CITY COUNCIL MEETING AGENDA
TUESDAY JULY 21, 2026

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 June 7, Regular City Council Meeting.
   b. Approval of Accounts Payable; (Batch #1 - Checks No. 24470-24498).

5. Reports of Boards and Committees by Council and Staff.

6. West Hennepin Public Safety – Director Matthew DuRose: Presentation of the June 2026 Activity Reports.

7. Presentation of the 2025 Financial Audit.

   a. 2025 Financial Audit

   b. 2025 Audit Presentation

8. **(PUBLIC HEARING)** The City Council will consider the following action:

   a. **Resolution No. 26-0721-01**: Considering vacation of the drainage and utility easements associated with a previous wetland delineation and conveyance of new drainage and utility easements based on an updated wetland delineation and buffer for the property located 6231 County Road 11 (PID No. 11-118-24-22-0007).

9. Open/Misc. (Discuss August 4th City Council Meeting Time).

10. Adjourn.

CITY COUNCIL MEETING MINUTES
TUESDAY JULY 7, 2026

CITY COUNCIL MEETING TIME: 6:30 PM

1. CALL TO ORDER

Mayor Brad Spencer called the meeting to order on Tuesday, July 7, 2026, at 6:30 PM

2. PLEDGE OF ALLEGIANCE

Mayor Spencer led the group in the Pledge of Allegiance.

3. ROLL CALL
   PRESENT: Spencer, Fisher, McCoy, Betts (via Zoom)
   ABSENT: Grotting
   STAFF: Administrative Services Director Simon, Administrator Kaltsas, Public Works Director Lehman,
   VISITORS: Edward Genereux, Republican Candidate Tom McKee

4. ****CONSENT AGENDA****

Mayor Spencer stated that the consent agenda items would be considered routine and acted on by one motion unless someone would like to remove an item for discussion. The consent agenda

a. Approval of City Council Minutes from the June 16, Regular City Council Meeting.
b. Approval of Accounts Payable; (Batch #1 - Checks No. 24431-24468).
c. Assembly Permit:
   - Independence Motor Condos Open Houses – July 9th and August 13th.
d. 2026 Quarter 2 - Building Permits: For Information Only.

Motion by McCoy, seconded by Fisher to approve the consent agenda. Ayes: Spencer, Fisher, McCoy, Betts. Nays: None. Absent: Grotting. Abstain: None. Motion Approved. 4-0

5. Reports of Boards and Committees by Council and Staff.

<u>Council member Fisher Attended the following meeting</u>:
- None

<u>Council member Betts Attended the following meeting</u>:
- None

<u>Council member McCoy Attended the following meeting</u>:
- None

<u>Mayor Spencer Attended the following meeting</u>:
- City Rep at PSCWSM
- Dolores Ahlstrom Memorial with Mayor Emeritus Johnson

<u>Amber Simon Attended the following meeting</u>:
- None

<u>Mark Kaltsas Attended the following meeting</u>:
- Met with City's consultant accounting firm regarding upcoming rate study update

Kaltsas noted that additional information will be coming related to sewer rates and a capital improvement plan for the sewer fund would be brought to the Council at the next workshop.

6. Tracy Kooman (Applicant/Owner) requests that the City consider the following action for the property located at 2692 Becker Rd., Independence, MN (PID No. 14-118-24-42-0007):

    a. **RESOLUTION No. 26-0707-01 –** Considering approval of a conditional use permit (CUP) to allow a detached accessory building that exceeds 5,000 SF. The applicant is proposing to construct a new indoor riding arena and barn on the subject property by adding a new barn to the property which would exceed 5,000 SF. All detached accessory buildings constructed in the City of Independence that are greater than 5,000 SF can only be constructed upon issuance of a conditional use permit.

City Administrator Kaltsas presented the request, which originated from the Planning Commission's most recent regular meeting. The applicant, Tracy Kooman, sought a conditional use permit (CUP) to allow a detached accessory building exceeding 5,000 square feet at 2692 Becker Road. The existing structure on the property is 4,225 square feet, and the proposed indoor riding arena addition — connected to the existing structure via an enclosed hallway — is approximately 9,700 square feet, bringing the combined total to approximately 14,000 square feet.

Kaltsas noted that the property is zoned and guided rural residential, and at greater than 10 acres, has no maximum square footage cap for accessory structures. The proposed addition complies with all applicable setbacks, and the City's water resource consultant confirmed that no wetland delineation was required given sufficient distance from adjacent wetlands. The architectural design of the proposed structure would match the existing building. The Planning Commission held a public hearing, during which some written comments raised concerns about potential commercial use. Kaltsas emphasized that the CUP explicitly conditions the structure for private use only by the property owner, and that any future commercial riding stable operation would require a separate conditional use permit.

The Council asked for clarification on the distinction between private and commercial use. Kaltsas explained that once an owner begins boarding horses belonging to others — regardless of compensation — the use is considered commercial under the City's ordinance, which would trigger the requirement for a separate CUP. He also noted that the property is permitted up to 11 animal units.

The Planning Commission found that all applicable CUP criteria had been satisfied and recommended approval with conditions and findings as included in the resolution.

Motion to approve Resolution No. 26-0707-01 was made by Councilmember Betts and seconded by Councilmember Fisher. Ayes: Spencer, Fisher, McCoy, Betts. Nays: None. Absent: Grotting. Abstain: None. The motion carried 4-0.

7. Tony Des Marais (Applicant/Owner) requests that the City consider the following action for the property located at 4727 Lake Sarah Dr. S. Independence, MN (PID No. 03-118-24-12-0011):

    a. **RESOLUTION No. 26-0707-02 –** Considering approval of a conditional use permit (CUP) to allow a detached Accessory Dwelling Unit (ADU) to be located on the subject property.

City Administrator Kaltsas presented this request, which also came from the most recent Planning Commission meeting. Applicant Tony Des Marais sought a CUP to allow a detached accessory dwelling unit (ADU) within a proposed detached accessory building at 4727 Lake Sarah Drive South. The property is zoned and guided rural residential and is 2.55 acres in size, with an existing single-family home on site.

Kaltsas outlined the key criteria governing ADUs. The proposed ADU must be located within or attached to a principal structure or within a detached accessory building on the same parcel — both conditions are met here. The maximum permitted ADU size is the lesser of 33 percent of the above-grade living area of the principal structure or 1,200 square feet. With a principal structure of 2,690 square feet, the applicant is entitled to 888 square feet of ADU space, and the proposal is for exactly 888 square feet, achieved through a demising wall within the pole barn. The total proposed accessory building is 2,176 square feet, just under the maximum permitted

2,221 square feet for the site. The ADU includes permanent provisions for cooking, living, and sanitation, and is designed as a one-bedroom unit, within the two-bedroom maximum.

The Mayor noted that a key discussion point at the Planning Commission was the need to relocate the existing sanitary system, as it occupies the optimal location for the new accessory building. Commissioners confirmed that an alternate septic site had been identified on the property, and that the applicant also owns the adjacent parcel to the northeast, providing additional future flexibility. Kaltsas confirmed that the proposed structure meets all applicable setbacks, verified by a revised survey submitted between the Planning Commission and City Council meetings. Visibility of the proposed structure from Lake Sarah Drive South was noted to be essentially nonexistent due to existing vegetation.

The Planning Commission found that all ADU-specific criteria and general CUP criteria were satisfied and recommended approval with conditions and findings as included in the resolution.

Motion to approve Resolution No. 26-0707-02 was made by Councilmember McCoy and seconded by Councilmember Fisher. Ayes: Spencer, Fisher, McCoy, Betts. Nays: None. Absent: Grotting. Abstain: None. The motion carried 4-0.

8. Pioneer Sarah Creek Watershed Commission - Proposed 2027 Budget Review.

City Administrator Kaltsas presented the Pioneer Sarah Creek Watershed Commission's proposed 2027 budget. The Commission's proposed assessment for the City of Independence is $52,718.56, representing a 2.45 percent increase — or $1,262 — over the 2026 budget. Kaltsas noted that the Watershed Commission has consistently maintained a relatively flat budget over many years, and that only a portion of Independence's residents fall within the Pioneer Sarah Creek Watershed District, with those residents' assessments levied accordingly. The remainder of the city falls within the Minnehaha Creek Watershed District, which levies its own separate tax.

The Mayor commended the Commission's long-standing representative, Joe Baker, for his diligent stewardship of the budget, noting that the total year-over-year increase for Independence amounts to approximately $3,400, and that all member cities saw increases in the range of 2.1 to 2.9 percent. He attributed the Commission's fiscal discipline in part to its effective use of Board of Water and Soil Resources funding for capital improvement projects.

Motion to approve the Pioneer Sarah Creek Watershed Commission's proposed 2027 budget was made by the Mayor and seconded by Councilmember Fisher. Ayes: Spencer, Fisher, McCoy, Betts. Nays: None. Absent: Grotting. Abstain: None. The motion carried 4-0.

9. Open/Misc.

Amber Simon informed the Council that in-person voting opens on July 24th, with direct balloting into the counter available immediately. She noted that the Tuesday before the election would have extended office hours until 7:00 PM, the Monday before until 5:00 PM, and that the office would also be open the Saturday preceding the election.

Councilmember McCoy took a moment to compliment the addition of hot links to the meeting agenda, expressing appreciation for the navigational improvement.

10. Adjourn.

Motion by McCoy, seconded by Fisher to adjourn the meeting at 6:56PM. Ayes: Spencer, Fisher, McCoy, Betts. Nays: None. Absent: Grotting. Abstain: None. Motion Approved. 5-0

Date: July 9, 2026

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

From: Director Matt DuRose

SUBJECT: June 2026 Monthly Activity Report

I present to you the June 2026 Monthly Activity Report for West Hennepin Public Safety.

All incidents are broken down as defined in the National Incident-Based Reporting System (NIBRS). NIBRS is the accepted reporting system utilized by police agencies across the country. NIBRS provides more complete and detailed incident information because it requires reporting of every offense committed within the incident. By detailing all offenses reported to West Hennepin Public Safety, it may appear that crime statistics are higher than what they have been, but this isn't necessarily the case. In this month's report, you will see that there were 11 criminal offenses reported, but they occurred in 8 incidents.

NIBRS is broken down in the following categories:

Group A offenses

Animal Cruelty	Drug offenses	Homicide	Prostitution
Arson	Embezzlement	Human Trafficking	Robbery
Assault	Extortion	Kidnapping	Sex Offenses
Bribery	Forgery	Larceny	Stolen Property
Burglary	Fraud	Motor Vehicle Theft	Weapon Laws
Destruction/Damage	Gambling	Obscene Material	

Group B offenses

Bad Checks	Driving Under Influence	Liquor Law Violations	All Other Offenses
Curfew	Drunkenness	Peeping Tom	
Disorderly Conduct	Family Offenses	Trespass	

In addition to reporting Group A & B offenses, this activity report includes traffic related activity and community engagement activities of West Hennepin Public Safety. A considerable amount of time was committed to planning and coordinating our Cops and Bobbers event coming up in July and budget preparation.

If anyone would like more detailed data, please contact my office.

Respectfully submitted,

West Hennepin Public Safety
Monthly Activity Report

June 2026

June 2026 Overview

Calls for Service
Maple Plain
169 (31.5%)

Total Calls for Service
534

Calls for Service
Independence
292 (55%)

Traffic Offenses
64

DWIs
2

Other (13.5%)
AA – 48
TZD – 20
Oth – 5

Traffic Offenses
102

DWIs
1

Crashes
0

Arrests
3

Crashes
5

Arrests
1

Group A Offenses
3

Group B Offenses
4

Group A Offenses
3

Group B Offenses
1

*Traffic Offenses include citations, parking tickets, written and verbal warnings
*Arrests include physical arrests and citations issued for criminal offenses
*Group A & B Offenses include all reportable offenses whether a physical arrest was made or not
*TZD is not included in CFS or traffic offenses

Year to Date 2026 Overview

Maple Plain	Total	Independence
Calls for Service Maple Plain 837 (30%)	Total Calls for Service 2,750 (2025 YTD: 2,601)	Calls for Service Independence 1,522 (55%)

Maple Plain

Traffic Offenses 350	DWIs 8
Crashes 7	Arrests 18
Group A Offenses 31	Group B Offenses 23

Other (15%)
AA – 224
TZD – 130
Oth – 37

Independence

Traffic Offenses 666	DWIs 14
Crashes 65	Arrests 18
Group A Offenses 19	Group B Offenses 19

*Traffic Offenses include citations, parking tickets, written and verbal warnings
*Arrests include physical arrests and citations issued for criminal offenses
*Group A & B Offenses include all reportable offenses whether a physical arrest was made or not
*TZD is not included in CFS or traffic offenses

Calls for Service: Non-Criminal

Medicals & Lift Assists/Falls
39

Alarms
19

Traffic Complaints
16

Suspicious Activity
15

Disturbance
7

Welfare Check & Mental Health
5

Record Checks & Permits
72

Animal Calls
9

*Medicals & Lift Assists/Falls include all medical emergencies
*Alarms include home, business, fire, CO2 alarms
*Disturbance includes fights, harassment, and disorderly situations.

Year to Date Calls for Service: Non-Criminal

Medicals & Lift Assists/Falls	Alarms
160	110

Traffic Complaints	Suspicious Activity
67	62

Disturbance	Welfare Check & Mental Health
24	52

Record Checks & Permits	Animal Calls
285	51

*Medicals & Lift Assists/Falls include all medical emergencies
*Alarms include home, business, fire, CO2 alarms
*Disturbance includes fights, harassment, and disorderly situations.

Notable Calls for Service

- **Threat, ICR 26002243:** 5700 block of Providence Curve, Independence. Officer was dispatched to take a threat report from Metropolitan Mosquito Control. Reporting party advised he had two employees spraying for mosquitos using a drone in a small marsh. The employees were approached by a resident who used threatening body language and intimidation. Officer attempted to speak with the resident about the inappropriate behavior but has been unsuccessful. Follow-up will continue.

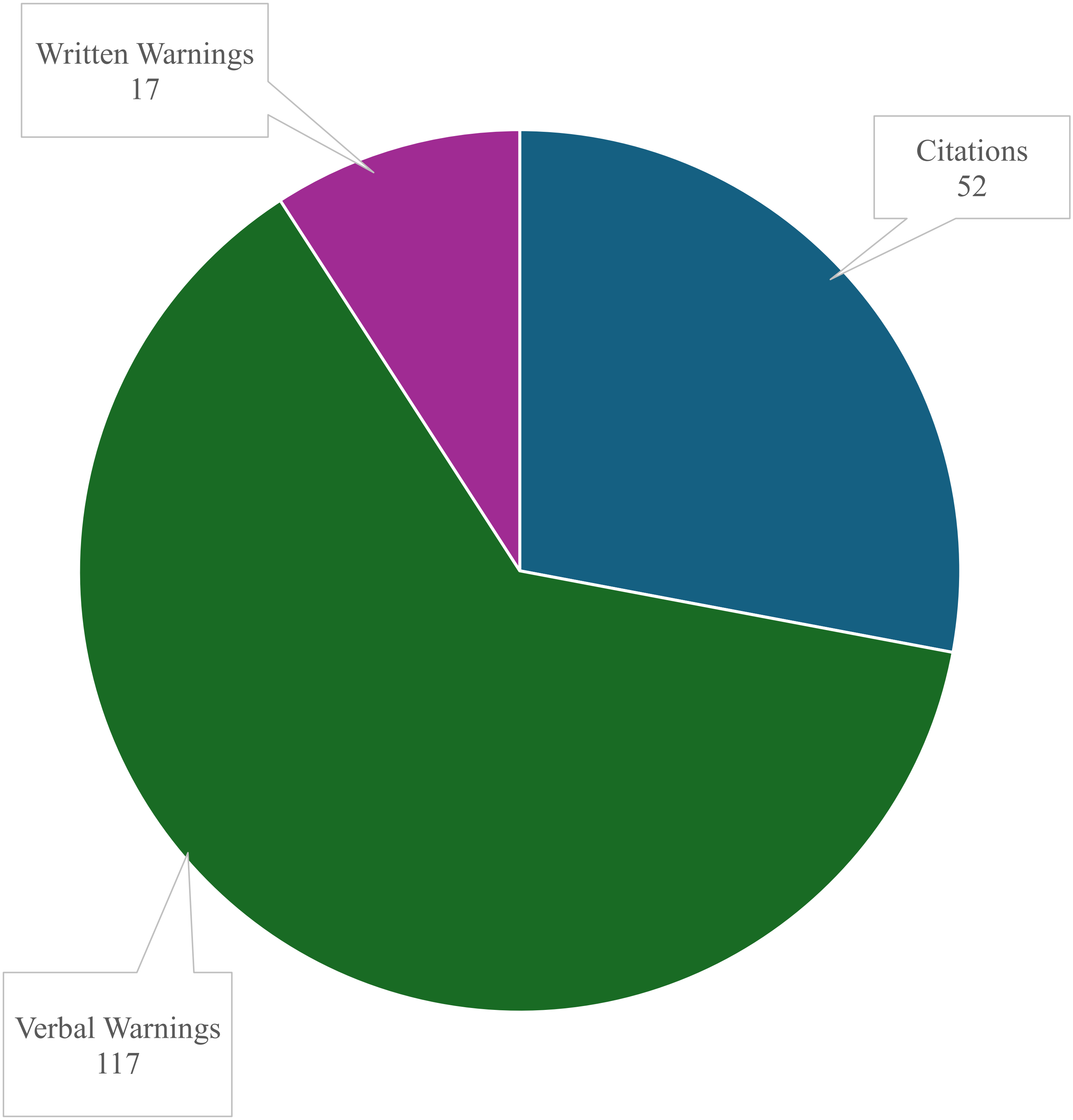
- **Missing Person, ICR 26002535:** 4800 block of Gateway Blvd, Maple Plain. Officer was on routine patrol and observed a disheveled juvenile walking with a limp. Officer spoke to the juvenile and eventually found the juvenile was a current missing person from another county. Officer provided him with food and a drink and transported him nearby to turn him over to the originating agency from the missing person's report.

- **Juvenile Problem, ICR: 26002555**: Main Street E/Howard Ave, Maple Plain. Officer observed what appeared to be an underage juvenile riding an eBike. Officer spoke to the juvenile who advised he was 12 years old. He was provided with an educational eBike flier and was allowed to bike home. A parent was notified of the interaction and age requirements.

- **Safety Check, ICR 26002618:** County Road 90/Quass Cutoff, Independence. Officer was dispatched to a safety check where young adults were wakeboarding behind a pickup truck. Officer arrived on scene and located the individuals who advised they were trying to have fun and weren't intending to tear up the grass but advised they would help the homeowner fix it. A few days later, the Officer followed up with the homeowner who advised the boys laid down new grass seed and fixed the divots.

