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

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

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

3. Accounts Receivable

Accounts receivable include amounts billed for services provided before year-end. Unbilled utility enterprise fund receivables are also included for services provided in 2019. There have been no allowances for doubtful accounts established.

4. Special Assessments

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

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of one year and a cost based upon the following asset categories:

**CITY OF INDEPENDENCE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Capital Assets (Continued)

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

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

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

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

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

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

7. Deferred Outflows of Resources

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

**CITY OF INDEPENDENCE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Deferred Inflows of Resources

The City's governmental activities and governmental fund financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position of fund balance that applies to a future period. The City will not recognize the related revenue until a future event occurs. The City has one type of item, which occurs under the modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second type relates to pension liabilities as described in Note 4 to the financial statements.

9. Net Pension Liability

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

10. Compensated Absences

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

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

**CITY OF INDEPENDENCE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

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

12. Fund Balance

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

Nonspendable – amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted – amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.

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

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

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

**CITY OF INDEPENDENCE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

12. Fund Balance (Continued)

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has formally adopted a fund balance policy for the General Fund. The City's policy is to maintain a minimum unassigned fund balance of 50% of budgeted operating expenditures for cash-flow timing needs.

13. Net Position

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

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

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

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

14. Use of Estimates

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

15. Comparative Data/Reclassifications

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended **December 31, 2018**, from which the summarized information was derived.

**CITY OF INDEPENDENCE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

16. Change In Accounting Principles

In 2019, the City implemented Governmental Accounting Standards (GASB) Statement No. 84, *Fiduciary Activities*, in 2019. The adoption of this Statement resulted in the City no longer reporting an agency fund and those activities are not accounted for in a nonmajor capital projects funds.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund. All annual appropriations lapse at year-end. The City does not use encumbrance accounting.

In August of each year, all departments of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. Before September 15, the proposed budget is presented to the City Council for review. The City Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Administrator. The legal level of budgetary control is the department level. Budgeted amounts are as originally adopted or as amended by the City Council.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Custodial Credit Risk – Deposits – In the case of deposits, custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City's deposit policy does not provide additional restrictions beyond Minnesota State Statutes to the type of risk.

Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

**CITY OF INDEPENDENCE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year-end, the City's carrying amount of deposits was \$2,334,404 and the bank balance was \$2,322,621. The bank balance was covered by federal depository insurance totaling \$500,000 and the remaining balance was covered by collateral held by the City's agent in the City's name.

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

	<u>Primary Government</u>
Carrying Value of Deposits	<u>\$ 2,334,404</u>
Cash and Temporary Investments	<u>\$ 2,334,404</u>

**CITY OF INDEPENDENCE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 591,591	\$ -	\$ -	\$ 591,591
Construction in Progress	-	151,547	-	151,547
Total Capital Assets Not Being Depreciated	591,591	151,547	-	743,138
Capital Assets, Being Depreciated:				
Equipment	755,957	6,700	-	762,657
Vehicles	354,887	-	-	354,887
Buildings	2,653,446	-	-	2,653,446
Infrastructure	4,181,155	-	-	4,181,155
Total Capital Assets, Being Depreciated	7,945,445	6,700	-	7,952,145
Less Accumulated Depreciation for:				
Equipment	(575,706)	(41,398)	-	(617,104)
Vehicles	(167,825)	(32,915)	-	(200,740)
Buildings	(1,241,151)	(68,688)	-	(1,309,839)
Infrastructure	(1,736,965)	(97,213)	-	(1,834,178)
Total Accumulated Depreciation	(3,721,647)	(240,214)	-	(3,961,861)
Total Capital Assets, Being Depreciated, Net	4,223,798	(233,514)	-	3,990,284
Governmental Activities Capital Assets, Net	<u>\$ 4,815,389</u>	<u>\$ (81,967)</u>	<u>\$ -</u>	<u>\$ 4,733,422</u>

CITY OF INDEPENDENCE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Capital Assets (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
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	(7,701)	(2,851)	-	(10,552)
Vehicles	(13,177)	(7,530)	-	(20,707)
Infrastructure	(2,874,149)	(124,276)	-	(2,998,425)
Total Accumulated Depreciation	(2,895,027)	(134,657)	-	(3,029,684)
Total Capital Assets, Being Depreciated, Net	2,036,835	(134,657)	-	1,902,178
Business-Type Activities Capital Assets, Net	<u>\$ 2,036,835</u>	<u>\$ (134,657)</u>	<u>\$ -</u>	<u>\$ 1,902,178</u>

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

Governmental Activities	
General Government	\$ 14,787
Public Safety	37,233
Public Works	185,282
Culture and Recreation	<u>2,912</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 240,214</u>
Business-Type Activities	
Sanitary Sewer	<u>\$ 134,656</u>
Total Depreciation Expense	<u>\$ 374,870</u>