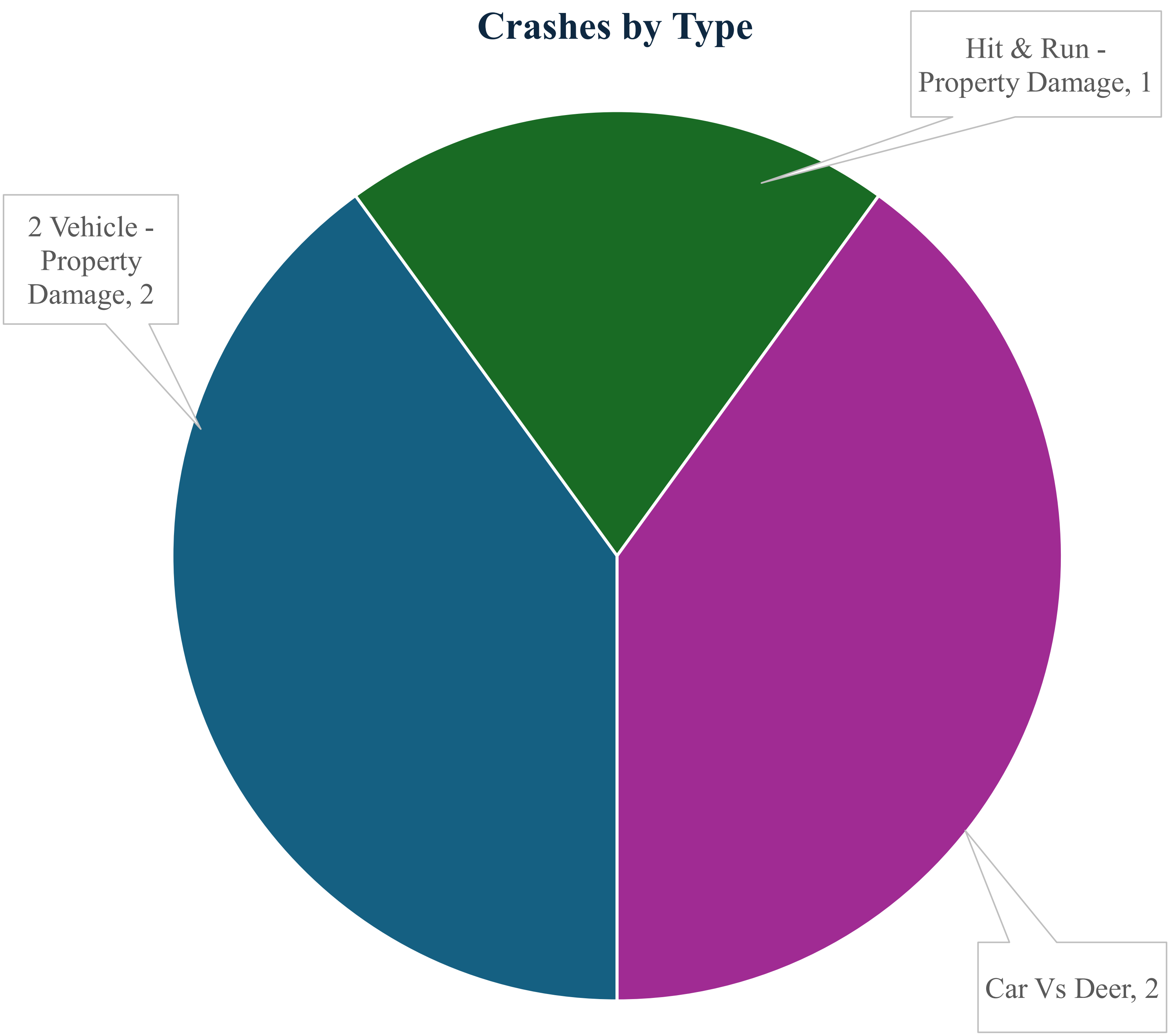
- **Missing Person, ICR 26002758:** 8600 block of Burr Oak Ln, Independence. Officers were dispatched to a vulnerable adult that had left home and was missing. Officers and other resources began looking for the subject. An alert went out to the public and the missing person was found and brought back to the scene by a Good Samaritan.

Traffic Offense Data



*Traffic Offense Data includes TZD stops

Crash Statistics



Criminal Offenses

Assault MP – 1 Ind – 1	Trespassing MP – 1
DWI MP – 2 Ind – 1	Theft/Fraud MP – 2 Ind – 2
Narcotics MP – 1	

*11 total reportable criminal offenses to the State/FBI in 8 separate incidents

Notable Criminal Offenses

- **Forgery, ICR 26002363:** 5600 block of Main Street, Maple Plain. Officer was dispatched to take a theft report where the victim advised someone opened a Verizon account in his name without him knowing. The charges to the account were now in collections. Pending further investigation.

- **Narcotics & DWI, ICR 26002438:** Gateway Blvd/Baker Park Road, Maple Plain. Officer initiated a traffic stop on a vehicle for a revoked registered owner. Officer spoke to the driver who admitted his license status was revoked and discovered the vehicle was uninsured. A consent search of the vehicle was conducted and suspected methamphetamine and fentanyl was located. Driver was also displaying signs of impairment and was ultimately placed under arrest. A warrant for the driver's blood was granted and executed. Driver was released to the hospital for medical treatment. Pending results and charged.

- **DWI, ICR 26002695:** Highway 12/Howard Ave, Maple Plain. Officer stopped a vehicle for an equipment violation and spoke to the driver who admitted to drinking alcohol. Field Sobriety Tests were performed and a preliminary breath test indicated .09. Driver was arrested for DWI and transported for booking. Driver was released to a sober party pending charges.

- **DWI, ICR 26002696:** 6200 block of Highway 12, Independence. Officer stopped a vehicle for speed and spoke to the driver where a strong odor of cannabis was observed emanating from the passenger compartment of the vehicle. Officer observed signs of impairment and completed a Drug Recognition Evaluation where it was concluded the driver was impaired by cannabis. The driver admitted to taking a puff from a THC vape prior to driving. A search warrant was granted for a blood draw. Pending results.

Community Engagement

- June 1 Chief DuRose met with HC Opioid Response Team staff to learn more about HC's data, response, and resources
- June 4 Detective Anderson hosted Alcohol Server's training
- June 4 Detective Anderson and Chief DuRose attended Haven Homes lunch on the patio
- June 5 Chief DuRose attended Maple and Main Site Kickoff meeting
- June 8 Chief DuRose attended virtual HC Behavioral Health Cmte meeting
- June 9 Chief DuRose attended monthly WHCC meeting
- June 11 Chief DuRose attended Hwy 12 Safety Coalition meeting
- June 16 Chief DuRose attended the pig roast at Haven Homes for lunch
- June 25 Officer Vorderbruggen stopped by Representative Robbins' event at Blackwater Cafe

Community Engagement

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City of Independence

2025 Financial Summary and Audit

To:	City Council
From:	Mark Kaltsas, Administrator
Meeting Date:	July 21, 2026

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, Andy Grice with Creative Planning has prepared the 2025 Year End Financial Audit. There are a few key points that are further detailed in the audit report that I would like to highlight.

- The city received an unmodified opinion for the state of the city's financials. This is the highest and best opinion that can be obtained.

- The auditor annually notes that the city does not have enough staff to wholly satisfy auditing standards relating to segregation of financial duties. To address this issue, the city continues to improve upon and implement a series of oversight policies and procedures. These policies and procedures along with the significant separation created by utilizing a third-party professional accounting and financial services firm ensures transparency, oversight and accurate accounting of the city's funds.

- The city purchased the new tandem public works truck in 2025 (note that it was purchased in two pieces – truck cab and frame, truck box and accessories). It was noted in the audit that the categorization of one of the two parts purchased to make the truck should have been accounted for differently.

- The city's year-ending actuals versus budget again shows a significant increase in revenues ($260,403) primarily due to the higher number of permits issued in 2025. The city's expenditures were as budgeted $1,6.76 difference).

Attachments:

1. 2025 Communications Letter
2. 2025 Audit Report (Financial Statements)

City of Independence Minnesota

Audit Presentation

The Audit

Independent Auditor’s Report

- Unmodified opinion on the City’s basic financial statements which comprise the City’s governmental activities, business-type activities, each major fund, the aggregate remaining fund information, and the budget to actual statement for the General Fund for the year ended December 31, 2025.

- Financial Statements present fairly, in all material respects, the financial position and changes in the financial position of the Governmental Activities, Business-Type Activities, Each Major Fund and the Aggregate Remaining Funds.

Audit Communications

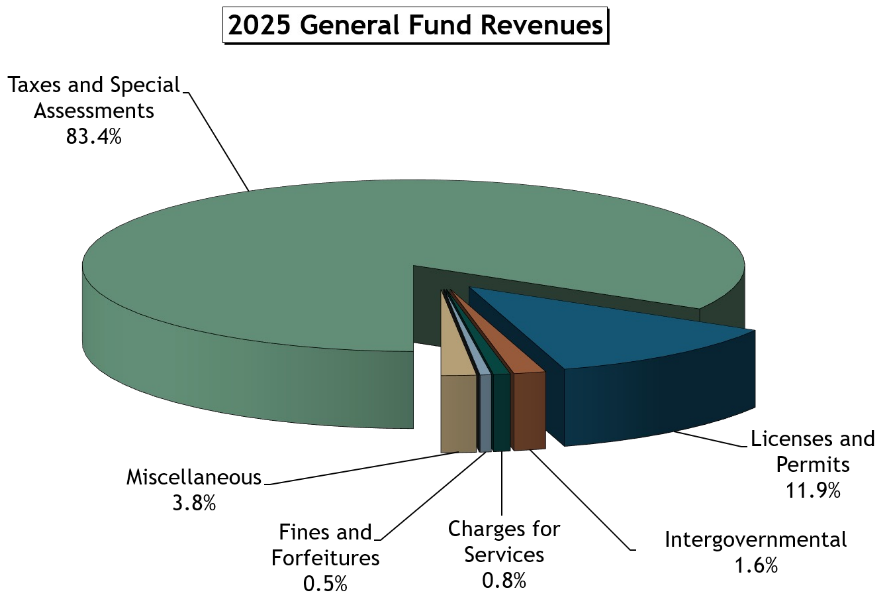
- Report in Accordance with Government Auditing Standards
  - No internal control findings or compliance findings reported
- Report on Minnesota Legal Compliance
  - No compliance findings reported
- Communications Letter
  - Other Deficiency
  - Required Communications
  - Financial Analysis
  - Emerging Issues

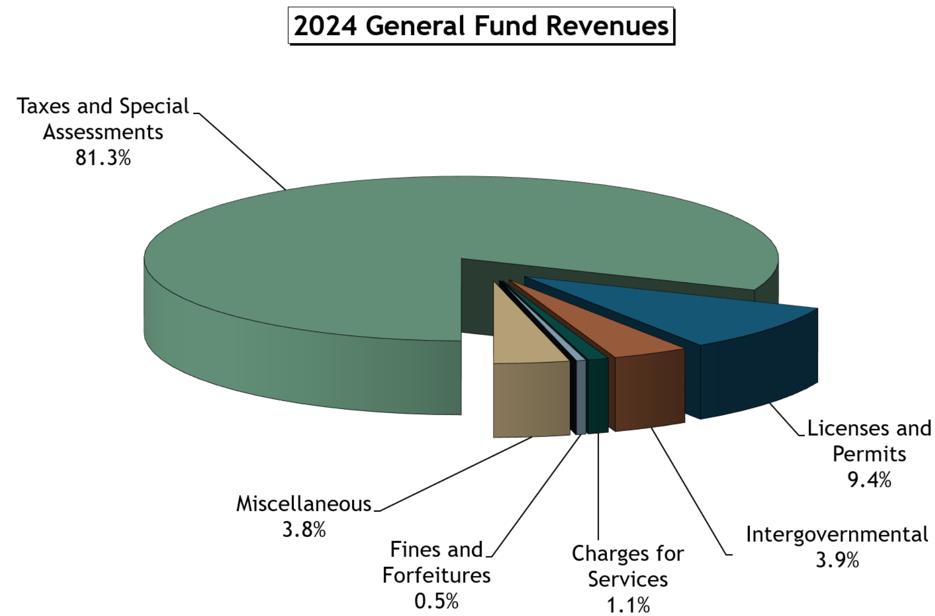
Financial Communications

General Fund Revenues

	2021	2022	2023	2024	2025
Taxes and Special Assessments	$ 3,022,621	$ 3,108,482	$ 3,391,110	$ 3,555,594	$ 3,806,232
Licenses and Permits	247,346	425,366	490,911	410,944	543,884
Intergovernmental	151,613	26,118	192,090	171,069	71,375
Charges for Services	47,151	41,455	48,730	46,278	37,408
Fines and Forfeitures	35,451	42,090	29,185	21,467	24,911
Investment Income	2,846	-	-	-	-
Miscellaneous	179,003	18,924	76,594	169,261	78,081
Total Revenues	$ 3,686,031	$ 3,662,435	$ 4,228,620	$ 4,374,613	$ 4,561,891

General Fund Revenues

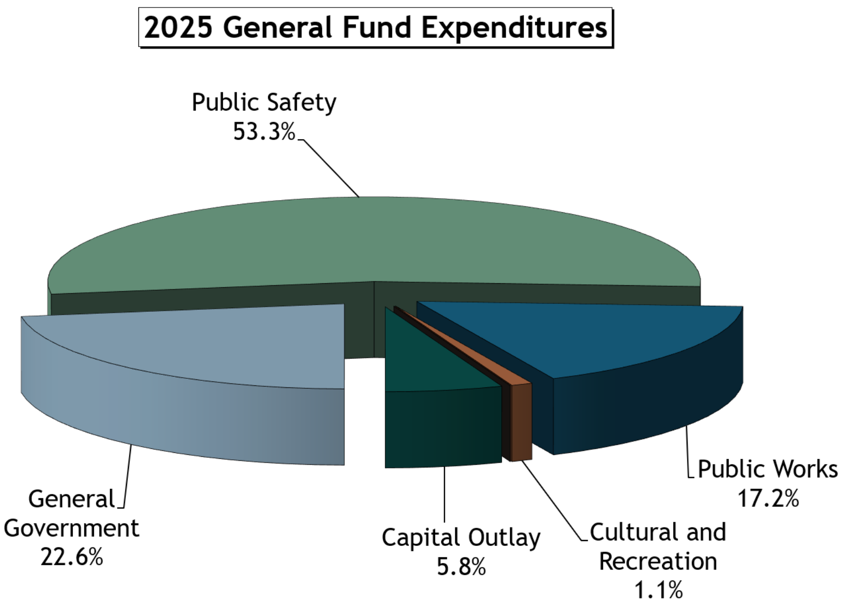


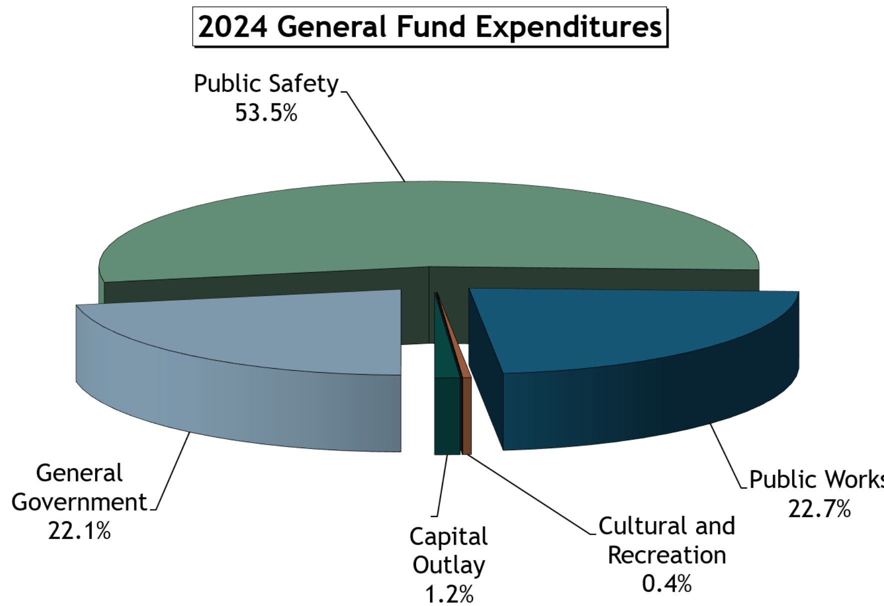


General Fund – Budget to Actual Results

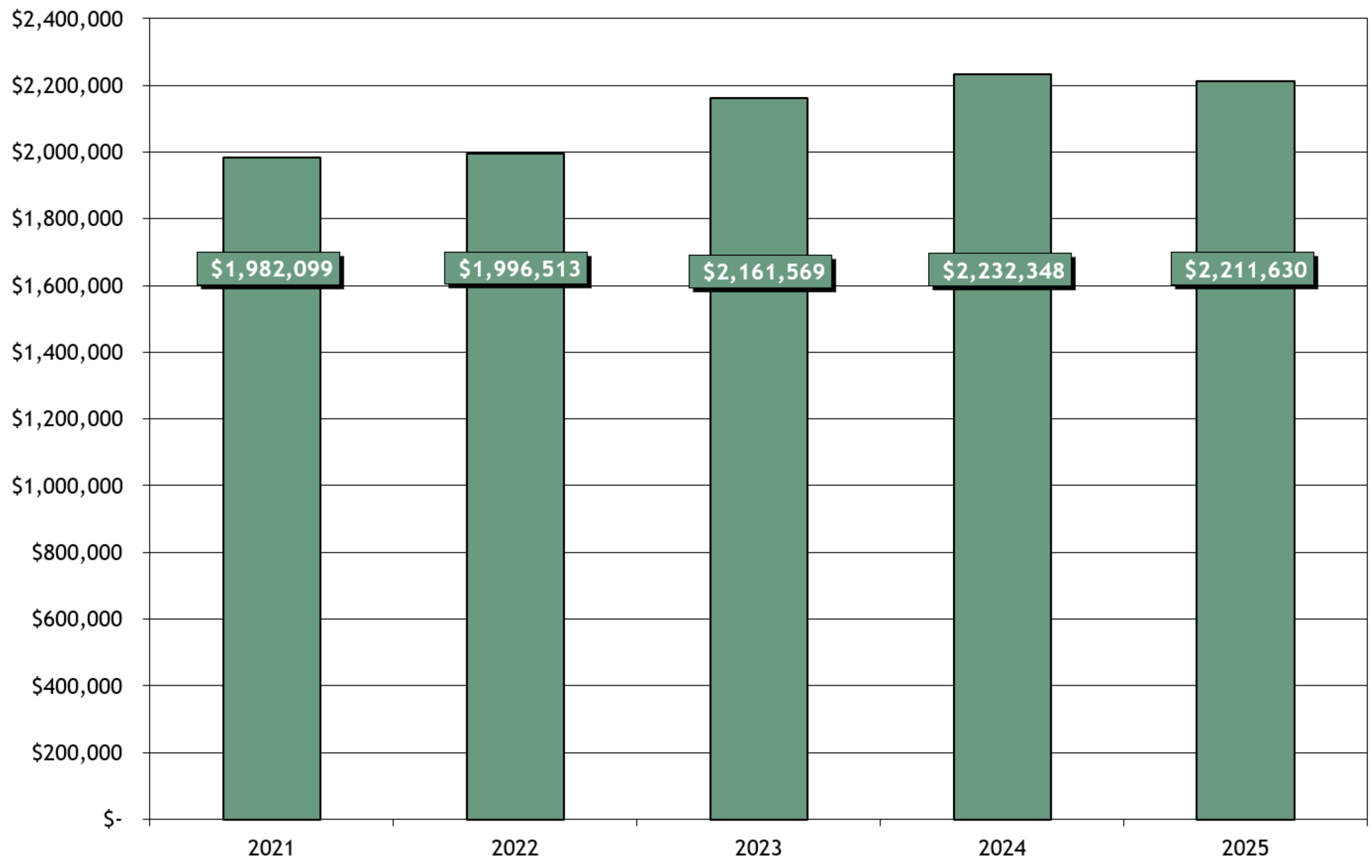
	Budgeted Amounts Final	Actual Amounts	Variance With Final Budget - Over (Under)
Revenues			
Property taxes and assessments	$ 3,804,968	$ 3,806,232	$ 1,264
Licenses and permits	265,000	543,884	278,884
Intergovernmental	103,550	71,375	(32,175)
Charges for services	61,185	37,408	(23,777)
Fines and forfeitures	36,900	24,911	(11,989)
Miscellaneous	29,885	78,081	48,196
Total revenues	4,301,488	4,561,891	260,403
Expenditures			
General government	867,564	956,329	88,765
Public safety	2,259,295	2,254,741	(4,554)
Public works	1,036,895	727,351	(309,544)
Cultural and recreation	26,625	44,748	18,123
Capital outlay	36,109	244,995	208,886
Total expenditures	4,226,488	4,228,164	1,676
Other Financing Sources (Uses)			
Transfers out	(75,000)	(354,445)	(279,445)
Total other financing sources (uses)	(75,000)	(354,445)	(279,445)
Net change in fund balance	$ -	$ (20,718)	$ (20,718)