**CITY OF INDEPENDENCE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Operating Lease

The City leases a copier and postage machine. The total costs for these leases were \$6,080 for the year ended December 31, 2019. Future minimum lease payments at December 31, 2019 were as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	<u>507</u>
Total	<u><u>\$ 507</u></u>

C. Capital Lease

The City entered into a lease agreement for financing the acquisition of a copier in 2017. At December 31, 2019, the City has total assets under capital lease of \$15,508 with the accumulated depreciation of \$6,979. The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2019, were as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 3,348
2021	3,348
2022	<u>2,511</u>
Total Minimum Lease Payments	9,207
Less: Amount Representing Interest	<u>(387)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 8,820</u></u>

D. Bonds Payable

General Obligation Bonds

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

General Obligation Improvement Bonds

The following bonds were issued to finance various improvements and will be repaid from special assessments levied on the properties benefiting from the improvements and ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. Each year the combined assessment and tax levy equals 105% of the amount required for debt service. The excess of 5% is to cover any delinquencies in tax or assessment payments.

**CITY OF INDEPENDENCE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Bonds Payable (Continued)

General obligation improvement bonds reported in governmental activities currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year-End
General Obligation Capital Improvement Plan Bonds, Series 2006A	\$ 1,145,000	3.50 - 4.00 %	02/16/06	12/01/20	<u>\$ 105,000</u>

Requirement to maturity for the general obligation improvement bonds follows:

<u>Year Ending December 31,</u>	Governmental Activities		
	Principal	Interest	Total
2020	105,000	4,200	109,200
Total	<u>\$ 105,000</u>	<u>\$ 4,200</u>	<u>\$ 109,200</u>

General obligation improvement bonds – business-type

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year-End
General Obligation Improvement Bonds, Series 2010A	\$ 855,000	1.00 - 3.40 %	10/21/10	02/01/26	<u>\$ 450,000</u>

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

<u>Year Ending December 31,</u>	Business-Type Activities		
	Principal	Interest	Total
2020	60,000	13,530	73,530
2021	60,000	11,775	71,775
2022	60,000	9,915	69,915
2023	65,000	7,929	72,929
2024 - 2026	205,000	10,576	215,576
Total	<u>\$ 450,000</u>	<u>\$ 53,725</u>	<u>\$ 503,725</u>

**CITY OF INDEPENDENCE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Bonds Payable (Continued)

General Obligation Revenue Bonds

The following bond issue will be repaid primarily from general property taxes and, if necessary, utility revenue.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year-End
GO Sewer Revenue Bonds, Series 2006C	\$ 230,000	3.75 - 4.50 %	06/20/06	02/01/19	<u>\$ -</u>

The above bond was paid in full during 2019.

General Obligation Tax Abatement Bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year-End
General Obligation Tax Abatement Bond Plan Bonds, Series 2015A	\$ 1,495,000	2.00 - 2.25 %	08/19/15	02/01/24	<u>\$ 1,085,000</u>

Requirements to maturity for equipment certificates follow:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2020	145,000	21,463	166,463
2021	150,000	18,513	168,513
2022	150,000	15,513	165,513
2023	155,000	12,463	167,463
2024 - 2027	485,000	16,481	501,481
Total	<u>\$ 1,085,000</u>	<u>\$ 84,433</u>	<u>\$ 1,169,433</u>

**CITY OF INDEPENDENCE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Bonds Payable (Continued)

Changes in General Long-Term Liabilities

During the year ended December 31, 2019, the following changes occurred in long-term liabilities:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable:					
General Obligation					
Improvement Bonds	\$ 215,000	\$ -	\$ (110,000)	\$ 105,000	\$ 105,000
General Obligation					
Tax Abatement Bond	1,230,000	-	(145,000)	1,085,000	145,000
Bond Premium	17,592	-	(2,513)	15,079	-
Total Bonds Payable	1,462,592	-	(257,513)	1,205,079	250,000
Capital Leases	11,849	-	(3,029)	8,820	3,122
Compensated Absences					
Payable	30,381	32,260	(45,811)	16,830	16,830
Governmental Activity					
Long-Term Liabilities	<u>\$ 1,504,822</u>	<u>\$ 32,260</u>	<u>\$ (306,353)</u>	<u>\$ 1,230,729</u>	<u>\$ 269,952</u>
Business-Type Activities					
Bonds Payable:					
General Obligation					
Revenue Bonds	\$ 25,000	\$ -	\$ (25,000)	\$ -	\$ -
General Obligation					
Improvement Bonds	505,000	-	(55,000)	450,000	60,000
Total Bonds Payable	530,000	-	(80,000)	450,000	60,000
Compensated Absences					
Payable	9,296	6,650	(12,784)	3,162	9,296
Business-Type Activity					
Long-Term Liabilities	<u>\$ 539,296</u>	<u>\$ 6,650</u>	<u>\$ (92,784)</u>	<u>\$ 453,162</u>	<u>\$ 69,296</u>

**CITY OF INDEPENDENCE. MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 DEFINED BENEFIT PENSION PLAN

A. Plan Description

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

General Employees Retirement Plan (General Employees Plan)

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

B. Benefits Provided

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

General Employees Plan Benefits

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

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

**CITY OF INDEPENDENCE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 DEFINED BENEFIT PENSION PLAN (CONTINUED)

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50%, of their annual covered salary in fiscal year 2019 and the City was required to contribute 7.50% for Coordinated Plan members. The City contributions to the General Employees Fund for the year ended December 31, 2019 were \$31,705. The City contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2019, the City reported a liability of \$331,727 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million to the fund in 2019. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled \$10,333 for a total net pension liability of \$342,060 associated with the city. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City proportion was 0.006%, which was a decrease of 0.0001% from its proportion as measured at June 30, 2018.

City's Proportionate Share of the Net Pension Liability	\$ 331,727
State's Proportionate Share of the Net Pension	
Liability Associated with the City	\$ 10,333
Total	<u><u>\$ 342,060</u></u>

For the year ended December 31, 2019, the City recognized pension expense of \$31,038 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$774 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, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 DEFINED BENEFIT PENSION PLAN (CONTINUED)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

At December 31, 2019, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 9,193	\$ -
Changes in Actuarial Assumptions	-	26,074
Net Difference Between Projected and Actual Earnings	-	33,624
Changes in Proportion	25,762	7,716
City Contributions Subsequent to the Measurement Date	14,738	-
Total	<u>\$ 49,693</u>	<u>\$ 67,414</u>

\$14,738 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	Pension Expense Amount
2020	\$ (9,420)
2021	(15,377)
2022	(8,197)
2023	535
2024	-
Thereafter	-

**CITY OF INDEPENDENCE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 DEFINED BENEFIT PENSION PLAN (CONTINUED)

E. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF
Inflation	2.50% per Year
Salary Increases	3.25% per Year
Investment Rate of Return	7.50%

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

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Fund Employees Plan was completed in 2019.

General Employees Fund

Changes in Actuarial Assumptions:

- The morality 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.

**CITY OF INDEPENDENCE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 DEFINED BENEFIT PENSION PLAN (CONTINUED)

E. Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35.5 %	5.10 %
International Equity	17	5.90
Bonds (Fixed Income)	20	0.75
Alternative Assets (Private Markets)	25	5.90
Cash	2	-
Totals	100 %	

F. Discount Rate

The discount rate used to measure the total pension liability for 2019 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF INDEPENDENCE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 DEFINED BENEFIT PENSION PLAN (CONTINUED)

G. Pension Liability Sensitivity

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

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
City's Proportionate Share of the General Employees Fund Net Pension Liability:	\$ 545,341	\$ 331,727	\$ 155,346

H. Pension Plan Fiduciary Net Position

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

NOTE 5 OTHER INFORMATION

A. Risk Management

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

**CITY OF INDEPENDENCE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 OTHER INFORMATION (CONTINUED)

B. Joint Ventures and Governed Organizations

Joint Ventures

1. West Hennepin Public Safety Commission

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

The following financial information is taken from the Commission's audited financial statements for the year ended December 31, 2019:

Total Assets and Deferred Outflows of Resources	\$ 1,919,339
Total Liabilities and Deferred Inflows of Resources	2,880,617
Total Net Position	(961,278)
Total Revenue	1,961,483
Total Expense	1,833,618

Participants	
Maple Plain	32 %
Independence	68 %

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, 2019, the amount reported as investment in joint venture was \$-0- due to the Commission's year-end net position being a deficit at year-end.

According to a formula in the agreement, the City's share of the Commission's budget is 68%. Payments to the Commission in 2019 totaled \$1,115,052. The Commission's financial statements for the period ended December 31, 2019 can be obtained at the City's Municipal Center.

2. Maple Plain-Independence Fire Services Partnership

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

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

**CITY OF INDEPENDENCE. MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 OTHER INFORMATION (CONTINUED)

B. Joint Ventures and Governed Organizations (Continued)

Joint Ventures (Continued)

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

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

The governmental fund financial activity of the Fire Partnership are currently reported in a special revenue fund of the City of Maple Plain, Minnesota and the capital assets and related long-term liabilities are recorded within the governmental activities in the statement of net position. Totals from the audited financial statements for the year ended December 31, 2019 for the Fire Partnership with reconciliation from the governmental fund financial statements to full accrual follows:

Total Assets and Deferred Outflows of Resources	\$	951,162	
Total Liabilities and Deferred Inflows of Resources		49,514	
Total Net Position		901,648	
Total Revenue		477,884	
Total Expense		548,858	
		<u>Share</u>	<u>Equity Interest</u>
City of Independence		52.65%	\$ 474,718

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, 2019, the amount reported as investment in joint venture was \$474,718.