General Fund Expenditures

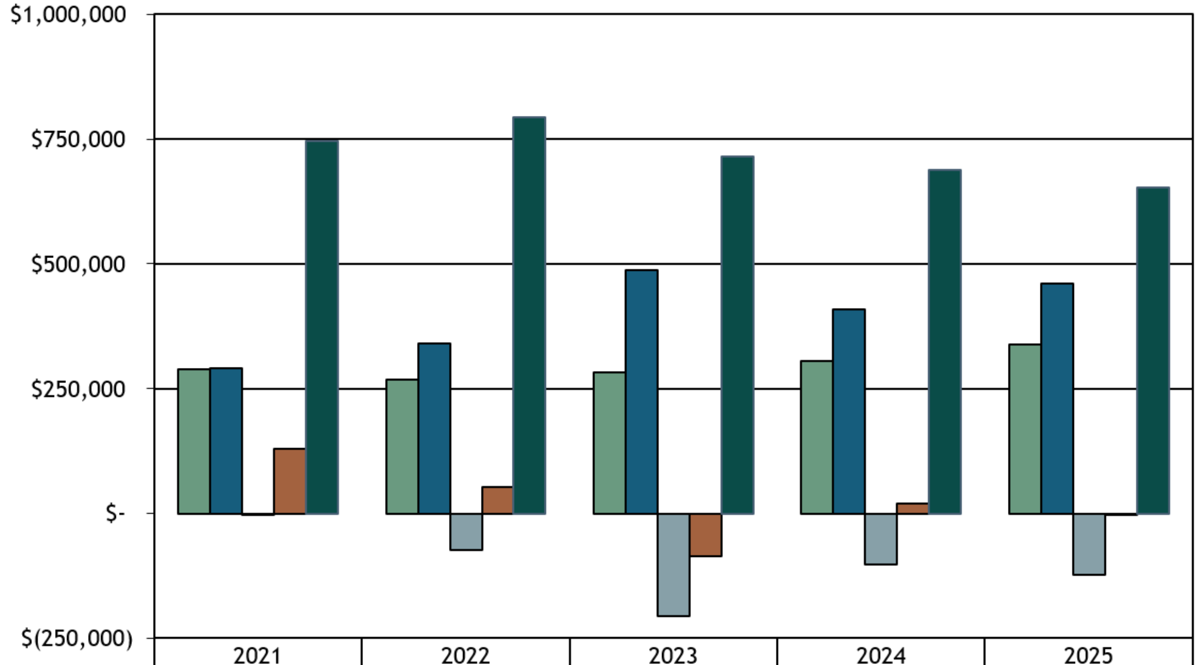




General Fund - Fund Balance



Sewer Utility Fund



	2021	2022	2023	2024	2025
Operating Revenues	$288,819	$268,915	$281,979	$305,466	$337,777
Operating Expenses	290,423	341,231	488,325	408,129	460,604
Operating Loss with Depreciation	(1,604)	(72,316)	(206,346)	(102,663)	(122,827)
Operating Income (Loss) without Depreciation	130,330	52,206	(84,793)	18,890	(1,274)
Unrestricted Net Position	746,789	793,715	715,995	687,465	652,721

Auditor

Andrew Grice

AUDIT SHAREHOLDER
952-563-6862
ANDY.GRICE@CREATIVEPLANNING.COM

Thank You

City of Independence
Hennepin County, Minnesota

Basic Financial Statements

December 31, 2025

City of Independence
Table of Contents

City of Independence
Elected Officials and Administration
December 31, 2025

Elected Officials	Position	Term Expires
Brad Spencer	Mayor	December 31, 2026
Lynn Betts	Council Member	December 31, 2026
Brad Fisher	Council Member	December 31, 2026
Ray McCoy	Council Member	December 31, 2028
Steve Grotting	Council Member	December 31, 2028

Administration		
Mark Kaltsas	City Administrator	
Abdo Financial Solutions, LLC	Consulting Finance Manager	

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Independent Auditor's Report

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

<u>Report on the Audit of the Financial Statements</u>

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Independence, as of and for the year ended December 31, 2025, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Independence, as of December 31, 2025, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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

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

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

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

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

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Independence's basic financial statements. The accompanying supplementary information identified in the Table of Contents 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BerganKDV, Ltd.

Minneapolis, Minnesota
July 17, 2026

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As management of the City of Independence, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2025.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $10,608,042 (net position). Of this amount, $4,118,327 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

- There was an increase in the City's total net position of $267,762. The increase is attributable to the governmental activities increasing by $354,059 and business-type activities decreasing by $86,297. The main contributor to the increase in governmental activities was an increase in property tax revenue and investment earnings. The main contributor to the decrease in business-type activities was a decrease in capital grants and contributions and an increase in expenditures.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $4,409,358, an increase of $248,342 in comparison with the prior year. Approximately 45.49% of this total amount, $2,005,601, is unassigned and available for spending at the City's discretion. An additional 22.45% of this total amount, $989,977, is restricted for specific purposes. An additional 27.39% of this amount, $1,207,751, is assigned by management to show the intent of the funds but is also available for spending at the City's discretion. The remaining 4.67% of this amount, $206,029, is nonspendable for prepaid items.

- At the end of the current fiscal year, the unassigned fund balance for the General Fund was $2,005,601, which is 47.4% of total General Fund expenditures or 43.6% of next year's General Fund budget.

- The City's total debt increased $1,730,000 during the current fiscal year. The increase is due to the 2025A bond issue less the regular bond payments made throughout the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

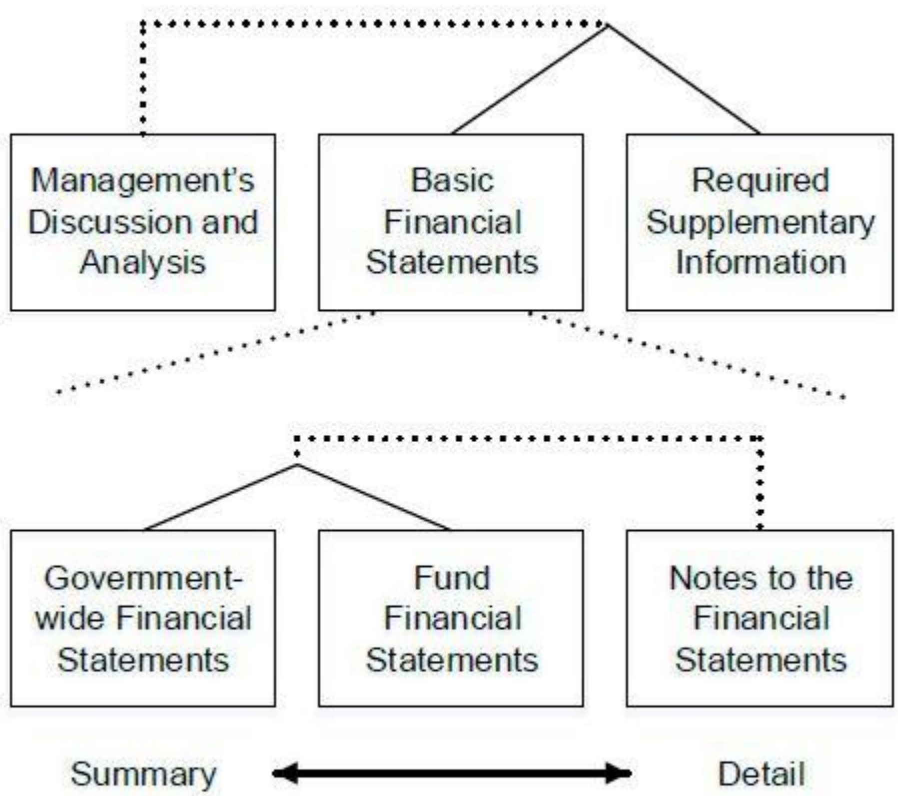


Figure 2 on the following page summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

		Fund Financial Statements		
	Government-wide Statements	**Governmental Funds**	**Proprietary Funds**	**Fiduciary Funds**
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire, and parks	Activities the City operates similar to private businesses, such as the water and sewer system	Instances in which the City administers resources on behalf of someone else
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances	• Statements of Net Position • Statements of Revenues, Expenses and Changes in Net Position • Statements of Cash Flows	• Statement of fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflows/ inflows of resources information	All deferred outflows/ inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/ inflows of resources, regardless of when cash is received or paid	All deferred outflows/ inflows of resources, regardless of when cash is received or paid
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

The government-wide financial statements start on page 22 of this report.

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

The basic governmental fund financial statements start on page 24 of this report.

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

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

The basic proprietary fund financial statements start on page 30 of this report.

Notes to Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 33 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Required Supplementary Information. Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 7 and the Schedules of City's Proportionate Share of Net Pension Liability, the Schedules of City Contributions and the notes to the Required Supplementary Information starting on page 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $10,608,042 at the close of the most recent fiscal year.

The largest part of the City's net position (53.0%) is the investment in capital assets. The investment in capital assets (e.g., land, buildings, machinery, and equipment) is reduced by any related debt used to acquire those assets that is still outstanding to arrive at capital assets net of related debt. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

City of Independence's Summary of Net Position

	Governmental Activities			Business-Type Activities		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
Assets						
Current and other assets	$ 6,342,064	$ 5,063,151	$ 1,278,913	$ 726,794	$ 783,693	$ (56,899)
Capital assets	10,062,235	7,956,618	2,105,617	1,409,931	1,531,484	(121,553)
Total assets	16,404,299	13,019,769	3,384,530	2,136,725	2,315,177	(178,452)
Deferred Outflows of Resources						
Deferred outflows of resources related to pensions	54,277	58,959	(4,682)	9,819	13,838	(4,019)
Liabilities						
Noncurrent liabilities outstanding	5,863,736	3,934,623	1,929,113	7,383	77,244	(69,861)
Other liabilities	1,825,285	693,487	1,131,798	125,315	140,451	(15,136)
Total liabilities	7,689,021	4,628,110	3,060,911	132,698	217,695	(84,997)
Deferred Inflows of Resources						
Deferred inflows of resources related to leases	34,246	51,369	(17,123)	-	-	-
Deferred inflows of resources related to pensions	119,919	137,918	(17,999)	21,194	32,371	(11,177)
Total Deferred Inflows of Resources	154,165	189,287	(35,122)	21,194	32,371	(11,177)
Net Position						
Net investment in capital assets	4,282,235	3,976,618	305,617	1,339,931	1,391,484	(51,553)
Restricted for other purposes	18,960	-	18,960	-	-	-
Restricted for public safety	-	35,218	(35,218)	-	-	-
Restricted for debt service	336,737	302,882	33,855	-	-	-
Restricted for road improvements	26,440	-	26,440	-	-	-
Restricted for park improvements	485,412	10,764	474,648	-	-	-
Unrestricted	3,465,606	3,935,849	(470,243)	652,721	687,465	(34,744)
Total net position	$ 8,615,390	$ 8,261,331	$ 354,059	$ 1,992,652	$ 2,078,949	$ (86,297)

An additional portion of the City's net position (7.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* ($4,118,327) may be used to meet the City's ongoing obligations to citizens and creditors.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities. Governmental activities increased the City's net position by $354,059. Key elements of the changes are as follows:

City of Independence's Changes in Net Position

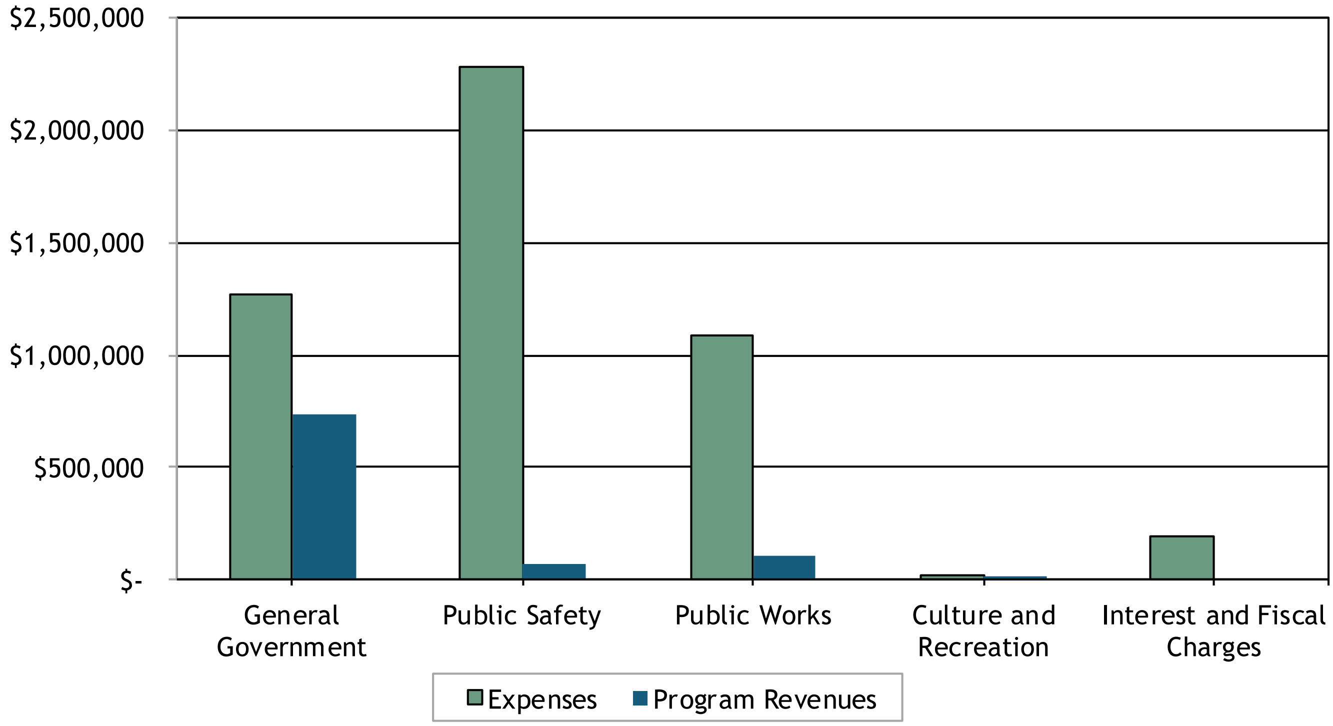
	Governmental Activities			Business-Type Activities		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	$ 734,664	$ 771,802	$ (37,138)	$ 337,777	$ 305,466	$ 32,311
Operating grants and contributions	44,742	69,413	(24,671)	-	-	-
Capital grants and contributions	144,777	153,539	(8,762)	10,784	120,311	(109,527)
General Revenues						
Taxes						
Property taxes, levied for general purposes	3,819,298	3,544,278	275,020	-	-	-
Debt service	300,725	300,515	210	13,883	16,382	(2,499)
Grants and contributions not restricted to specific programs	31,275	42,574	(11,299)	-	-	-
Unrestricted investment earnings	128,058	106,549	-	14,442	17,181	(2,739)
Net income (loss) from joint ventures	4,571	(13,355)	-	-	-	-
Total revenues	5,208,110	4,975,315	193,360	376,886	459,340	(82,454)
Expenditures						
General government	1,268,475	1,228,916	39,559	-	-	-
Public safety	2,284,275	2,309,335	(25,060)	-	-	-
Public works	1,091,344	1,114,200	(22,856)	-	-	-
Culture and recreation	20,204	16,252	3,952	-	-	-
Interest on long-term debt	189,753	76,161	113,592	-	-	-
Sanitary sewer			-	463,183	413,064	50,119
Total expenses	4,854,051	4,744,864	109,187	463,183	413,064	50,119
Change in Net Position	354,059	230,451	123,608	(86,297)	46,276	(132,573)
Net Position, January 1	8,261,331	8,030,880	230,451	2,078,949	2,032,673	46,276
Prior Period Restatement		-	-	-	-	-
Net Position, December 31	$ 8,615,390	$ 8,261,331	$ 354,059	$ 1,992,652	$ 2,078,949	$ (86,297)

There were increases in property taxes levied for general purposes, resulting in an increase in the net position. Expenses increased in the governmental activities, except for public safety and public works and increased in the business type activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities (Continued).
The following graph depicts various governmental activities and shows the program revenues and expenses directly related to those activities.

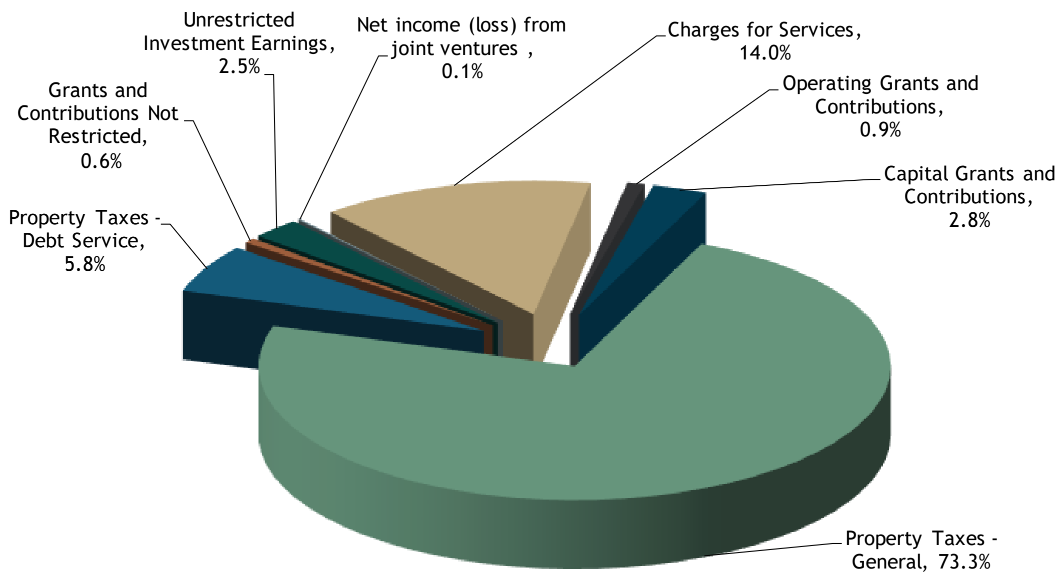
Expenses and Program Revenues - Governmental Activities



GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities (Continued).

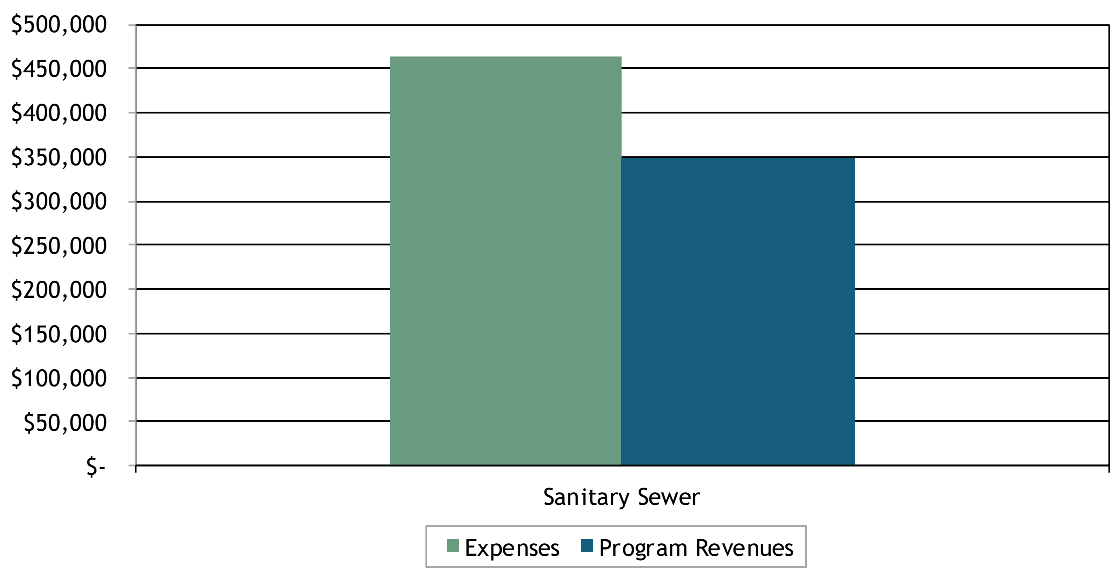
Revenues by Source - Governmental Activities



Business-type Activities. Business-type activities decreased the City's net position by $86,297.

- Operating loss in the Sanitary Sewer fund of $122,827, the main contributor for the decrease in the business-type activities was maintenance costs in the current year.

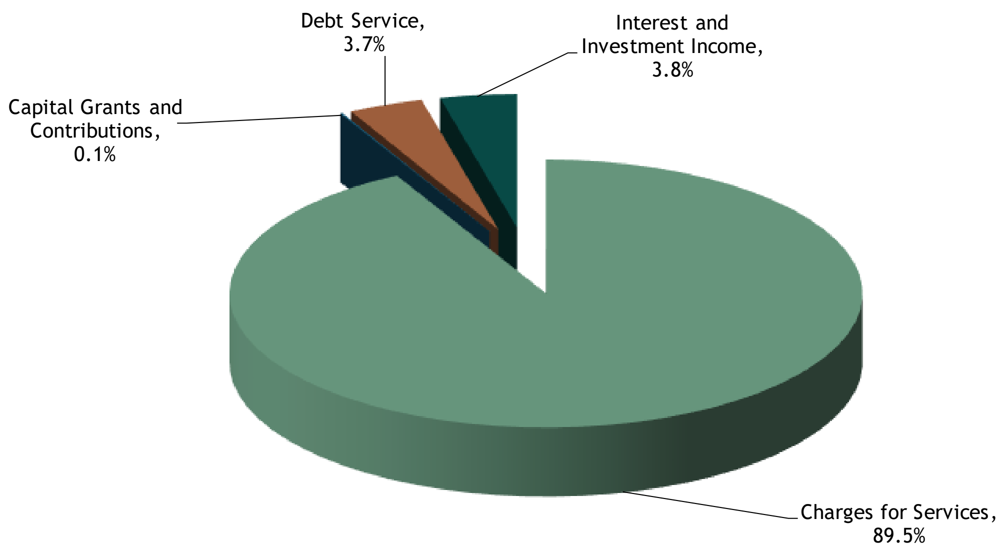
Expenses and Program Revenues - Business-type Activities



GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Business-type Activities (Continued).

Revenues by Source - Business-type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

The *General Fund* is the chief operating fund of the City. At the end of the current year, the fund balance of the General Fund was $2,211,630. The City's General Fund balance decreased $20,718 during the current fiscal year. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total budgeted expenditures. Total unassigned fund balance represents 47.4% of total 2025 expenditures.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's General Fund budget was not amended during the year. The budget was balanced for 2025. Fund balance decreased $20,718 from the prior year.

Overall revenues were over budget by $260,403. The most significant positive revenue variance was from licenses and permits, which was $278,884 over budget. The most significant negative revenue variance was from intergovernmental, which was less than budget by $32,175.

Overall expenditures were over budget by $1,676. The most significant positive expenditure variance was from public works which was $309,544 under budget. The most significant negative expenditure variance was from the public works capital outlay which was more than budget by $208,353. This was due to the purchase of a heavy equipment vehicle.

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, 2025, amounts to $11,472,166 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, vehicles, land improvements, and infrastructure.

Additional information on the City's capital assets can be found in Note 5 starts on page 45 of this report.

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

	Governmental Activities			Business-Type Activities		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
Land	$ 591,591	$ 591,591	$ -	$ -	$ -	$ -
Construction in Progress	2,128,965	-	2,128,965	263,523	263,523	-
Equipment	260,384	272,670	(12,286)	-	-	-
Vehicles	424,188	276,760	147,428	-	-	-
Buildings	4,744,253	3,856,129	888,124	-	-	-
Infrastructure	1,912,854	2,959,468	(1,046,614)	1,146,408	1,267,961	(121,553)
Total	$ 10,062,235	$ 7,956,618	$ 2,105,617	$ 1,409,931	$ 1,531,484	$ (121,553)

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-term Debt. At the end of the current fiscal year, the City had total debt outstanding of $5,850,000. While all of the City's bonds have revenue streams, they are also backed by the full faith and credit of the City.

City of Independence's Outstanding Debt

	Governmental Activities			Business-Type Activities		
	2025	2024	Increase (Decrease)	2025	2024	Increase (Decrease)
General Obligation Improvement Bonds		$ -	$ -	$ 70,000	$ 140,000	$ (70,000)
General Obligation Tax Abatement	165,000	325,000	(160,000)		-	-
Capital Lease			-		-	-
General Obligation Equipment Certificates	5,615,000	3,655,000	1,960,000		-	-
Total	$ 5,780,000	$ 3,980,000	$ 1,800,000	$ 70,000	$ 140,000	$ (70,000)

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

Additional information on the City's long-term debt can be found in Note 6 starting on page 47 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

City of Independence
Statement of Net Position
December 31, 2025

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (including cash equivalents)	$ 5,026,839	$ 377,632	$ 5,404,471
Cash with fiscal agent	309,651	71,190	380,841
Receivables			
Accounts	126,551	77,914	204,465
Due from other governments	6,660	-	6,660
Interest	97	-	97
Deliquent property taxes	26,828	-	26,828
Delinquent special assessments	-	1,335	1,335
Deferred special assessments	15,722	191,291	207,013
Unremitted property taxes	45,128	-	45,128
Lease receivable	38,699	-	38,699
Prepaid items	206,029	7,432	213,461
Equity interest in joint ventures	539,860	-	539,860
Capital assets (net of accumulated depreciation)			
Capital assets not being depreciated	2,720,556	263,523	2,984,079
Capital assets being depreciated	7,341,679	1,146,408	8,488,087
Total assets	16,404,299	2,136,725	18,541,024
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	54,277	9,819	64,096
Total assets and deferred outflows of resources	$ 16,458,576	$ 2,146,544	$ 18,605,120
Liabilities			
Accounts payable	$ 1,212,601	$ 8,500	$ 1,221,101
Due to other governments	1,188	-	1,188
Salaries and benefits payable	30,165	7,481	37,646
Deposits payable	72,096	-	72,096
Interest payable	87,210	992	88,202
Current portion of compensated absences	32,195	5,676	37,871
Noncurrent portion of compensated absences	14,640	7,383	22,023
Current portion of long-term debt	205,000	70,000	275,000
Noncurrent portion of long-term debt	5,849,096	-	5,849,096
Net pension liability	184,830	32,666	217,496
Total liabilities	7,689,021	132,698	7,821,719
Deferred Inflows of Resources			
Deferred inflows of resources related to lease receivable	34,246	-	34,246
Deferred inflows of resources related to pensions	119,919	21,194	141,113
Total deferred inflows of resources	154,165	21,194	175,359
Net Position			
Net investment in capital assets	4,282,235	1,339,931	5,622,166
Restricted for other purposes	18,960	-	18,960
Restricted for debt service	336,737	-	336,737
Restricted for road improvements	26,440	-	26,440
Restricted for park improvements	485,412	-	485,412
Unrestricted	3,465,606	652,721	4,118,327
Total net position	8,615,390	1,992,652	10,608,042
Total liabilities, deferred inflows of resources, and net position	$ 16,458,576	$ 2,146,544	$ 18,605,120

City of Independence
Statement of Activities
Year Ended December 31, 2025

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities	Net (Expense) Revenues and Changes in Net Position: Business-Type Activities	Totals
Governmental activities							
General government	$ 1,268,475	$ 709,078	$ -	$ 25,927	$ (533,470)	$ -	$ (533,470)
Public safety	2,284,275	24,911	44,742	-	(2,214,622)	-	(2,214,622)
Public works	1,091,344	-	-	107,600	(983,744)	-	(983,744)
Culture and recreation	20,204	675	-	11,250	(8,279)	-	(8,279)
Interest and fiscal charges	189,753	-	-	-	(189,753)	-	(189,753)
Total governmental activities	4,854,051	734,664	44,742	144,777	(3,929,868)	-	(3,929,868)
Business-type activities							
Sewer	463,183	337,777	-	10,784	-	(114,622)	(114,622)
Total business-type activities	463,183	337,777	-	10,784	-	(114,622)	(114,622)
Total governmental and business-type activities	$ 5,317,234	$ 1,072,441	$ 44,742	$ 155,561	(3,929,868)	(114,622)	(4,044,490)
General revenues							
Property taxes					3,819,298	-	3,819,298
Property taxes levied for debt service					300,725	13,883	314,608
Intergovernmental revenues not restricted to specific programs					31,275	-	31,275
Interest and investment income					128,058	14,442	142,500
Total general revenues					4,283,927	28,325	4,312,252
Change in net position					354,059	(86,297)	267,762
Net position - beginning					8,261,331	2,078,949	10,340,280
Net position - ending					$ 8,615,390	$ 1,992,652	$ 10,608,042

See notes to basic financial statements.

City of Independence
Balance Sheet - Governmental Funds
December 31, 2025

	General Fund (100)	Capital Projects: Permanent Capital (401-404, 801-805)	Capital Projects: 2025 Street Improvement Project (417)	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	$ 2,192,649	$ 1,084,255	$ 863,006	$ 886,929	$ 5,026,839
Cash with a fiscal agent	-	-	-	309,651	309,651
Receivables					
Accounts	1,685	-	-	124,866	126,551
Due from other governments	6,660	-	-	-	6,660
Interest	97	-	-	-	97
Due from other funds	52,770	-	-	-	52,770
Unremitted property taxes	44,643	-	-	485	45,128
Delinquent property taxes	17,011	-	-	9,817	26,828
Deferred special assessments	15,722	-	-	-	15,722
Lease receivable	38,699	-	-	-	38,699
Prepaid items	206,029	-	-	-	206,029
Total assets	$ 2,575,965	$ 1,084,255	$ 863,006	$ 1,331,748	$ 5,854,974
Liabilities					
Accounts payable	$ 266,003	$ 109,580	$ 836,566	$ 452	$ 1,212,601
Due to other governments	1,188	-	-	-	1,188
Salaries and benefits payable	30,165	-	-	-	30,165
Deposits payable	-	-	-	72,096	72,096
Due to other funds	-	-	-	52,770	52,770
Total liabilities	297,356	109,580	836,566	125,318	1,368,820
Deferred Inflows of Resources					
Deferred inflows of resources related to lease receivables	34,246	-	-	-	34,246
Unavailable revenue - property taxes	17,011	-	-	9,817	26,828
Unavailable revenue - special assessments	15,722	-	-	-	15,722
Total deferred inflows of resources	66,979	-	-	9,817	76,796
Fund Balances					
Nonspendable	206,029	-	-	-	206,029
Restricted	-	-	26,440	963,537	989,977
Assigned	-	974,675	-	233,076	1,207,751
Unassigned	2,005,601	-	-	-	2,005,601
Total fund balances	2,211,630	974,675	26,440	1,196,613	4,409,358
Total liabilities, deferred inflows of resources, and fund balances	$ 2,575,965	$ 1,084,255	$ 863,006	$ 1,331,748	$ 5,854,974

City of Independence
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2025

Total fund balances - governmental funds	$ 4,409,358
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds:	
Capital assets	15,824,150
Less accumulated depreciation	(5,761,915)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Principal payable on bonds and note from direct borrowing	(5,780,000)
Unamortized bond premiums and discounts	(274,096)
Compensated absences payable	(46,835)
Net pension liability	(184,830)
Deferred outflows of resources and deferred Inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds:	
Deferred inflows of resources related to pensions	(119,919)
Deferred outflows of resources related to pensions	54,277
Governmental funds do not report an asset for equity interest in joint ventures.	539,860
Delinquent receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds:	
Property taxes	26,828
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Deferred special assessments	15,722
Governmental funds do not report a liability for accrued interest until due and payable.	(87,210)
Total net position - governmental activities	$ 8,615,390

See notes to basic financial statements.

City of Independence
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2025

		Capital Projects		
	General Fund (100)	Permanent Capital (401-404, 801-805)	Park (405,501)	2025 Street Improvement Project (417)
Revenues				
Taxes	$ 3,775,589	$ -	$ -	$ -
Special assessments	30,643	-	-	-
Licenses and permits	543,884	-	-	-
Intergovernmental	71,375	107,600	-	-
Charges for services	37,408	-	-	-
Fines and forfeitures	24,911	-	-	-
Miscellaneous				
Investment income	41,516	30,251	-	31,646
Contributions and donations	-	-	-	-
Park dedication fee	-	-	-	-
Other	36,565	-	-	-
Total revenues	4,561,891	137,851	-	31,646
Expenditures				
Current				
General government	956,329	-	-	-
Public safety	2,254,741	-	-	-
Public works	727,351	-	-	-
Cultural and recreation	44,748	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay				
General government	14,664	121,540	-	-
Public safety	3,978	-	-	-
Public works	226,353	239,752	-	2,031,836
Total expenditures	4,228,164	361,292	-	2,031,836
Excess of revenues over (under) expenditures	333,727	(223,441)	-	(2,000,190)
Other Financing Sources (Uses)				
Issuance of long-term debt	-	-	-	1,854,045
Premium on long-term debt	-	-	-	172,585
Transfers in	-	250,000	-	-
Transfers out	(354,445)	-	-	-
Total other financing sources (uses)	(354,445)	250,000	-	2,026,630
Net change in fund balances	(20,718)	26,559	-	26,440
Fund Balances				
Beginning of year, as previously stated	2,232,348	948,116	459,178	-
Change within financial reporting entity (See Note 11)	-	-	(459,178)	-
Beginning of year, as restated	2,232,348	948,116	-	-
End of year	$ 2,211,630	$ 974,675	$ -	$ 26,440

Nonmajor Governmental Funds	Total Governmental Funds
$ 372,255	$ 4,147,844
-	30,643
-	543,884
-	178,975
91,896	129,304
-	24,911
24,645	128,058
4,642	4,642
11,250	11,250
-	36,565
504,688	5,236,076
166,698	1,123,027
-	2,254,741
-	727,351
-	44,748
200,000	200,000
166,151	166,151
6,178	142,382
-	3,978
-	2,497,941
539,027	7,160,319
(34,339)	(1,924,243)
145,955	2,000,000
-	172,585
104,445	354,445
-	(354,445)
250,400	2,172,585
216,061	248,342
521,374	4,161,016
459,178	-
980,552	4,161,016
$ 1,196,613	$ 4,409,358

City of Independence
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to
the Statement of Activities - Governmental Funds
Year Ended December 31, 2025

Net change in fund balances - total governmental funds:	$ 248,342
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense:	
Capital outlay	2,479,411
Depreciation expense	(373,794)
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	1,549
Governmental funds recognize pension contributions as expenditures at the time of payment whereas the Statemen of Activities factors in items related to pensions on a full accrual perspective:	
Pension expense	22,704
Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no impact on net position in the Statement of Activities.	200,000
Interest on long-term debt in the Statement of Activities differs from the amount report in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(51,291)
Proceeds from long-term debt are recognized as an other financing source in the governmental funds but as a decrease in net position in the Statement of Activities:	
Bonds payable	(2,000,000)
The governmental funds report the effect of bond premiums, discounts, and other similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:	
Premium on new bond issuances	(172,585)
Amortization of bond premiums and discounts	27,689
Certain revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Deferred special assessments	(4,716)
Delinquent receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are not revenues in the funds:	
Delinquent property taxes	(27,821)
Change in net position of governmental activities	$ 354,059

See notes to basic financial statements.

City of Independence
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2025

	Budgeted Amounts Original and Final	Actual	Variance with Final Budget - Over (Under)
Revenues			
Property taxes	$ 3,784,539	$ 3,775,589	$ (8,950)
Special assessments	20,429	30,643	10,214
Licenses and permits	265,000	543,884	278,884
Intergovernmental	103,550	71,375	(32,175)
Charges for services	61,185	37,408	(23,777)
Fines and forfeitures	36,900	24,911	(11,989)
Miscellaneous			
Investment income	25,000	41,516	16,516
Refunds and reimbursements	4,385	35,890	31,505
Other	500	675	175
Total miscellaneous	29,885	78,081	48,196
Total revenues	4,301,488	4,561,891	260,403
Expenditures			
Current			
General government	867,564	956,329	88,765
Public safety	2,249,295	2,254,741	5,446
Public works	1,036,895	727,351	(309,544)
Cultural and recreation	26,625	44,748	18,123
Capital outlay			
General government	15,000	14,664	(336)
Public safety	10,000	3,978	(6,022)
Public works	18,000	226,353	208,353
Culture and recreation	3,109	-	(3,109)
Total expenditures	4,226,488	4,228,164	1,676
Excess of revenues over (under) expenditures	75,000	333,727	258,727
Other Financing Sources (Uses)			
Transfers out	(75,000)	(354,445)	(279,445)
Total other financing sources (uses)	(75,000)	(354,445)	(279,445)
Net change in fund balance	$ -	(20,718)	$ (20,718)
Fund Balance			
Beginning of year		2,232,348	
End of year		$ 2,211,630	

See notes to basic financial statements.

City of Independence
Statement of Net Position - Proprietary Funds
December 31, 2025

	Sanitary Sewer Fund (602)
Assets	
Current assets	
Cash and cash equivalents	$ 377,632
Cash with fiscal agent	71,190
Accounts receivable	77,914
Special assessment receivable	
Delinquent	1,335
Deferred	191,291
Prepaid items	7,432
Total current assets	726,794
Noncurrent assets	
Capital assets	
Infrastructure	4,876,873
Machinery and equipment	17,340
Vehicles	37,649
Construction in progress	263,523
Total capital assets	5,195,385
Less accumulated depreciation	(3,785,454)
Total noncurrent assets and net capital assets	1,409,931
Total assets	2,136,725
Deferred Outflows of Resources	
Deferred outflows of resources related to pension activity	9,819
Total assets and deferred outflows of resources	$ 2,146,544
Liabilities	
Current liabilities	
Accounts payable	$ 8,500
Salaries and benefits payable	7,481
Interest payable	992
Current portion of compensated absences	5,676
Current portion of bonds payable	70,000
Total current liabilities	92,649
Noncurrent liabilities	
Noncurrent portion of compensated absences	7,383
Net pension liability	32,666
Total noncurrent liabilities	40,049
Total liabilities	132,698
Deferred Inflows of Resources	
Deferred inflows of resources related to pension activity	21,194
Net Position	
Net investment in capital assets	1,339,931
Unrestricted	652,721
Total net position	1,992,652
Total liabilities, deferred inflows of resources, and net position	$ 2,146,544

City of Independence
Statement of Revenues, Expenses, and Changes
in Net Position - Proprietary Funds
Year Ended December 31, 2025

	Sanitary Sewer Fund (602)
Operating Revenues	
Charges for services	$ 337,777
Total operating revenues	337,777
Operating Expenses	
Personal services	160,241
Materials and supplies	2,120
Repairs and maintenance	25,502
Insurance	852
Utilities	29,151
Depreciation	121,553
Miscellaneous	121,185
Total operating expenses	460,604
Operating income (loss)	(122,827)
Nonoperating Revenues (Expenses)	
Property taxes	13,883
Special assessments	10,784
Investment income	14,442
Interest expense	(2,579)
Total nonoperating revenues (expenses)	36,530
Change in net position	(86,297)
Net Position	
Beginning of year	2,078,949
End of year	$ 1,992,652

City of Independence
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2025

	Sanitary Sewer Fund (602)
Cash Flows - Operating Activities	
Receipts from customers and users	$ 302,881
Payments to suppliers	(189,381)
Payments to employees	(176,478)
Net cash flows - operating activities	(62,978)
Cash Flows - Capital and Related Financing Activities	
Principal paid on debt	(70,000)
Interest paid on debt	(3,570)
Property taxes	13,883
Special assessments	45,190
Net cash flows - capital and related financing activities	(14,497)
Cash Flows - Investing Activities	
Interest and dividends received	14,442
Net change in cash and cash equivalents	(63,033)
Cash and Cash Equivalents (included Cash with fiscal agent)	
January 1	511,855
December 31	$ 448,822
Reconciliation of Operating Gain (Loss) to Net Cash Flows - Operating Activities	
Operating income (loss)	$ (122,827)
Adjustments to reconcile operating gain (loss) to net cash flows	
Operating activities	
Depreciation expense	121,553
Pension related activity	(20,076)
Accounts receivable	(34,896)
Prepaid items	(5,644)
Accounts payable	(7)
Due to other governmental units	(4,920)
Salaries payable	2,111
Compensated absences payable	1,728
Total adjustments	59,849
Net cash flows - operating activities	$ (62,978)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

The financial statements present the City and its component units. The City includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the basic financial statements of the City because of the significance of their operational or financial relationships with the City.