According to a formula in the agreement, the City's share of the Fire Partnership's budget is 52.65%. Payments to the Fire Partnership in 2019 totaled \$238,460. The Fire Partnership's financial statements for the period ended December 31, 2019 can be obtained at the City's Municipal Center.

**CITY OF INDEPENDENCE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 OTHER INFORMATION (CONTINUED)

B. Joint Ventures and Governed Organizations (Continued)

Jointly Governed Organizations

3. Pioneer – Sarah Creek Watershed Management Commission

The Cities of Independence, Loretto, Maple Plain, Medina, Minnetrista, and Greenfield, Minnesota, as equal participants, are the members of the Pioneer – Sarah Creek Watershed Management Commission (the “Commission”). The purpose of the Commission is to preserve and use natural water management programs required by Minnesota Statutes 103B.201 to 103B.251. The Commission is governed by a board comprised of one representative and one alternate of each Member City. The City remitted \$49,500 to the commission in 2019. The contribution as reported in the City’s Water Resource Department fund. Complete financial statements for the Commission can be obtained at the City’s Municipal Center.

NOTE 6 CONDUIT DEBT

During 2012, the City issued a Healthcare Facilities Revenue Note to provide financial assistance to Vinland National Center, a nonprofit corporation, for the expansion of the existing care facility, deemed to be in the public interest. The Note is secured by the property financed and is payable solely from payments received on the underlying mortgage loan. Upon repayment of the Note, ownership of the acquired facility transfers to the nonprofit corporation serve by the Note issuance. Neither the City, state nor any political subdivision, thereof, is obligated in any manner for repayment of the Note. Accordingly, the Note is not reported as bond transactions in the City’s financial statements. As of December 31, 2019, the Healthcare Facilities Revenue Note of 2012 was outstanding with a principal balance amount payable of \$2,938,528.

During 2016, the City issued a Charter School Lease Revenue Bond and a Taxable Charter School Lease Revenue Bond, Series 2016A and 2016B, respectively to provide financial assistance to Friends of Beacon, a nonprofit corporation, for the acquisition of land and buildings and renovations to existing buildings. The Bond is secured by the mortgage lien and security interest in the facilities as well as revenue and profits of the facility. Upon repayment of the Bonds, ownership of the acquired facilities 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 Bonds. Accordingly, the Bond is not reported as bond transactions in the City’s financial statements. As of December 31, 2019, the Charter School Lease Revenue Bond, Series 2016A was outstanding with a principal balance amount payable of \$15,845,000 and the Taxable Charter School Lease Revenue Bond, Series 2016B was outstanding with a principal balance amount payable of \$0.

CITY OF INDEPENDENCE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6 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, 2019, the Health Care Facilities Revenue Note, Series 2017A was outstanding with a principal balance amount payable of \$4,530,000.

During 2019, the City issued a Senior Housing Revenue Bond, Series 2019C, to provide financial assistance to PHS Founders Ridge, Inc., a nonprofit corporation, for the expansion of the existing care facility, deemed to be in the public interest. The Bond is secured by the mortgage lien on and security interest in the facilities and revenues and profits of the facility. Upon repayment of the Bond, ownership of the acquired facility transfers to the nonprofit corporation served by the Bond issuance. Neither the City, state nor any political subdivision, thereof, is obligated in any manner for repayment of the Bond. Accordingly, the Bonds are not reported as bond transactions in the City's financial statements. As of December 31, 2019, the Senior Housing Revenue Note, Series 2019C had an outstanding amount payable of \$90,825.49. Noted that the total amount issuance amount of \$9,000,0000 that was agreed upon has not been fully disbursed as of year-end at, December 31, 2019.

NOTE 7 INTERFUND TRANSFERS

During the year ended December 31, 2019, the City had the following interfund transfers:

Transfers To	Transfers From	Amount	Purpose
Permanent Capital Fund	General Fund	\$ 68,623	For Future Capital Purchases
Nonmajor Funds			
2020 Street Improvement Fund	General Fund	31,841	For Future Capital Purchases
City Hall Remodel Project	General Fund	10,297	For Future Capital Purchases
Total Transfers		<u>\$ 110,761</u>	

**CITY OF INDEPENDENCE. MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 8 SUBSEQUENT EVENT

COVID – 19 Pandemic

Subsequent to year end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the City, COVID-19 may impact various parts of its 2020 operations and financial results including, but not limited to, costs for emergency preparedness, shortages of personnel, and loss of liquor revenues due to the temporary closure of the on-sale portion of the City's liquor store. Management believes the City is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year end and are still developing.

Debt Issuance

On May 21, 2020 the City issued \$3,760,000 of General Obligation Bonds, Series 2020A. The rates, vary from 2.0% - 3.0% with a final maturity of February 2041. Proceeds of this issuance will be used for street reconstruction and facility upgrades for city hall, public safety and public work.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

CITY OF INDEPENDENCE. MINNESOTA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN YEARS

	Measurement Date June 30, 2019	Measurement Date June 30, 2018	Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015
City's Proportion of the Net Pension Liability	0.006%	0.006%	0.005%	0.006%	0.007%
City's Proportionate Share of the Net Pension Liability	\$ 331,727	\$ 338,403	\$ 338,349	\$ 446,573	\$ 352,411
State's Proportionate Share of the Net Pension Liability Associated with the City	\$ 10,333	\$ 11,100	\$ 4,268	\$ 5,862	\$ -
Total	<u>\$ 342,060</u>	<u>\$ 349,503</u>	<u>\$ 342,617</u>	<u>\$ 452,435</u>	<u>\$ 352,411</u>
City's Covered Payroll	\$ 422,733	\$ 407,973	\$ 354,600	\$ 358,760	\$ 367,560
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	78.47%	82.95%	95.42%	124.48%	86.66%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.23%	79.53%	75.90%	68.90%	78.20%

*Additional information will be assed at it becomes available.

**CITY OF INDEPENDENCE, MINNESOTA
SCHEDULE OF THE CITY'S CONTRIBUTIONS (CONTINUED)
LAST TEN YEARS**

	2019	2018	2017	2016	2015	2014
GENERAL EMPLOYEES RETIREMENT PLAN						
Statutorily Required Contribution	\$ 31,705	\$ 30,598	\$ 26,595	\$ 26,907	\$ 27,567	\$ 30,671
Contributions in Relation to the Statutorily Required Contribution	(31,705)	(30,598)	(26,595)	(26,907)	(27,567)	(30,671)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 422,733	\$ 407,973	\$ 354,600	\$ 358,760	\$ 367,560	\$ 423,048
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.25%

*Additional information will be added as it becomes available.

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

General Employees Funds

2019 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2018 Changes

Changes in Actuarial Assumptions:

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

2017 Changes

Changes in Plan Provisions:

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

Changes in Actuarial Assumptions:

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

**CITY OF INDEPENDENCE. MINNESOTA
SCHEDULE OF THE CITY'S CONTRIBUTIONS (CONTINUED)
LAST TEN YEARS**

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

2016 Changes

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

Changes in Plan Provisions:

- On January 1, 2015 the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6 million, which meets the special funding situation definition, is due September 2015.

Changes in Actuarial Assumptions:

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

SUPPLEMENTARY INFORMATION

CITY OF INDEPENDENCE. MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2018)

	2019			2018	
	Budget		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Taxes:					
Property Taxes	\$ 2,656,535	\$ 2,656,535	\$ 2,612,827	\$ (43,708)	\$ 2,534,056
Special Assessments	-	-	-	-	6,374
Licenses and Permits	165,070	165,070	240,990	75,920	188,169
Intergovernmental:					
State:					
Local Government Aid	8,000	8,000	18,565	10,565	18,367
Other State Grants	-	-	-	-	39,716
County:					
Other Grants	8,000	8,000	25,780	17,780	24,490
Total Intergovernmental	16,000	16,000	44,345	28,345	82,573
Charges for Services:					
General Government	40,550	40,550	29,527	(11,023)	43,056
Public Works	600	600	6,042	5,442	2,732
Culture and Recreation	-	-	650	650	500
Total Charges for Services	41,150	41,150	36,219	(4,931)	46,288
Fines and Forfeitures	47,740	47,740	45,292	(2,448)	46,593
Special Assessments	-	-	-	-	6,374
Interest on Investments	5,000	5,000	8,810	3,810	7,445
Miscellaneous:					
Contributions and Donations	-	-	-	-	4,550
Refunds and Reimbursements	4,000	4,000	70,677	66,677	2,266
Other	2,000	2,000	500	(1,500)	1,455
Total	6,000	6,000	71,177	65,177	8,271
Total Revenues	2,937,495	2,937,495	3,059,660	122,165	2,919,769
EXPENDITURES					
Current:					
General Government:					
Mayor and Council:					
Personal Services	10,980	10,980	10,980	-	10,564
Other Services and Charges	12,076	12,076	8,039	4,037	19,791
Total	23,056	23,056	19,019	4,037	30,355

CITY OF INDEPENDENCE. MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2018)