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

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

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

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

1. **Joint Ventures and Jointly Governed Organizations**

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

   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, 2025, the amount reported as investment in joint venture was $196,185 for the City's share of capital assets. According to a formula in the agreement, the City's share of the Commission's budget is 70%. Payments to the Commission in 2025 totaled $1,693,733. The Commission's financial statements for the period ended December 31, 2025, can be obtained at the City's Municipal Center.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

1. Joint Ventures and Jointly Governed Organizations (Continued)

b. Maple Plain-Independence Fire Services Partnership

On December 31, 2002, the Maple Plain-Independence Fire Services Partnership (the Fire Partnership) was established under a joint powers agreement among the Cities of Maple Plain and Independence to provide fire protection in the fire serve area of the two cities. Maple Plain is considered the managing partner. The governing body consists of a five-member board. Two individuals, the Mayor, and another City Council Member from each City, are appointed by their respective City Council to serve on the Board and the fire chief is also a member of the Board. The Fire Partnership does not have any component units.

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

The governmental fund financial activity of the Fire Partnership are currently reported in a special revenue fund of the City of Maple Plain, Minnesota and the capital assets and related long-term liabilities are recorded within the governmental activities in the statement of net position.

The City's equity interest and its share of the net income (loss) of the Fire Partnership are added to the value of the "Investment in Joint Venture" in the government-wide financial statement under governmental activities. As of December 31, 2025, the amount reported as investment in joint venture was $343,675.

c. 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 $48,891 to the commission in 2025. The contribution is reported in the City's Water Resource Department fund. Complete financial statements for the Commission can be obtained at the City's Municipal Center.

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

Description of Funds:

Major Governmental Funds:

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Description of Funds: (Continued)

Major Governmental Funds: (Continued)

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

2025 Street Improvement Project Fund – This fund accounts for resources accumulated and payments made for the 2025 Street Improvement project.

Proprietary Fund:

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

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

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

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

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

1. Deposits and Investments

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Deposits and Investments (Continued)

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

2. Receivables and Payables

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

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

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

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

3. Special Assessments

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Special Assessments (Continued)

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

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

4. Prepaid Items

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

5. Capital Assets

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets (Continued)

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

Assets	Years
Buildings	40
Equipment	3 - 15
Vehicles	3 - 12
Infrastructure	20 - 60

6. Deferred Outflows/Inflows of Resources

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

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

7. Pensions

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Compensated Absences

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

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

The liability for compensated absences reported in the Statement of Net Position consists of leave that has not been used that is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave.

9. Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

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

10. Fund Balance

a. Classification

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

- Nonspendable Fund Balances – These are amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Fund Balance (Continued)

a. Classification (Continued)

- Restricted Fund Balances – These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.

- Committed Fund Balances – These are amounts comprised of unrestricted funds used for a specific purpose pursuant to constraints imposed by formal action of the City Council and that remain binding unless removed by the City Council by subsequent formal action.

- Assigned Fund Balances – These are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed and include all remaining amounts (except for negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable, restricted, or committed. The City Council has delegated authority to assign and remove fund balance assignments to the City Administrator.

- Unassigned Fund Balances – These are residual amounts in the General Fund not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

b. Minimum Fund Balance

The City has formally adopted a fund balance policy for the General Fund. The City's policy is to maintain a minimum unassigned fund balance of 40-50% of budgeted operating expenditures for cash-flow timing needs.

11. Net Position

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Use of Estimates

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

F. Budgetary Information

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS

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

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits

Custodial Credit Risk – Deposits: This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has a policy that requires the City's deposits be collateralized as required by *Minnesota Statutes* for an amount exceeding FDIC, SAIF, BIF, or FCUA coverage. As of December 31, 2025, the City's bank balances of $2,035,396 was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the City's name. The book balance as of December 31, 2025, was $1,675,075. The City also had deposits with fiscal agent of $380,841 at December 31, 2025.

B. Investments

The City's investments as of December 31, 2025, consisted of $3,729,396 invested in the 4M fund. The 4M Fund is regulated by *Minnesota Statutes* and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows guidance under GASB Statement NO. 79. The City's investment in the 4M Fund is measured at an amortized cost and not subject to fair value leveling. The City's investment policy does not place any further limitations beyond the state statute requirements for the risk categories described below. Investments are subject to various risks, the following of which are considered the most significant:

Concentration of Credit Risk: This is the risk associated with investing a significant portion of the City's investments (considered 5% or more) in securities of a single user, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. As of December 31, 2025, the City's investment portfolio includes a 100% investment in the 4M fund which is an external investment pool.

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

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

Custodial Credit Risk – Investments: This is the risk in the event of the failure of the counterparty the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have any custodial credit risk for its investments since all of the City's investments are in the City's name and insured.

C. Deposits and Investments

The summary of cash deposits and investments as of December 31, 2025, were as follows:

Carrying amount of deposits (Note 3.A.)	$ 1,675,075
Investments (Note 3.B.)	3,729,396
Total cash and investments	$ 5,404,471

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Deposits and Investments (Continued)
Deposits and investments are presented in the December 31, 2025, basic financial statements as follows:

Statement of Net Position	
Cash and investments	$ 5,404,471

NOTE 3 – LEASE RECEIVABLE

The City has entered into a building lease agreement with North Memorial Health Care for space leased on premises located at 1920 County Road 90, Independence, MN. This lease was entered into December 2022 and will continue through the end of 2027. The monthly payment due in 2025 was $1,500 with a 3% increase each year after. The deferred inflow and receivable balance related to this lease is $34,246 and $38,699 respectively as of December 31, 2025.

NOTE 4 – INTERFUND ACTIVITY AND BALANCES

A. Interfund Transfers
Transfers during the year ended December 31, 2025, were as follows:

	Transfer In		
Fund	Permanent Capital	Other Nonmajor Funds	Total
Transfers out			
General	$ 250,000	$ 104,445	$ 354,445

The transfers out were for capital items, road maintenance costs, and to transfer resources for specific purposes.

B. Interfund Balances
There was an amount of $52,770 due from the Escrow Fund to the General Fund related to negative cash balances.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2025, was as follows:

	Beginning Balance	Increases	Reclassifications	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 591,591	$ -	$ -	$ 591,591
Construction in progress	-	2,128,965	-	2,128,965
Total capital assets not being depreciated	591,591	2,128,965	-	2,720,556
Capital assets being depreciated				
Equipment	1,073,868	47,729	-	1,121,597
Vehicles	643,681	195,312	-	838,993
Buildings	5,658,074	82,655	1,085,276	6,826,005
Infrastructure	5,377,525	24,750	(1,085,276)	4,316,999
Total capital assets being depreciated	12,753,148	350,446	-	13,103,594
Less accumulated depreciation for				
Equipment	801,198	60,015	-	861,213
Vehicles	366,921	47,884	-	414,805
Buildings	1,801,945	171,279	108,528	2,081,752
Infrastructure	2,418,057	94,616	(108,528)	2,404,145
Total accumulated depreciation	5,388,121	373,794	-	5,761,915
Total capital assets being depreciated, net	7,365,027	(23,348)	-	7,341,679
Governmental activities capital assets, net	$ 7,956,618	$ 2,105,617	$ -	$ 10,062,235

NOTE 5 – CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Construction in progress	$ 263,523	$ -	$ -	$ 263,523
Total capital assets not being depreciated	263,523	-	-	263,523
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	17,340	-	-	17,340
Vehicles	37,649	-	-	37,649
Infrastructure	3,608,912	121,553	-	3,730,465
Total accumulated depreciation	3,663,901	121,553	-	3,785,454
Total capital assets being depreciated, net	1,267,961	(121,553)	-	1,146,408
Business-type activities capital assets, net	$ 1,531,484	$ (121,553)	$ -	$ 1,409,931

NOTE 5 – CAPITAL ASSETS (CONTINUED)

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

Governmental activities	
General government	$ 105,811
Public safety	32,875
Public works	234,902
Parks	206
Total depreciation expense - governmental activities	$ 373,794
Business-type activities	
Sewer	$ 121,553
Total depreciation expense - governmental activities	$ 121,553

NOTE 6 – LONG-TERM DEBT

A. General Obligation Bonds

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

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

B. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	12/31/25 Balance	Due Within One Year
Governmental activities						
General Obligation						
Improvement Bonds						
2020A Bonds	6/11/2020	2.00-3.00%	$ 3,760,000	2/1/2041	$ 3,615,000	$ 40,000
2025A Bonds	6/5/2025	4.00-5.00%	2,000,000	2/1/2036	2,000,000	-
General Obligation Tax						
Abatement Bonds						
2015A Bonds	8/19/2015	2.00-2.25%	1,495,000	2/1/2026	165,000	165,000
Bond premium					274,096	-
Compensated absences					46,835	32,195
Total governmental activities					6,100,931	237,195
Business-type activities						
General Obligation						
Improvement Bonds						
2010A Bonds	10/21/2010	1.00-3.40%	855,000	2/1/2026	70,000	70,000
Compensated absences					13,059	5,676
Total business-type activities					83,059	75,676
Total long-term liabilities					$ 6,183,990	$ 312,871

NOTE 6 – LONG-TERM DEBT (CONTINUED)

C. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2025, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General Obligation Tax Abatement Bonds	$ 325,000	$ -	$ (160,000)	$ 165,000	$ 165,000
General Obligation Capital Improvement Bonds	3,655,000	2,000,000	(40,000)	5,615,000	40,000
Bond premium	129,200	172,586	(27,690)	274,096	-
Total bonds payable	4,109,200	2,172,586	(227,690)	6,054,096	205,000
Compensated absences payable	48,384	-	(1,549)	46,835	32,195
Governmental activity long-term liabilities	$ 4,157,584	$ 2,172,586	$ (229,239)	$ 6,100,931	$ 237,195
Business-type activities					
Bonds payable					
General Obligation Improvement Bonds	$ 140,000	$ -	$ (70,000)	$ 70,000	$ 70,000
Total bonds payable	140,000	-	(70,000)	70,000	70,000
Compensated absences payable	11,331	1,728	-	13,059	5,676
Business-type activity long-term liabilities	$ 151,331	$ 1,728	$ (70,000)	$ 83,059	$ 75,676

The change in the compensated absences liability is presented as a net change.

NOTE 6 – LONG-TERM DEBT (CONTINUED)

D. Minimum Debt Payments

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

	Governmental Activities			
Year Ending	G.O. Improvement Bonds		G.O. Tax Abatement Bonds	
December 31,	Principal	Interest	Principal	Interest
2026	$ 40,000	$ 189,817	$ 165,000	$ 1,856
2027	200,000	169,443	-	-
2028	385,000	157,418	-	-
2029	400,000	142,243	-	-
2030	415,000	127,568	-	-
2031-2035	2,295,000	414,463	-	-
2036-2040	1,595,000	102,613	-	-
2041	285,000	2,921	-	-
Total	$ 5,615,000	$ 1,306,486	$ 165,000	$ 1,856

	Business-Type Activities	
Year Ending	G.O. Improvement Bonds	
December 31,	Principal	Interest
2026	$ 70,000	$ 1,190
Total	$ 70,000	$ 1,190

NOTE 7 – FUND BALANCES/NET POSITION

A. Fund Balances

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

	General Fund	Permanent Capital	2025 Street Improvement Project	Nonmajor Governmental Funds	Total
Nonspendable					
Prepaid items	$ 206,029	$ -	$ -	$ -	$ 206,029
Restricted					
General Government	-	-	-	18,960	18,960
Debt Service	-	-	-	423,947	423,947
Public Safety	-	-	-	35,218	35,218
Street Improvements	-	-	26,440	-	26,440
Park Capital	-	-	-	485,412	485,412
Assigned					
Buildings Capital	-	128,268	-	-	128,268
Public Safety	-	-	-	70,862	70,862
Roads Capital	-	154,713	-	81,183	235,896
Equipment Capital	-	464,042	-	-	464,042
Administration Capital	-	227,652	-	-	227,652
Water Resource Department	-	-	-	81,031	81,031
Unassigned	2,005,601	-	-	-	2,005,601
Total fund balance	$ 2,575,965	$ 974,675	$ 26,440	$ 1,196,613	$ 4,409,358

B. Net Position

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

NOTE 8 – RISK MANAGEMENT

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

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

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

NOTE 8 – RISK MANAGEMENT (CONTINUED)

At December 31, 2025, there were no other claims liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 9 – CONDUIT DEBT

During 2012, the City issued a Healthcare Facilities Revenue Note to provide financial assistance to Vinland National Center, a nonprofit corporation, for the expansion of the existing care facility, deemed to be in the public interest. The Note is secured by the property financed and is payable solely from payments received on the underlying mortgage loan. Upon repayment of the Note, ownership of the acquired facility transfers to the nonprofit corporation serve by the Note issuance. Neither the City, state nor any political subdivision, thereof, is obligated in any manner for repayment of the Note. Accordingly, the Note is not reported as bond transactions in the City's financial statements. As of December 31, 2025, the Healthcare Facilities Revenue Note of 2012 was outstanding with a principal balance amount payable of $1,547,220.

During 2016, the City issued a Charter School Lease Revenue Note and a Taxable Charter School Lease Revenue Bond, Series 2016A and 2016B to provide financial assistance to Friends of Beacon, a nonprofit corporation, for the following: the acquisition of land and buildings, renovations to existing buildings, and an addition to the existing buildings for the use as a public charter school for grades K through 8. The Bond is secured by the mortgage lien on and security interest in the facilities and revenues and profits of the facility. Upon repayment of the Bond, ownership of the acquired facility transfers to the nonprofit corporation served by the Bond issuance. Neither the City, state nor any political subdivision, thereof, is obligated in any manner for repayment of the Bond. Accordingly, the Bonds are not reported as bond transactions in the City's financial statements. As of December 31, 2025, the Charter School Lease Revenue Bond, Series 2016A and the Taxable Charter School Lease Revenue Bond, Series 2016A had an outstanding amount payable of $14,150,000.

During 2017, the City issued a Health Care Facilities Revenue Refunding Bond, Series 2017A, to provide financial assistance to Augustana Chapel View Homes, Inc., a nonprofit corporation, for the expansion of the existing care facility, deemed to be in the public interest. The Bonds are secured by the mortgage lien on and security interest in the facilities and revenues and profits of the facility. Upon repayment on the Bonds, ownership of the acquired facility transfers to the nonprofit corporation served by the Bonds issuance. Neither the City, state, nor any political subdivision, thereof, is obligated in any manner for repayment on the Bonds. Accordingly, the Bonds are not reported as bond transactions in the City's financial statement. As of December 31, 2025, the Health Care Facilities Revenue Note, Series 2017A was outstanding with a principal balance amount payable of $3,330,000.

NOTE 9 – CONDUIT DEBT (CONTINUED)

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, 2025, the Senior Housing Revenue Note, Series 2019C had an outstanding amount payable of $8,877,704.

During 2021, the City issued a Charter School Lease Revenue and Refunding Bonds, Series 2021A and 2021B to provide financial assistance for Global Academy ABC, a Minnesota nonprofit corporation and Global Academy Inc, a nonprofit corporation for the following: for construction, equipping, renovation and improvement of an existing approximately 64,737 square foot existing kindergarten through grade 8 charter school facility, including but not limited to, the addition of an approximately 7,000 square foot gymnasium and refunding outstanding debt of the Borrower originally used to acquire the facility. The Bonds are secured by a mortgage lien on and a security interest in the bond financed facility financed by the Bonds and a security interest in the revenues of the bond financed facility and the School. As of December 31, 2025, the Charter School Lease Revenue and Refunding Bonds, Series 2021A and 2021B had an outstanding amount payable of $12,805,000.

During 2023, the City issued a Revenue Note, Series 2023, to provide financial assistance to 180 Degrees, Inc., a nonprofit corporation, for the renovation and expansion of its two facilities, deemed to be in the public interest. The Note is secured by the mortgage lien on and security interest in the facilities and revenues and profits of the facility. Upon repayment of the Note, ownership of the acquired facility transfers to the nonprofit corporation served 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 a note transaction in the City's financial statements. As of December 31, 2025, the Revenue Note, Series 2023, had an outstanding amount payable of $5,661,629.

NOTE 10 – PENSION PLANS

The City participates in various pension plans, total pension expense for the year ended December 31, 2025, was $2,615. The components of pension expense are noted in the following plan summaries.

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

Public Employees' Retirement Association

A. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by PERA. PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes* Chapters 353, 353D, 353E, 353G, and 356. *Minnesota Statutes* Chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

A. Plan Description (Continued)

General Employees Retirement Plan

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than $425 in a month, unless the employee meets exclusion criteria.

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. When a member is vested, they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

General Employees Plan Benefits

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any 5 successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of the highest average salary for all years of service. For members hired prior to July 1, 1989, a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. The 2025 annual increase was 1.25%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

C. Contributions

Minnesota Statutes Chapter 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

General Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2025 and the City was required to contribute 7.5% for General Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2025, were $44,590. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2025, the City reported a liability of $217,496 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled $5,247.

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2024, through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0066% at the end of the measurement period and 0.0065% for the beginning of the period.

City's proportionate share of net pension liability	$ 217,496
State of Minnesota's proportionate share of the net pension liability associated with the City	5,247
Total	$ 222,743

For the year ended December 31, 2025, the City recognized pension expense of $2,615 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized $805 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

At December 31, 2025, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 20,576	$ -
Net difference between projected and actual investment earnings	-	91,205
Changes in proportion	15,984	378
Changes in actuarial assumptions	5,241	49,530
Contributions paid to PERA subsequent to the measurement date	22,295	-
Total	$ 64,096	$ 141,113

The $22,295 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2026	$ (14,875)
2027	(40,092)
2028	(28,885)
2029	(15,460)
Total	$ (99,312)

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.5 %	5.10 %
International equity	16.5	5.30
Fixed income	25.0	0.75
Private markets	25.0	5.90
Total	100.0 %	

F. Actuarial Methods and Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2025, using the entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7.0%. The 7.0% assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7.0% is within that range.

Inflation is assumed to be 2.25% for the General Employees Plan. Benefit increases after retirement are assumed to be 1.5% for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 11.5% after one year of service to 3.0% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range in annual increments from 10.75% after one year of service to 3.0% after 23 years of service.

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

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)
Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023, actuarial valuation. The Police and Fire Plan was reviewed in 2024. The assumption changes were adopted by the board and became effective with the July 1, 2025, actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2025:

General Employees Fund

Changes in Actuarial Assumptions

- The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members. The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

Changes in Plan Provisions

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.
- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

G. Discount Rate
The discount rate used to measure the total pension liability in 2025 was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net positions of the General Employees Fund was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
City's proportionate share of the General Employees Fund net pension liability	$ 528,266	$ 217,496	$ (34,607)

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

I. Pension Plan Fiduciary Net Position

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

NOTE 11 – RESTATEMENTS AND ADJUSTMENTS OF BEGINNING FUND BALANCES

During the year ended December 31, 2025, the City's Park and Escrow Funds were changed from a major governmental fund to a nonmajor governmental fund, resulting in a net increase in beginning fund for the nonmajor governmental fund of $459,178.

	Reporting Units Affected by Adjustments and Restatements of Beginning Balances	
	Funds	
Financial Reporting Period	Park Fund	Nonmajor Governmental
12/31/2024, as previously reported	$ 459,178	$ 521,374
Change from major to nonmajor	(459,178)	459,178
12/31/2024, as adjusted or restated	$ -	$ 980,552

NOTE 12 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 103, *Financial Reporting Model Improvements*. The changes required by this Statement provide clarity, enhance the relevance of information, provide more useful information for decision-making, and provide for greater comparability amongst government entities. This Statement will be effective for the year ending December 31, 2026.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The disclosures required by this Statement provide users of the financial statements with essential information about certain types of capital assets. This Statement will be effective for the year ending December 31, 2026.