	2019				2018
	Budget		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES (CONTINUED)					
Current (Continued):					
General Government (Continued):					
Financial Administration:					
Personal Services	\$ 123,058	\$ 123,058	\$ 124,171	\$ (1,113)	\$ 117,696
Supplies	4,500	4,500	6,119	(1,619)	5,182
Other Services and Charges	292,327	292,327	297,283	(4,956)	329,405
Total Financial Administration	419,885	419,885	427,573	(7,688)	452,283
Election:					
Personal Services	1,500	1,500	928	572	2,553
Supplies	1,000	1,000	1,858	(858)	1,081
Other Services and Charges	1,000	1,000	266	734	3,319
Total	3,500	3,500	3,052	448	6,953
Planning and Zoning:					
Other Services and Charges	30,320	30,320	35,712	(5,392)	31,493
Water Resource:					
Other Services and Charges	7,430	7,430	305	7,125	(1,005)
General:					
Other Services and Charges	41,954	41,954	35,428	6,526	38,489
Legal Services:					
Other Services and Charges	40,382	40,382	34,112	6,270	41,278
Total General Government	566,527	566,527	555,201	11,326	599,846

**CITY OF INDEPENDENCE. MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2018)**

	2019				2018
	Budget		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES (CONTINUED)					
Current (Continued):					
Public Safety:					
Police:					
Other Services and Charges	\$ 1,122,371	\$ 1,122,371	\$ 1,121,682	\$ 689	\$ 1,115,308
Fire:					
Other Services and Charges	392,731	392,731	390,343	2,388	356,229
Building Inspection:					
Personal Services	101,465	101,465	103,949	(2,484)	99,047
Supplies	1,500	1,500	999	501	1,082
Other Services and Charges	8,913	8,913	9,332	(419)	8,894
Total Building Inspection	<u>111,878</u>	<u>111,878</u>	<u>114,280</u>	<u>(2,402)</u>	<u>109,023</u>
Total Public Safety	1,626,980	1,626,980	1,626,305	675	1,580,560
Public Works:					
Streets:					
Personal Services	229,064	229,064	264,179	(35,115)	228,538
Supplies	178,512	178,512	171,051	7,461	206,233
Other Services and Charges	<u>133,750</u>	<u>133,750</u>	<u>112,345</u>	<u>21,405</u>	<u>103,090</u>
Total Streets	<u>541,326</u>	<u>541,326</u>	<u>547,575</u>	<u>(6,249)</u>	<u>537,861</u>
Street Lighting:					
Other Services and Charges	2,915	2,915	5,194	(2,279)	4,922
Snow Removal:					
Other Services and Charges	28,140	28,140	36,353	(8,213)	26,977
Recycling:					
Other Services and Charges	<u>51,500</u>	<u>51,500</u>	<u>51,100</u>	<u>400</u>	<u>48,902</u>
Total Public Works	<u>623,881</u>	<u>623,881</u>	<u>640,222</u>	<u>(16,341)</u>	<u>618,662</u>

**CITY OF INDEPENDENCE. MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED DECEMBER 31, 2018)**

	2019				2018
	Budget		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
EXPENDITURES (CONTINUED)					
Current (Continued):					
Culture and Recreation:					
Parks:					
Personal Services	\$ 6,900	\$ 6,900	\$ 3,292	\$ 3,608	\$ 4,644
Supplies	7,291	7,291	6,616	675	7,747
Other Services and Charges	3,223	3,223	3,533	(310)	3,039
Total Culture and Recreation	<u>17,414</u>	<u>17,414</u>	<u>13,441</u>	<u>3,973</u>	<u>15,430</u>
Total Current Expenditures	2,834,802	2,834,802	2,835,169	(367)	2,814,498
Capital Outlay:					
General Government	20,000	20,000	15,234	4,766	6,451
Public Works	-	-	300	(300)	4,611
Total Capital Outlay	<u>20,000</u>	<u>20,000</u>	<u>15,534</u>	<u>4,466</u>	<u>11,062</u>
Total Expenditures	<u>2,854,802</u>	<u>2,854,802</u>	<u>2,850,703</u>	<u>4,099</u>	<u>2,825,560</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	82,693	82,693	208,957	126,264	94,209
OTHER FINANCING SOURCES					
Transfer out	<u>(68,623)</u>	<u>(68,623)</u>	<u>(110,761)</u>	<u>(42,138)</u>	<u>(108,950)</u>
NET CHANGE IN FUND BALANCES	14,070	14,070	98,196	84,126	(14,741)
Fund Balance - Beginning of Year,	<u>1,279,825</u>	<u>1,279,825</u>	<u>1,279,825</u>	-	<u>1,294,566</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,293,895</u>	<u>\$ 1,293,895</u>	<u>\$ 1,378,021</u>	<u>\$ 84,126</u>	<u>\$ 1,279,825</u>