REQUIRED SUPPLEMENTARY INFORMATION

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

For Fiscal Year Ended June 30,	City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Employee Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.0055%	$ 446,573	$ 5,862	$ 452,435	$ 358,760	124.48%	68.90%
2017	0.0053%	338,349	4,268	342,617	354,600	95.42%	75.90%
2018	0.0061%	338,403	11,100	349,503	407,973	82.95%	79.53%
2019	0.0061%	331,727	10,333	342,060	422,733	78.47%	80.23%
2020	0.0057%	341,741	10,582	352,323	427,733	79.90%	79.06%
2021	0.0061%	260,497	7,972	268,469	417,147	62.45%	87.00%
2022	0.0058%	459,362	13,535	472,897	436,840	105.16%	76.67%
2023	0.0065%	363,473	9,901	373,374	513,760	70.75%	83.10%
2024	0.0065%	239,801	6,201	246,002	548,987	43.68%	89.08%
2025	0.0066%	217,496	5,247	222,743	594,413	36.59%	90.78%

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

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	$ 26,907	$ 26,907	$ -	$ 358,760	7.50%
2017	26,595	26,595	-	354,600	7.50%
2018	30,598	30,598	-	407,973	7.50%
2019	31,705	31,705	-	422,733	7.50%
2020	32,080	32,080	-	427,733	7.50%
2021	31,286	31,286	-	417,147	7.50%
2022	36,259	36,259	-	483,453	7.50%
2023	40,161	40,161	-	535,480	7.50%
2024	43,242	43,242	-	576,560	7.50%
2025	44,590	44,590	-	594,533	7.50%

See notes to required supplementary information.

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General Employees Fund

2025 Changes

Changes in Actuarial Assumptions

- The combined service annuity loading factors increased from 15% to 19% for vested, terminated members and from 3% to 44% for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

Changes in Plan Provisions

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.
- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

2024 Changes

Changes in Actuarial Assumptions

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5% to 7.0%.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of $170.1 million was contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

General Employees Fund (Continued)

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

General Employees Fund (Continued)

2019 Changes
Changes in Actuarial Assumptions
- The mortality projection scale was changed from MP-2017 to MP-2018.

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

2018 Changes
Changes in Actuarial Assumptions
- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

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

2017 Changes
Changes in Actuarial Assumptions
- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

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

General Employees Fund (Continued)

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

SUPPLEMENTARY INFORMATION

City of Independence
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2025

	Special Revenue			Debt Service
	Water Resource Depot (200)	Lawful Gambling Fund (202)	Total Special Revenue Funds	Debt Service (314, 315, 316)
Assets				
Cash and investments	$ 80,998	$ 18,960	$ 99,958	$ 114,296
Cash with a fiscal agent	-	-	-	309,651
Taxes receivable				
Delinquent	9,817	-	9,817	-
Unremitted	485	-	485	-
Accounts receivable	-	-	-	-
Total assets	$ 91,300	$ 18,960	$ 110,260	$ 423,947
Liabilities				
Accounts payable	$ 452	$ -	$ 452	$ -
Deposits payable	-	-	-	-
Due to other funds	-		-	-
Total liabilities	452	-	452	-
Deferred Inflows of Resources				
Unavailable revenue - property taxes	9,817	-	9,817	-
Fund Balances				
Restricted	-	18,960	18,960	423,947
Assigned	81,031	-	81,031	-
Total fund balances	81,031	18,960	99,991	423,947
Total liabilities, deferred inflows of resources, and fund balances	$ 91,300	$ 18,960	$ 110,260	$ 423,947

Capital Projects				
2020 Street Improvement Project (415)	2015 Street Improvement Project (414)	Public Safety Capital Fund (407)	Escrow (430)	Park (405)
$ 39,620	$ 41,563	$ 106,080	$ -	$ 485,412
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	124,866	-
$ 39,620	$ 41,563	$ 106,080	$ 124,866	$ 485,412
$ -	$ -	$ -	$ -	$ -
-	-	-	72,096	-
-	-	-	52,770	-
-	-	-	124,866	-
-	-	-	-	-
-	-	35,218	-	485,412
39,620	41,563	70,862	-	-
39,620	41,563	106,080	-	485,412
$ 39,620	$ 41,563	$ 106,080	$ 124,866	$ 485,412

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City of Independence
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2025

	Total Capital Projects Funds	Total Nonmajor Governmental Funds
Assets		
Cash and investments	$ 672,675	$ 886,929
Cash with a fiscal agent	-	309,651
Taxes receivable		
Delinquent	-	9,817
Unremitted	-	485
Accounts receivable	124,866	124,866
Total assets	$ 797,541	$ 1,331,748
Liabilities		
Accounts payable	$ -	$ 452
Deposits payable	72,096	72,096
Due to other funds	52,770	52,770
Total liabilities	124,866	125,318
Deferred Inflows of Resources		
Unavailable revenue - property taxes	-	9,817
Fund Balances		
Restricted	520,630	963,537
Assigned	152,045	233,076
Total fund balances	672,675	1,196,613
Total liabilities, deferred inflows of resources, and fund balances	$ 797,541	$ 1,331,748

City of Independence
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2025

	Special Revenue			Debt Service
	Water Resource Depot (200)	Lawful Gambling Fund (202)	Total Special Revenue Funds	Debt Service (314, 315, 316)
Revenues				
Property taxes	$ 71,530	$ -	$ 71,530	$ 300,725
Charges for services	-	-	-	-
Miscellaneous				
Investment income	1,610	-	1,610	5,111
Contributions and donations	-	4,642	4,642	-
Park dedication fees	-	-	-	-
Total revenues	73,140	4,642	77,782	305,836
Expenditures				
Current				
General government	74,308	-	74,308	494
Debt service				
Principal	-	-	-	200,000
Interest and other charges	-	-	-	166,151
Capital outlay				
General government	6,178	-	6,178	-
Total expenditures	80,486	-	80,486	366,645
Excess of revenues over (under) expenditures	(7,346)	4,642	(2,704)	(60,809)
Other Financing Sources (Uses)				
Bond proceeds	-	-	-	145,955
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	145,955
Net change in fund balances	(7,346)	4,642	(2,704)	85,146
Fund Balances				
Beginning of year, as previously stated	88,377	14,318	102,695	338,801
Change within financial reporting entity (See Note 11)	-	-	-	-
Beginning of year, as restated	88,377	14,318	102,695	338,801
End of year	$ 81,031	$ 18,960	$ 99,991	$ 423,947

Capital Projects				
2020 Street Improvement Project (415)	2015 Street Improvement Project (414)	Public Safety Capital Fund (407)	Escrow (430)	Park (405)
$ -	$ -	$ -	$ -	$ -
-	-	-	91,896	-
-	1,305	1,635	-	14,984
-	-	-	-	-
-	-	-	-	11,250
-	1,305	1,635	91,896	26,234
-	-	-	91,896	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	91,896	-
-	1,305	1,635	-	26,234
-	-	-	-	-
-	-	104,445	-	-
-	-	104,445	-	-
-	1,305	106,080	-	26,234
39,620	40,258	-	-	-
-	-	-	-	459,178
39,620	40,258	-	-	459,178
$ 39,620	$ 41,563	$ 106,080	$ -	$ 485,412

City of Independence
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2025

	Total Capital Project Funds	Total Nonmajor Governmental Funds
Revenues		
Property taxes	$ -	$ 372,255
Charges for services	91,896	91,896
Miscellaneous		
Investment income	17,924	24,645
Contributions and donations	-	4,642
Park dedication fees	11,250	11,250
Total revenues	121,070	504,688
Expenditures		
Current		
General government	91,896	166,698
Debt service		
Principal	-	200,000
Interest and other charges	-	166,151
Capital outlay		
General government	-	6,178
Total expenditures	91,896	539,027
Excess of revenues over (under) expenditures	29,174	(34,339)
Other Financing Sources (Uses)		
Bond proceeds	-	145,955
Transfers in	104,445	104,445
Total other financing sources (uses)	104,445	250,400
Net change in fund balances	133,619	216,061
Fund Balances		
Beginning of year, as previously stated	79,878	521,374
Change within financial reporting entity (See Note 11)	459,178	459,178
Beginning of year, as restated	539,056	980,552
End of year	$ 672,675	$ 1,196,613

City of Independence
Sub-Combining Balance Sheet -
Debt Service Funds
December 31, 2025

	2015A G.O. Tax Abatement Bonds (314)	2020A G.O. Improvement Bonds (315)	2025 G.O. Improvement Bonds (316)	Total Debt Service Funds
Assets				
Cash and investments	$ 81,967	$ 31,675	$ 654	$ 114,296
Cash with a fiscal agent	166,856	78,846	63,949	309,651
Total assets	$ 248,823	$ 110,521	$ 64,603	$ 423,947
Fund Balances				
Restricted for				
Debt service	$ 248,823	$ 110,521	$ 64,603	$ 423,947
Total fund balances	248,823	110,521	64,603	423,947
Total liabilities, deferred inflows of resources, and fund balances	$ 248,823	$ 110,521	$ 64,603	$ 423,947

City of Independence
Sub-Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Debt Service Funds
Year Ended December 31, 2025

	2015A G.O. Tax Abatement Bonds (314)	2020A G.O. Improvement Bonds (315)	2025 G.O. Improvement Bonds (316)	Total Debt Service Funds
Revenues				
Property taxes	$ 177,148	$ 123,577	$ -	$ 300,725
Investment income	3,383	1,074	654	5,111
Total revenues	180,531	124,651	654	305,836
Expenditures				
Current				
General government	-	494	-	494
Debt service				
Principal	160,000	40,000	-	200,000
Interest and other charges	5,852	78,293	82,006	166,151
Total expenditures	165,852	118,787	82,006	366,645
Excess of revenues over (under) expenditures	14,679	5,864	(81,352)	(60,809)
Other Financing Sources (Uses)				
Bond proceeds	-	-	145,955	145,955
Net change in fund balances	14,679	5,864	64,603	85,146
Fund Balances				
Beginning of year	234,144	104,657	-	338,801
End of year	$ 248,823	$ 110,521	$ 64,603	$ 423,947

City of Independence
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2025

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Taxes			
Property taxes	$ 3,784,539	$ 3,775,589	$ (8,950)
Special assessments	20,429	30,643	10,214
Licenses and permits	265,000	543,884	278,884
Intergovernmental revenue			
Local government aids	-	16,449	16,449
Other grants and aids	103,550	54,926	(48,624)
Total intergovernmental revenue	103,550	71,375	(32,175)
Charges for services			
General government	61,185	37,408	(23,777)
Fines and forfeitures	36,900	24,911	(11,989)
Miscellaneous revenues			
Investment income	25,000	41,516	16,516
Refunds and reimbursements	4,385	35,890	31,505
Other	500	675	175
Total miscellaneous revenues	29,885	78,081	48,196
Total revenues	4,301,488	4,561,891	260,403
Expenditures			
General government			
Administration			
Current	362,914	366,350	3,436
Legal services			
Current	49,500	30,530	(18,970)
Finance			
Current	300,387	331,740	31,353
Council and elections			
Current	28,329	18,492	(9,837)
Planning and zoning			
Current	67,131	59,944	(7,187)
Other general government			
Current	59,303	149,273	89,970
Capital outlay	15,000	14,664	(336)
Total other general government	74,303	163,937	89,634
Total general government	882,564	970,993	88,429

City of Independence
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2025

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget - Over (Under)
Expenditures (Continued)			
Public safety			
Police			
Current	$ 1,696,811	$ 1,695,543	$ (1,268)
Fire			
Current	385,301	382,226	(3,075)
Building and inspections			
Current	167,183	176,972	9,789
Capital outlay	10,000	3,978	(6,022)
Total building and inspections	177,183	180,950	3,767
Total public safety	2,259,295	2,258,719	(576)
Public works			
Streets and highways			
Current			
Personal services	200,787	217,467	16,680
Snow and ice removal	31,343	28,135	(3,208)
Supplies	216,444	166,259	(50,185)
Other services and charges	469,681	198,206	(271,475)
Total current	918,255	610,067	(308,188)
Capital outlay	18,000	226,353	208,353
Total streets and highways	936,255	836,420	(99,835)
Street lighting			
Current	7,036	3,116	(3,920)
Recycling			
Current	111,604	114,168	2,564
Total public works	1,054,895	953,704	(101,191)
Cultural and recreation			
Current	26,625	44,748	18,123
Capital outlay	3,109	-	(3,109)
Total cultural and recreation	29,734	44,748	15,014
Total expenditures	4,226,488	4,228,164	1,676
Excess of revenues over (under) expenditures	75,000	333,727	258,727
Other Financing Sources (Uses)			
Transfers out	(75,000)	(354,445)	(279,445)
Total other financing sources (uses)	(75,000)	(354,445)	(279,445)
Net change in fund balance	$ -	(20,718)	$ (20,718)
Fund Balance			
Beginning of year		2,232,348	
End of year		$ 2,211,630	

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), 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, 2025, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 17, 2026.

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

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

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

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

BerganKDV, Ltd.

Minneapolis, Minnesota
July 17, 2026

Minnesota Legal Compliance

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Independence, Minnesota, as of and for the year ended December 31, 2025, and the related notes to financial statements, and have issued our report thereon dated July 17, 2026.

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

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

BerganKDV, Ltd.

Minneapolis, Minnesota
July 17, 2026

City of Independence
Hennepin County, Minnesota

Communications Letter

December 31, 2025

City of Independence
Table of Contents

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

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

In planning and performing our audit of the 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, 2025, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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

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

We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated July 17, 2026, on such statements.

The purpose of this communication, which is an integral part of our audit, is to describe for the Members of the City Council and management and others within the City and state oversight agencies the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

BerganKDV, Ltd.

Minneapolis, Minnesota
July 17, 2026

City of Independence
Other Deficiency

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

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

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

City of Independence
Required Communication

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of and for the year ended December 31, 2025. Professional standards require that we advise you of the following matters related to our audit.

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

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

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

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

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

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

Planned Scope and Timing of the Audit
We conducted our audit consistent with the planned scope and timing we previously communicated to you.

City of Independence
Required Communication

Compliance with All Ethics Requirements Regarding Independence

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

Significant Risks

We addressed the following significant risks of material misstatement identified in our planning procedures:

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

Qualitative Aspects of the City's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in the notes to the basic financial statements. There have been no initial selection of accounting policies and no changes to significant accounting policies or their application during 2025. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates and Related Disclosures

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

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

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

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

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

Significant Difficulties Encountered during the Audit
We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements
For the purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effects of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures and the basic financial statements as a whole and each opinion unit.

Management did not identify, and we did not notify them of any uncorrected financial statement misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the basic financial statements taken as a whole.

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

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

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

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

City of Independence
Required Communication

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

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

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

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

City of Independence
Financial Analysis

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

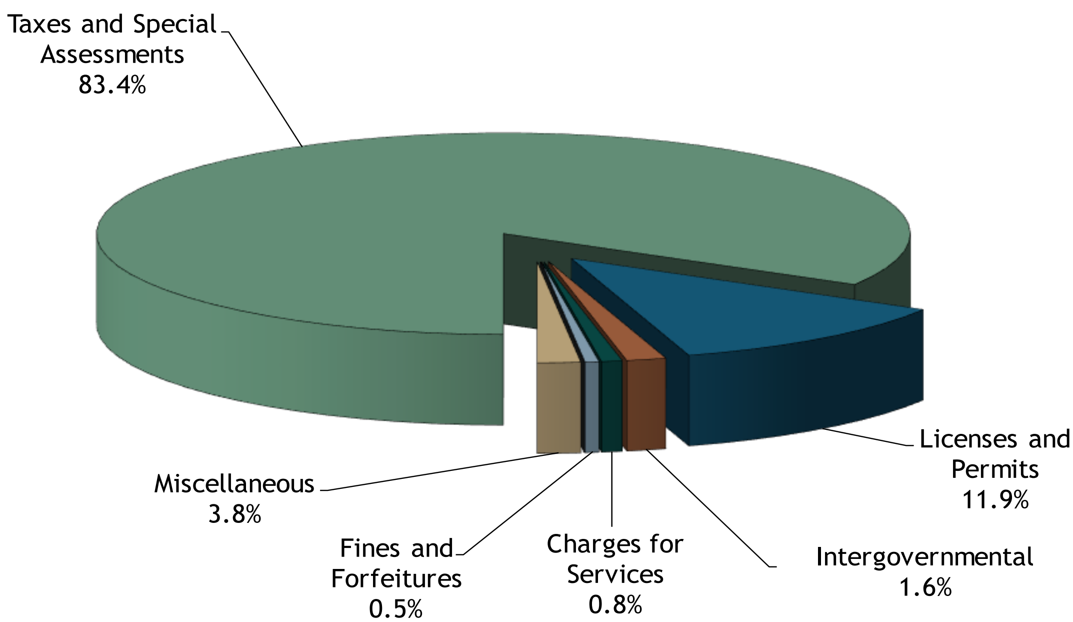
General Fund – Revenues
The graphs below and on the following page represent the General Fund revenues by source. Overall, revenue in 2025 increased $187,278 to a total of $4,561,891, an increase of 4.28%. The largest increase of $250,638 was realized in taxes and special assessments due to an increase in levy. Licenses and permits increased $132,940 in 2025 as building permit revenue was more compared to 2024. Intergovernmental revenue decreased $99,694 due to a decrease in Small Cities Assistance funding in 2025. Miscellaneous revenue decreased $91,180 due to Maple Plain fire payment in 2024.

	2021	2022	2023	2024	2025
Taxes and Special Assessments	$ 3,022,621	$ 3,108,482	$ 3,391,110	$ 3,555,594	$ 3,806,232
Licenses and Permits	247,346	425,366	490,911	410,944	543,884
Intergovernmental	151,613	26,118	192,090	171,069	71,375
Charges for Services	47,151	41,455	48,730	46,278	37,408
Fines and Forfeitures	35,451	42,090	29,185	21,467	24,911
Investment Income	2,846	-	-	-	-
Miscellaneous	179,003	18,924	76,594	169,261	78,081
Total Revenues	**$ 3,686,031**	**$ 3,662,435**	**$ 4,228,620**	**$ 4,374,613**	**$ 4,561,891**

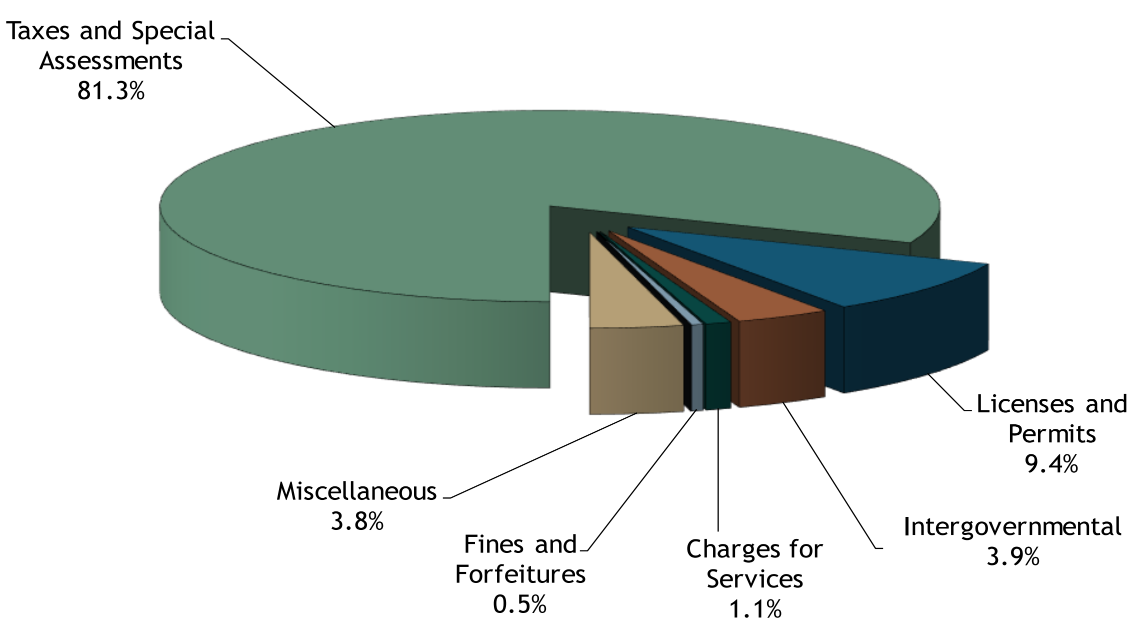
The overall allocation of revenues among the various sources remained relatively consistent from 2024 but did change relative to the changes in revenue explained above.

General Fund – Revenues (Continued)

2025 General Fund Revenues



2024 General Fund Revenues



City of Independence
Financial Analysis

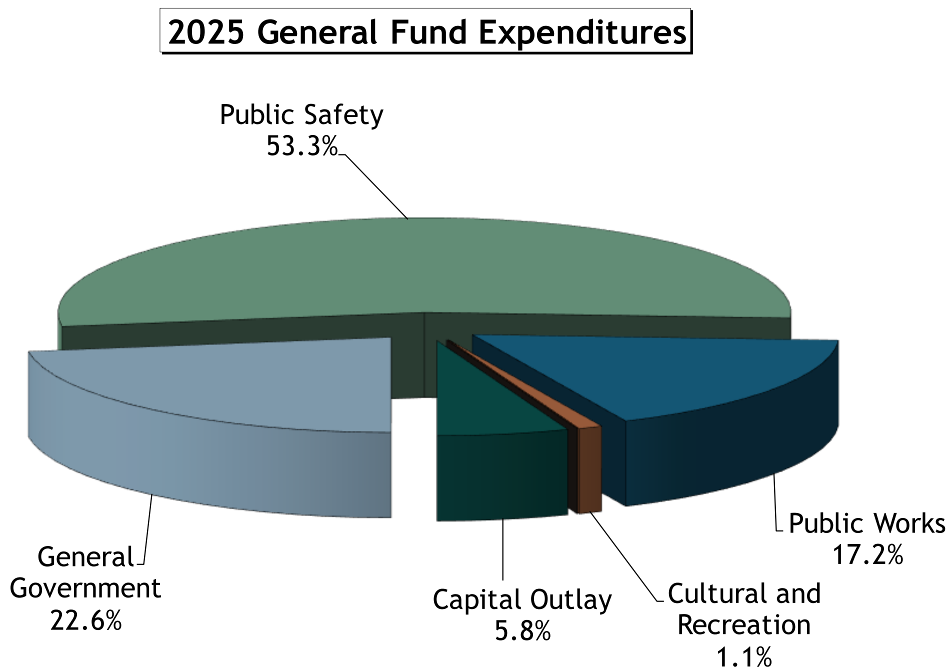
General Fund – Budget to Actual Results
For 2025, actual revenues of $4,561,891 came in $260,403, or 6.1%, over budgeted revenue of $4,301,488. There was a variance of $278,884 in licenses and permits, which was over budget due primarily to conservative budgeting for building permits. There was a variance of $48,196 in miscellaneous revenues, which was over budget due to changing coding structure for Maple Plain Fire payment in the current year. Other budgeted revenue categories were closer to in line with actual revenues.

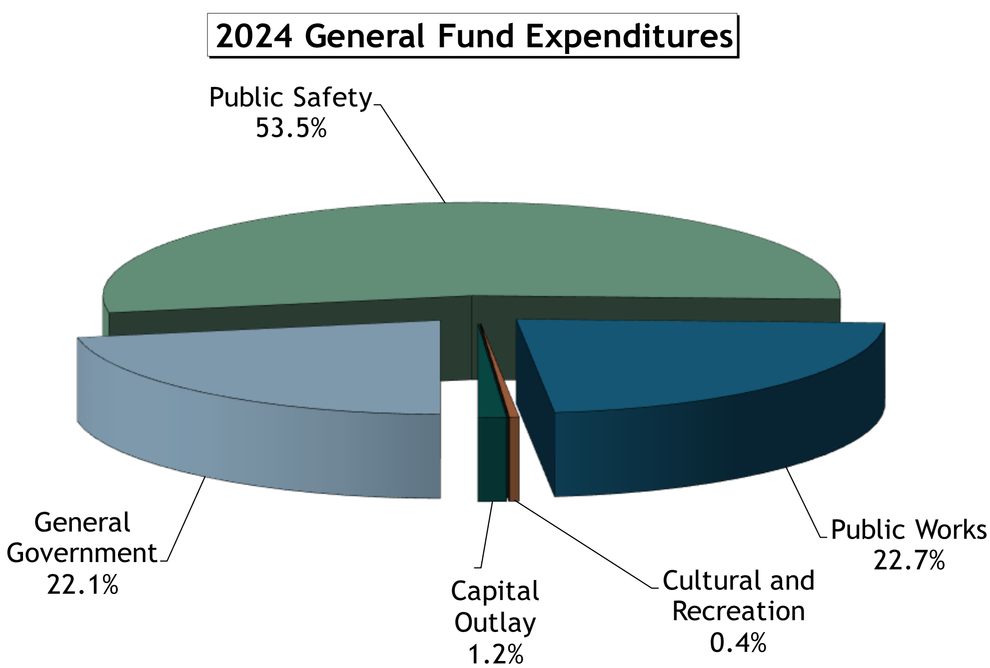
The expenditures budget of $4,226,488 had a variance of $1,676 when compared to actual expenditures of $4,228,164. Public works expenditures were $309,544 under budget due to less road maintenance than budgeted for. General Government expenditures came in $88,765 over budget due to costs for the Museum repairs not anticipated for in 2025. Capital outlay was over budget due to a vehicle purchase that wasn't budgeted. Other budgeted expenditure types were in line with actual expenditures.

	Budgeted Amounts Final	Actual Amounts	Variance With Final Budget - Over (Under)
Revenues			
Property taxes and assessments	$ 3,804,968	$ 3,806,232	$ 1,264
Licenses and permits	265,000	543,884	278,884
Intergovernmental	103,550	71,375	(32,175)
Charges for services	61,185	37,408	(23,777)
Fines and forfeitures	36,900	24,911	(11,989)
Miscellaneous	29,885	78,081	48,196
Total revenues	4,301,488	4,561,891	260,403
Expenditures			
General government	867,564	956,329	88,765
Public safety	2,259,295	2,254,741	(4,554)
Public works	1,036,895	727,351	(309,544)
Cultural and recreation	26,625	44,748	18,123
Capital outlay	36,109	244,995	208,886
Total expenditures	4,226,488	4,228,164	1,676
Other Financing Sources (Uses)			
Transfers out	(75,000)	(354,445)	(279,445)
Total other financing sources (uses)	(75,000)	(354,445)	(279,445)
Net change in fund balance	$ -	$ (20,718)	$ (20,718)

City of Independence
Financial Analysis

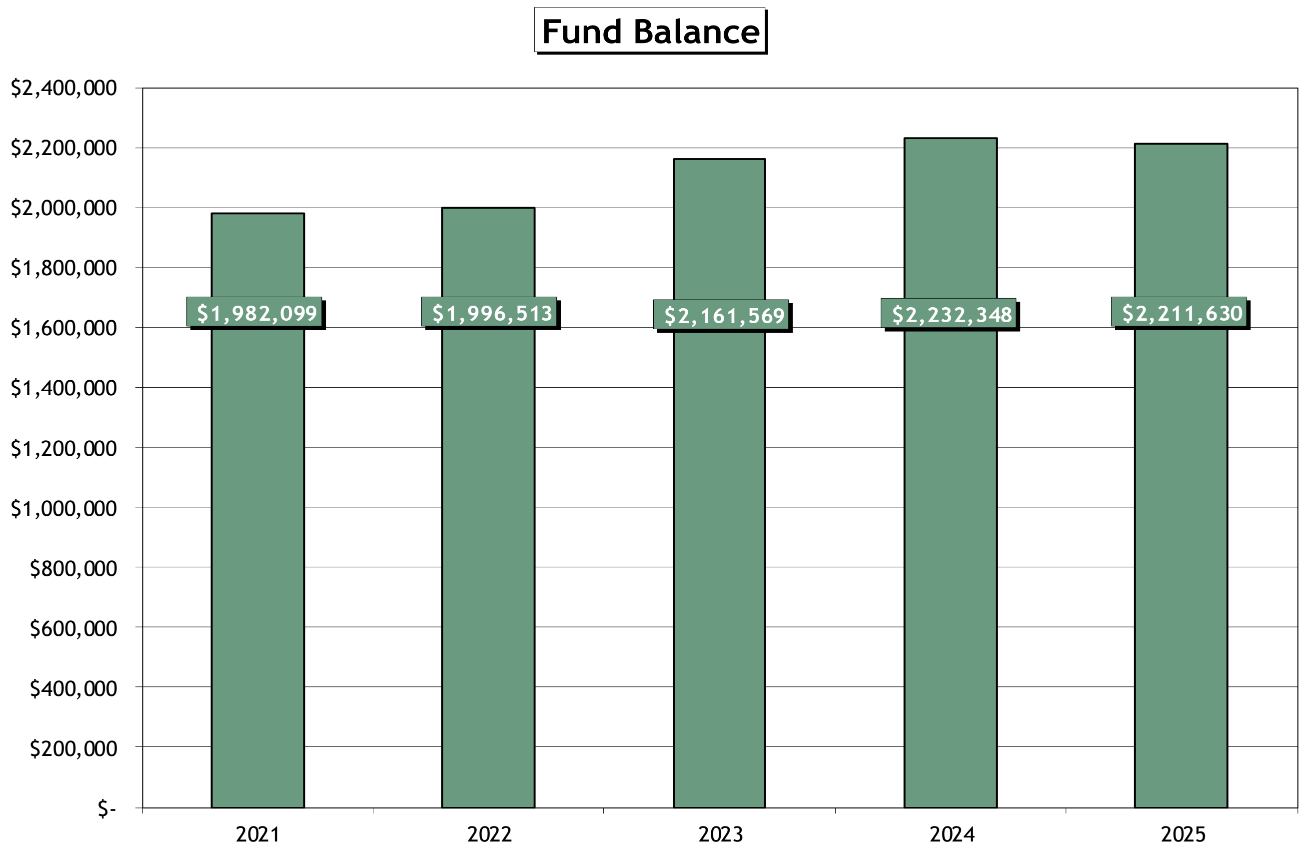
General Fund – Expenditures
General Fund expenditures increased $48,149, or 1.2%, from 2024 to 2025. There was a $223,062 decrease in the Public Works program due to a culvert maintenance project in 2024. There was a $193,300 increase in Capital Outlay expenditures due to one-time purchase of a dump truck in 2025. The following graphs represent the General Fund expenditures by function, with Public Safety making up the largest expenditure category. The percentage of expenditures by function stayed relatively consistent from 2024 to 2025.



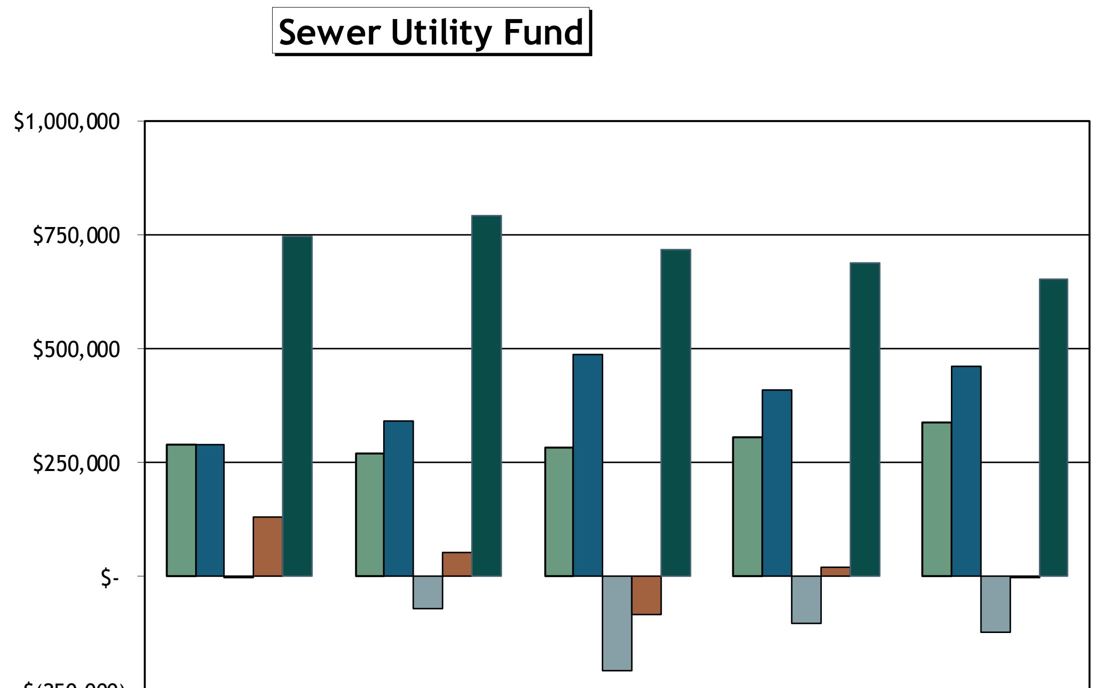


City of Independence
Financial Analysis

General Fund – Fund Balance
The graph below shows the General Fund balances for the past five years. Fund balance decreased in 2025 due to revenues exceeding expenditures. The unassigned fund balance of $2,005,601 at the end of 2025 represents approximately five months of budgeted 2026 expenditures of $4,594,841. The City's target General Fund balance is to maintain an unassigned fund balance of an amount not less than 40-50% of the next year's budgeted expenditures of the General Fund. At December 31, 2025, the unassigned fund balance in the General Fund represented 44% of 2026 budgeted expenditures.



Sewer Utility Fund



	2021	2022	2023	2024	2025
Operating Revenues	$288,819	$268,915	$281,979	$305,466	$337,777
Operating Expenses	290,423	341,231	488,325	408,129	460,604
Operating Loss with Depreciation	(1,604)	(72,316)	(206,346)	(102,663)	(122,827)
Operating Income (Loss) without Depreciation	130,330	52,206	(84,793)	18,890	(1,274)
Unrestricted Net Position	746,789	793,715	715,995	687,465	652,721

In 2025, operating revenues increased $32,311 due to an increase in rates. Operating expenses increased $52,475 from 2024 to 2025 with more repairs and maintenance in 2025. The result of 2025 activity was an operating loss, without depreciation, of $1,274. Unrestricted net position decreased $34,744 from 2024 to 2025.

City of Independence
Emerging Issues

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

- **Accounting Standard Update – GASB Statement No. 103 – *Financial Reporting Model Improvements***
  GASB has issued GASB Statement No. 103 relating to changes in financial reporting requirements. The changes provide clarity, enhance the relevance of information, provide more useful information for decision-making and provide for greater comparability amongst government entities.
- **Accounting Standard Update – GASB Statement No. 104 – *Disclosure of Certain Capital Assets***
  GASB has issued GASB Statement No. 104 relating to capital asset disclosures. The disclosures required by this Statement provide users of the financial statements with essential information about certain types of capital assets.

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

Accounting Standard Update – GASB Statement No. 103 – *Financial Reporting Model Improvements*

The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

This Statement addresses 5 areas of the financial statements (1) Management's Discussion and Analysis (MD&A), (2) Unusual or Infrequent Items, (3) Presentation of the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position, (4) Major Component Unit Information and (5) Budgetary Comparison Information.

This Statement continues the requirement that the MD&A precede the basic financial statements as part of the Required Supplementary Information (RSI). This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity and (5) Currently Known Facts, Decisions or Conditions. The Statement stresses that detailed analyses should explain why balances and results of operations changed, rather than stating amounts and "boilerplate" discussions.

This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund and proprietary fund statements of resource flows.

This Statement requires that the proprietary fund statement of revenues, expenses and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. The Statement provides clarification regarding operating and nonoperating revenues and expenses. Also, this Statement requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses.

This Statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements.

This Statement requires governments to present budgetary comparison information using a single method of communication - RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI.

GASB Statement No. 103 is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

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

Accounting Standard Update – GASB Statement No. 104 – *Disclosure of Certain Capital Assets*
The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

This Statement requires certain types of capital assets continue to be disclosed separately in the capital assets note disclosures including presentation of capital assets by major class and separate disclosure of lease assets, subscription assets and intangible right-to-use assets.

This Statement requires additional disclosures for capital assets held for sale. A capital asset is held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date.

Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset.

GASB Statement No. 104 is effective for fiscal years beginning after June 15, 2025. Earlier application is encouraged.

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

City of Independence

PUBLIC HEARING:

Request to Vacate Drainage and Utility Easements and Accept New Drainage and Utility Easements Across the Property Located at 6231 County Road 11 (PID No. 11-118-24-22-0007)

To:	City Council
From:	City Planner
Meeting Date:	July 21, 2026
Applicants:	Dingman Custom Homes
Owners:	Michael Johnson
Location:	6231 County Road 11, Independence, MN (PID No. 11-118-24-22-0007)

Request:

The applicant is in the process of applying for a building permit for a new single-family home on the subject property. In connection with that building permit, the applicant was required to complete an updated wetland delineation for the property. The wetland delineation did identify/established new wetland boundaries and associated wetland buffers that differ from the drainage and utility easements originally dedicated on the property. The applicant is requesting that the City vacate the existing drainage and utility easements associated with the previous wetland delineation and accept new drainage and utility easements that align with the updated wetland boundaries and buffers, as shown on the attached exhibits.

The City has been asked to consider vacation of the drainage and utility easement legally described in Exhibit A, and acceptance of the new drainage and utility easement legally described in Exhibit B, both attached to this report.

Property/Site Information:

The property is located at 6231 County Road 11 in the City of Independence, Minnesota.

Property Information: PID No. 11-118-24-22-0007
Zoning: *Rural Residential*
Comprehensive Plan: *Rural Residential*
Acreage: *9.58 acres*

Aerial Photograph of Property

Discussion:

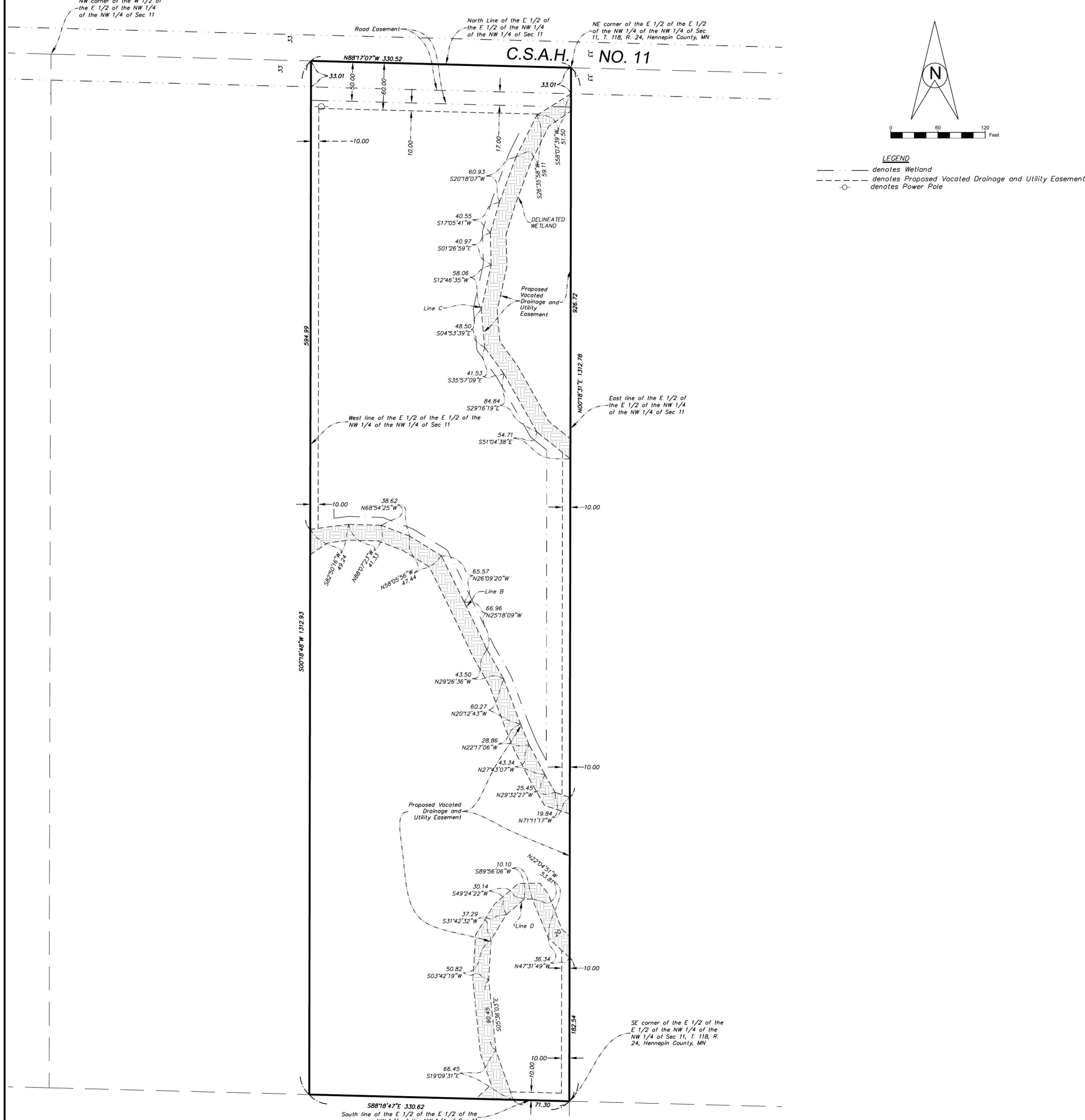
The applicant was required to complete a wetland delineation for the subject property in connection with a building permit for a new single-family home. The wetland delineation established new wetland boundaries and associated wetland buffers for the property. The applicant is requesting to align the drainage and utility easements on the property with the updated wetland boundaries and buffers, which requires vacating the existing drainage and utility easements and dedicating new drainage and utility easements consistent with the updated delineation.