**CITY OF INDEPENDENCE. MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	2015 Street Improv Project	2020 Street Improv Project	City Hall Remodel Project	Escrow	Park	Water Resource Department	Total Nonmajor Funds
ASSETS							
Cash and Temporary Investments	\$ 36,708	\$ -	\$ -	\$ 34,372	\$ 70,528	\$ 82,072	\$ 223,680
Receivables:							
Delinquent Taxes	-	-	-	-	-	9,759	9,759
Accounts	-	-	-	-	72	-	72
Total Assets	<u>\$ 36,708</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,372</u>	<u>\$ 70,600</u>	<u>\$ 91,831</u>	<u>\$ 233,511</u>
LIABILITIES							
Accounts Payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,372</u>	<u>\$ -</u>	<u>\$ 3,900</u>	<u>\$ 38,272</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,372</u>	<u>-</u>	<u>3,900</u>	<u>38,272</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue - Property Taxes	-	-	-	-	-	8,618	8,618
FUND BALANCES							
Restricted for:							
Park Improvements	-	-	-	-	70,600	-	70,600
Assigned to:							
Roads Capital	36,708	-	-	-	-	-	36,708
Water Resource Department	-	-	-	-	-	79,313	79,313
Total Fund Balances	<u>36,708</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,600</u>	<u>79,313</u>	<u>186,621</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 36,708</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,372</u>	<u>\$ 70,600</u>	<u>\$ 91,831</u>	<u>\$ 233,511</u>

**CITY OF INDEPENDENCE. MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019**

	2015 Street Improv Project	2020 Street Improv Project	City Hall Remodel Project	Escrow	Park	Water Resource Department	Total Nonmajor Funds
REVENUES							
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62,911	\$ 62,911
Interest on Investments	270	-	-	-	487	463	1,220
Miscellaneous	-	-	-	-	9,256	-	9,256
Total Revenues	270	-	-	-	9,743	63,374	73,387
EXPENDITURES							
Current:							
General Government	\$ -	\$ -	\$ 10,297	\$ -	\$ -	\$ 69,858	\$ 80,155
Public Works	-	31,841	-	-	-	-	31,841
Total Expenditures	-	31,841	10,297	-	-	69,858	111,996
DEFICIENCY OF REVENUES OVER (UNDER) EXPENDITURES	270	(31,841)	(10,297)	-	9,743	(6,484)	(38,609)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	31,841	10,297	-	-	-	42,138
NET CHANGE IN FUND BALANCES	270	-	-	-	9,743	(6,484)	3,529
Fund Balance (Deficit), Beginning of Year, as Reported	36,438	-	-	-	60,857	85,797	183,092
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 36,708</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,600</u>	<u>\$ 79,313</u>	<u>\$ 186,621</u>

**CITY OF INDEPENDENCE. MINNESOTA
DEBT SERVICE FUNDS
SUB-COMBINING BALANCE SHEET
DECEMBER 31, 2019**

	309 2001 Lease Revenue Bonds	311 2005 GO Improvement Bonds	312 2007 GO Equipment Certificates	314 2015A GO Tax Abatement Bonds	Total
ASSETS					
Cash and Temporary Investments	\$ 70,607	\$ 11,635	\$ 37,512	\$ 190,010	\$ 309,764
Total Assets	<u>\$ 70,607</u>	<u>\$ 11,635</u>	<u>\$ 37,512</u>	<u>\$ 190,010</u>	<u>\$ 309,764</u>
FUND BALANCES					
Restricted for Debt Service	<u>\$ 70,607</u>	<u>\$ 11,635</u>	<u>\$ 37,512</u>	<u>\$ 190,010</u>	<u>\$ 309,764</u>

**CITY OF INDEPENDENCE. MINNESOTA
DEBT SERVICE FUNDS
SUB-COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2019**

	309 2001 Lease Revenue Bonds	311 2005 GO Improvement Bonds	312 2007 GO Equipment Certificates	314 2015A GO Tax Abatement Bonds	Total
REVENUES					
Property Taxes	\$ 124,530	\$ -	\$ -	\$ 176,308	\$ 300,838
Interest on Investments	591	85	275	421	1,372
Total Revenues	<u>125,121</u>	<u>85</u>	<u>275</u>	<u>176,729</u>	<u>302,210</u>
EXPENDITURES					
Debt Service:					
Principal	110,000	-	-	145,000	255,000
Interest and Other	9,175	-	-	24,838	34,013
Total Expenditures	<u>119,175</u>	<u>-</u>	<u>-</u>	<u>169,838</u>	<u>289,013</u>
NET CHANGE IN FUND BALANCES	5,946	85	275	6,891	13,197
Fund Balances - Beginning of Year	<u>64,661</u>	<u>11,550</u>	<u>37,237</u>	<u>183,119</u>	<u>296,567</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 70,607</u></u>	<u><u>\$ 11,635</u></u>	<u><u>\$ 37,512</u></u>	<u><u>\$ 190,010</u></u>	<u><u>\$ 309,764</u></u>

CITY OF INDEPENDENCE. MINNESOTA
SUMMARY FINANCIAL SCHEDULE
REVENUES, EXPENDITURES (UNAUDITED) FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	Total		Percent Increase (Decrease)
	2019	2018	
REVENUES			
Property Taxes	\$ 2,976,576	\$ 2,894,714	2.83 %
Licenses and Permits	240,990	188,169	28.07
Intergovernmental	44,345	82,573	(46.30)
Charges for Services	36,219	46,288	(21.75)
Fines and Forfeitures	45,292	46,593	(2.79)
Special Assessments	-	6,374	(100.00)
Interest on Investments	14,155	12,238	15.66
Miscellaneous	80,433	68,250	17.85
Total Revenues	<u>\$ 3,438,010</u>	<u>\$ 3,345,199</u>	2.77
Per Capita	<u>\$ 928</u>	<u>\$ 894</u>	3.72
EXPENDITURES			
Current:			
General Government	\$ 635,356	\$ 658,760	(3.55)%
Public Safety	1,626,305	1,580,560	2.89
Public Works	672,063	618,662	8.63
Culture and Recreation	13,441	15,430	(12.89)
Capital Outlay:			
General Government	15,234	6,451	136.15
Public Safety	-	-	100.00
Public Works	131,227	4,611	2745.96
Debt Service:			
Principal	255,000	240,000	6.25
Interest and Other	34,013	40,838	(16.71)
Total Expenditures	<u>\$ 3,382,639</u>	<u>\$ 3,165,312</u>	6.87
Per Capita	<u>\$ 913</u>	<u>\$ 846</u>	7.85
Total Long-Term Indebtedness	\$ 1,230,729	\$ 1,504,822	(18.21)
Per Capita	332	402	(17.46)
General Fund Balance - End of Year	\$ 1,378,021	\$ 1,279,825	7.67
Per Capita	372	342	8.66

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

**INDEPENDENT AUDITORS' REPORT ON
MINNESOTA LEGAL COMPLIANCE**

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, 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, 2019, and the related notes to the financial statements and have issued our report thereon dated June 29, 2020.

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 *Minnesota Legal Compliance Audit Guide for Cities*. 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 City of Independence's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Cities* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 29, 2020



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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Independence (the City) as of and for the year ended December 31, 2019, and have issued our report thereon dated June 29, 2020. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements.

As described in Note 1, the City implemented Governmental Accounting Standards (GASB) Statement No. 84, *Fiduciary Activities*, in 2019. The adoption of this Statement resulted in the City no longer reporting an agency fund and those activities are now accounted for in a nonmajor capital projects funds.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

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

- Management's estimate of the pension liability is based on management's expected salary increases, inflation, estimated life expectancy, and actual required contributions upon meeting the eligibility requirements. We reviewed the key assumption used to estimate the liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Qualitative aspects of accounting practices (continued)

Accounting estimates (continued)

- Management's estimate of the allowance for doubtful accounts is based on historical collection rates and analysis. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of accrued compensated absences is based on earned paid time off, sick leave, and comp time. The current portion of the estimate is based on City policy and historical trends.
- Management's estimate of depreciation expense on capital assets is based on management's estimates of useful lives on those assets. We evaluated the key factors and assumptions used to develop the useful lives in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements is related to the City's net pension liability and the related deferred inflows and outflows.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

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

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The following item was identified by management. Management has determined that its effect is immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

- Sewer Fund special assessment revenue is understated by \$5,337 during 2019 as the December 31, 2018 receivable was overstated by this same amount.

Corrected misstatements

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the management representation letter dated June 29, 2020.

Management consultations with other independent accountants

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

Significant issues discussed with management prior to engagement

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

Other audit findings or issues

We have provided a separate letter to you dated June 29, 2020, communicating internal control related matters identified during the audit.

Audits of group financial statements

We noted no matters related to the group audit that we consider to be significant to the responsibilities of those charged with governance of the group.

Other information in documents containing audited financial statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

Other information in documents containing audited financial statements (continued)

With respect to the combining and individual fund statements and schedules (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, 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 or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated June 29, 2020.

The summary financial schedule – revenues and expenditures for general operations – governmental funds accompanying the financial statements, which is the responsibility of management, was prepared for purposes of additional analysis and is not a required part of the financial statements. Such information was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we did not express an opinion or provide any assurance on it.

Other information is being included in documents containing the audited financial statements and the auditors' report thereon. Our responsibility for such other information does not extend beyond the financial information identified in our auditors' report. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in such documents. As required by professional standards, we read the transmittal letter and the statistical section (the other information) in order to identify material inconsistencies between the audited financial statements and the other information. We did not identify any material inconsistencies between the other information and the audited financial statements.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

* * *

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



CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 29, 2020



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Independence, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise City of Independence's basic financial statements, and have issued our report thereon dated June 29, 2020.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

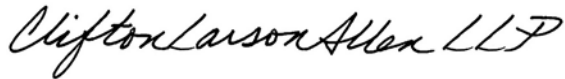
Honorable Mayor and
Members of the City Council and Management
City of Independence

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 29, 2020