The applicant is proposing to establish and dedicate new drainage and utility easements as shown on the attached Proposed Drainage & Utility Easement Exhibit (Exhibit B). The City reviewed the request and did not identify any issues relating to the requested vacation.

There do not appear to be any adverse effects on the surrounding or subject properties in the after condition as a result of the easement vacation and new easement dedication.

General Location of Existing Easement to be Vacated

Proposed Vacated Drainage & Utility Easement Exhibit



PROPOSED VACATED EASEMENT DESCRIPTION:

A perpetual easement for drainage and utility purposes over, under, and across the South 10.00 feet of the North 60.00 feet of the East Half of the East Half of the Northwest Quarter of the Northwest Quarter of Section 11, Township 118, Range 24, Hennepin County, Minnesota.

AND

A perpetual easement for drainage and utility purposes over, under, and across the West 10.00 feet of the East Half of the East Half of the Northwest Quarter of the Northwest Quarter of Section 11, Township 118, Range 24, Hennepin County, Minnesota, that lies North of Line B.

AND

A perpetual easement for drainage and utility purposes over, under, and across the East 10.00 feet of the East Half of the East Half of the Northwest Quarter of the Northwest Quarter of Section 11, Township 118, Range 24, Hennepin County, Minnesota, that lies South of Line C, North of Line B, and South of Line D.

AND

A perpetual easement for drainage and utility purposes over, under, and across the South 10.00 feet of the East Half of the East Half of the Northwest Quarter of the Northwest Quarter of Section 11, Township 118, Range 24, Hennepin County, Minnesota, that lies Easterly of Line D.

AND

A perpetual easement for drainage and utility purposes over, under, and across that part of the East Half of the East Half of the Northwest Quarter of the Northwest Quarter of Section 11, Township 118, Range 24, Hennepin County, Minnesota, that lies Easterly of Line C.

AND

A perpetual easement for drainage and utility purposes over, under, and across that part of the East Half of the East Half of the Northwest Quarter of the Northwest Quarter of Section 11, Township 118, Range 24, Hennepin County, Minnesota, that lies Southerly of Line B and Westerly and Northerly of Line D.

Line B is described as follows:

Commencing at the Northeast corner of said East Half of the East Half of the Northwest Quarter of the Northwest Quarter; thence on an assumed bearing of South 00 degrees 18 minutes 31 seconds West, along the East line of said East Half of the East Half of the Northwest Quarter of the Northwest Quarter, a distance of 926.72 feet to the point of beginning of said Line B;
thence North 71 degrees 11 minutes 17 seconds West, a distance of 19.84 feet;
thence North 29 degrees 32 minutes 27 seconds West, a distance of 25.45 feet;
thence North 27 degrees 43 minutes 07 seconds West, a distance of 43.34 feet;
thence North 22 degrees 17 minutes 06 seconds West, a distance of 28.86 feet;
thence North 20 degrees 12 minutes 43 seconds West, a distance of 60.27 feet;
thence North 29 degrees 26 minutes 36 seconds West, a distance of 43.50 feet;
thence North 25 degrees 18 minutes 09 seconds West, a distance of 66.96 feet;
thence North 26 degrees 09 minutes 20 seconds West, a distance of 65.57 feet;
thence North 58 degrees 05 minutes 56 seconds West, a distance of 47.44 feet;
thence North 68 degrees 54 minutes 25 seconds West, a distance of 38.62 feet;
thence North 88 degrees 07 minutes 23 seconds West, a distance of 41.33 feet;
thence South 82 degrees 50 minutes 16 seconds West, a distance of 49.24 feet
to the West line of said East Half of the East Half of the Northwest Quarter of the Northwest Quarter and said line there terminating.

Line C is described as follows:

Commencing at the Northeast corner of said East Half of the East Half of the Northwest Quarter of the Northwest Quarter; thence on an assumed bearing of South 00 degrees 18 minutes 31 seconds West, along the East line of said East Half of the East Half of the Northwest Quarter of the Northwest Quarter, a distance of 33.01 feet to the point of beginning of said Line C;
thence South 58 degrees 07 minutes 39 seconds West, a distance of 51.50 feet;
thence South 26 degrees 35 minutes 58 seconds West, a distance of 59.11 feet;
thence South 20 degrees 18 minutes 07 seconds West, a distance of 60.93 feet;
thence South 17 degrees 05 minutes 41 seconds West, a distance of 40.55 feet;
thence South 01 degrees 26 minutes 59 seconds East, a distance of 40.97 feet;
thence South 12 degrees 46 minutes 35 seconds West, a distance of 58.06 feet;
thence South 04 degrees 53 minutes 39 seconds East, a distance of 48.50 feet;
thence South 35 degrees 57 minutes 09 seconds East, a distance of 41.53 feet;
thence South 29 degrees 16 minutes 19 seconds East, a distance of 84.84 feet;
thence South 51 degrees 04 minutes 38 seconds East, a distance of 54.71 feet
to the East line of said East Half of the East Half of the Northwest Quarter of the Northwest Quarter and said line there terminating.

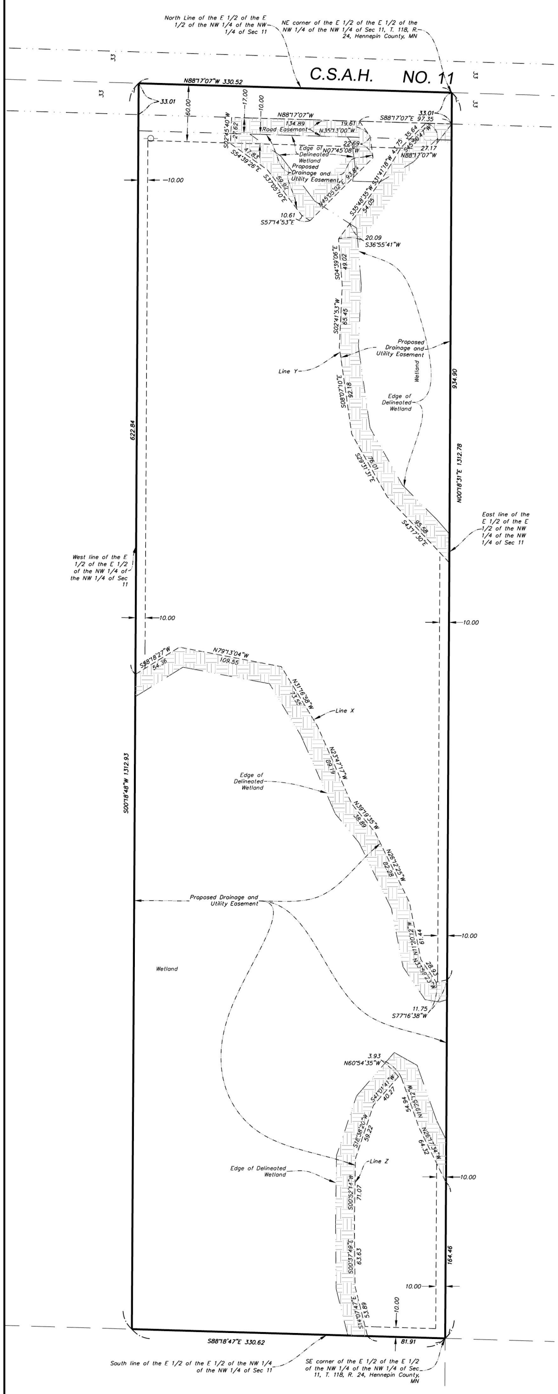
Line D is described as follows:

Commencing at the Southeast corner of said East Half of the East Half of the Northwest Quarter of the Northwest Quarter; thence on an assumed bearing of North 00 degrees 18 minutes 31 seconds East, along the East line of said East Half of the East Half of the Northwest Quarter of the Northwest Quarter, a distance of 182.54 feet to the point of beginning of said Line D;
thence North 47 degrees 31 minutes 49 seconds West, a distance of 36.34 feet;
thence North 22 degrees 04 minutes 51 seconds West, a distance of 53.81 feet;
thence South 89 degrees 56 minutes 06 seconds West, a distance of 10.10 feet;
thence South 49 degrees 24 minutes 22 seconds West, a distance of 30.14 feet;
thence South 31 degrees 42 minutes 32 seconds West, a distance of 37.29 feet;
thence South 03 degrees 42 minutes 19 seconds West, a distance of 50.82 feet;
thence South 05 degrees 36 minutes 03 seconds East, a distance of 90.45 feet;
thence South 19 degrees 09 minutes 31 seconds East, a distance of 66.45 feet
to the South line of said East Half of the East Half of the Northwest Quarter of the Northwest Quarter and said line there terminating.

Proposed Vacated Drainage & Utility Easement Exhibit of the E 1/2 of the N.W. 1/4 of the N.W. 1/4 of Sec. 11, T. 118, R. 24, Hennepin County, Minnesota	I hereby certify that this survey, plan, or report was prepared by me or under my direct supervision and that I am a duly Licensed Land Surveyor under the laws of the State of Minnesota.	Requested By: Dingman Custom Homes				OTTO ASSOCIATES Engineers & Land Surveyors, Inc. www.ottoassociates.com 9 West Division Street Buffalo, MN 55313 (763)682-4727 Fax: (763)682-3522	● denotes iron monument found ○ denotes 1/2 inch by 14 inch iron pipe set and marked by License #40062
Revised:	Paul E. Otto Paul E. Otto License #40062 Date: 6-29-26	Date: 6-26-26	Drawn By: K.R.B.	Scale: 1" = 60'	Checked By: P.E.O.		Project No. 26-0226

General Location of Proposed New Easement to be Dedicated

Proposed Drainage & Utility Easement Exhibit



N

0 50 100 Feet

LEGEND

988 denotes Existing Contour

denotes Power Pole

denotes Drainage and Utility Easement

denotes 20' Wetland Buffer

denotes Delineated Wetland

NOTE:

Wetlands Delineated by Kjolhaug Environmental Services Company

PROPOSED DRAINAGE AND UTILITY EASEMENT DESCRIPTION:

A perpetual easement for drainage and utility purposes over, under, and across the South 10.00 feet of the North 60.00 feet of the East Half of the East Half of the Northwest Quarter of the Northwest Quarter of Section 11, Township 118, Range 24, Hennepin County, Minnesota.

AND

A perpetual easement for drainage and utility purposes over, under, and across the West 10.00 feet of the East Half of the East Half of the Northwest Quarter of the Northwest Quarter of Section 11, Township 118, Range 24, Hennepin County, Minnesota, that lies North of Line X.

AND

A perpetual easement for drainage and utility purposes over, under, and across the East 10.00 feet of the East Half of the East Half of the Northwest Quarter of the Northwest Quarter of Section 11, Township 118, Range 24, Hennepin County, Minnesota, that lies South of Line Y, North of Line X, and South of Line Z.

AND

A perpetual easement for drainage and utility purposes over, under, and across the South 10.00 feet of the East Half of the East Half of the Northwest Quarter of the Northwest Quarter of Section 11, Township 118, Range 24, Hennepin County, Minnesota, that lies Easterly of Line Z.

AND

A perpetual easement for drainage and utility purposes over, under, and across that part of the East Half of the East Half of the Northwest Quarter of the Northwest Quarter of Section 11, Township 118, Range 24, Hennepin County, Minnesota, that lies Easterly of Line Y.

AND

A perpetual easement for drainage and utility purposes over, under, and across that part of the East Half of the East Half of the Northwest Quarter of the Northwest Quarter of Section 11, Township 118, Range 24, Hennepin County, Minnesota, that lies Southerly of Line X and Westerly and Northerly of Line Z.

AND

A perpetual easement for drainage and utility purposes over, under, and across that part of the East Half of the East Half of the Northwest Quarter of the Northwest Quarter of Section 11, Township 118, Range 24, Hennepin County, Minnesota, described as follows:

Commencing at the Northeast corner of said East Half of the East Half of the Northwest Quarter; thence on an assumed bearing of South 00 degrees 18 minutes 31 seconds West, along the East line of said East Half of the East Half of the Northwest Quarter, a distance of 33.01 feet; thence North 89 degrees 17 minutes 07 seconds West, a distance of 97.35 feet to the point of beginning;
thence North 88 degrees 17 minutes 07 seconds West, a distance of 134.89 feet;
thence South 02 degrees 45 minutes 40 seconds West, a distance of 27.62 feet;
thence South 54 degrees 39 minutes 26 seconds East, a distance of 47.83 feet;
thence South 37 degrees 05 minutes 10 seconds East, a distance of 59.92 feet;
thence South 57 degrees 14 minutes 53 seconds East, a distance of 10.61 feet;
thence North 45 degrees 05 minutes 02 seconds East, a distance of 93.84 feet;
thence North 07 degrees 45 minutes 08 seconds West, a distance of 22.69 feet to a line that bears South 35 minutes 13 seconds 00 seconds East; thence North 35 degrees 13 minutes 00 seconds West, a distance of 19.61 feet to the point of beginning.

Line X is described as follows:

Commencing at the Northeast corner of said East Half of the East Half of the Northwest Quarter of the Northwest Quarter; thence on an assumed bearing of South 00 degrees 18 minutes 31 seconds West, along the East line of said East Half of the East Half of the Northwest Quarter of the Northwest Quarter, a distance of 934.90 feet to the point of beginning of said Line X;
thence South 77 degrees 16 minutes 38 seconds West, a distance of 11.75 feet;
thence North 33 degrees 59 minutes 23 seconds West, a distance of 28.93 feet;
thence North 11 degrees 20 minutes 12 seconds West, a distance of 61.44 feet;
thence North 26 degrees 12 minutes 25 seconds West, a distance of 82.28 feet;
thence North 39 degrees 19 minutes 35 seconds West, a distance of 38.89 feet;
thence North 23 degrees 47 minutes 17 seconds West, a distance of 89.19 feet;
thence North 31 degrees 16 minutes 58 seconds West, a distance of 73.55 feet;
thence North 79 degrees 13 minutes 04 seconds West, a distance of 109.55 feet;
thence North 58 degrees 18 minutes 27 seconds West, a distance of 54.36 feet to the West line of said East Half of the East Half of the Northwest Quarter of the Northwest Quarter and said line there terminating.

Line Y is described as follows:

Commencing at the Northeast corner of said East Half of the East Half of the Northwest Quarter of the Northwest Quarter; thence on an assumed bearing of South 00 degrees 18 minutes 31 seconds West, along the East line of said East Half of the East Half of the Northwest Quarter of the Northwest Quarter, a distance of 33.01 feet to the point of beginning of said Line Y;
thence North 88 degrees 17 minutes 07 seconds West, a distance of 27.17 feet;
thence South 45 degrees 50 minutes 47 seconds West, a distance of 35.64 feet;
thence South 31 degrees 41 minutes 18 seconds West, a distance of 43.75 feet;
thence South 35 degrees 48 minutes 35 seconds West, a distance of 54.05 feet;
thence South 36 degrees 55 minutes 41 seconds West, a distance of 20.09 feet;
thence South 04 degrees 39 minutes 06 seconds East, a distance of 49.02 feet;
thence South 02 degrees 41 minutes 53 seconds West, a distance of 65.45 feet;
thence South 08 degrees 07 minutes 10 seconds East, a distance of 92.18 feet;
thence South 29 degrees 31 minutes 31 seconds East, a distance of 76.01 feet;
thence South 43 degrees 17 minutes 30 seconds East, a distance of 95.58 feet to the East line of said East Half of the East Half of the Northwest Quarter of the Northwest Quarter and said line there terminating.

Line Z is described as follows:

Commencing at the Southeast corner of said East Half of the East Half of the Northwest Quarter of the Northwest Quarter; thence on an assumed bearing of North 00 degrees 18 minutes 31 seconds East, along the East line of said East Half of the East Half of the Northwest Quarter of the Northwest Quarter, a distance of 164.46 feet to the point of beginning of said Line Z;
thence North 26 degrees 17 minutes 34 seconds West, a distance of 64.32 feet;
thence North 19 degrees 25 minutes 12 seconds West, a distance of 54.94 feet;
thence North 60 degrees 54 minutes 35 seconds West, a distance of 3.93 feet;
thence South 41 degrees 01 minutes 41 seconds West, a distance of 40.27 feet;
thence South 18 degrees 38 minutes 20 seconds West, a distance of 59.22 feet;
thence South 00 degrees 52 minutes 14 seconds West, a distance of 71.07 feet;
thence South 00 degrees 37 minutes 49 seconds East, a distance of 63.63 feet;
thence South 14 degrees 07 minutes 47 seconds East, a distance of 53.89 feet to the South line of said East Half of the East Half of the Northwest Quarter of the Northwest Quarter and said line there terminating.

Proposed Drainage & Utility Easement Exhibit of the E 1/2 of the E 1/2 of the N.W. 1/4 of the N.W. 1/4 of Sec. 11, T. 118, R. 24, Hennepin County, Minnesota	I hereby certify that this survey, plan, or report was prepared by me or under my direct supervision and that I am a duly Licensed Land Surveyor under the laws of the State of Minnesota.	Requested By: Dingman Custom Homes			
Revised:	Paul E. Otto Paul E. Otto License #40062 Date: 6-29-26	Date: 6-26-26	Drawn By: K.R.B.	Scale: 1" = 50'	Checked By: P.E.O.

OTTO ASSOCIATES
Engineers & Land Surveyors, Inc.
www.ottoassociates.com
9 West Division Street
Buffalo, MN 55313
(763)682-4727
Fax: (763)682-3522

● denotes iron monument found
○ denotes 1/2 inch by 14 inch iron pipe set and marked by License #40062

Project No. 26-0226

Recommendation:

The City Council can approve or deny the requested easement vacation and new easement dedication. Should the Council desire to approve the resolution vacating the existing easement and accepting the new easement, the following findings should be made:

1. After a resolution of vacation is adopted, the City shall prepare a notice of completion of the proceedings. The notice shall then be recorded with the county recorder, along with the new drainage and utility easement dedication.

Attachments

RESOLUTION

Exhibit A: Legal Description and Sketch of Easement to be Vacated

Exhibit B: Legal Description and Sketch of New Drainage and Utility Easement to be Dedicated

RESOLUTION OF THE
CITY OF INDEPENDENCE
HENNEPIN COUNTY, MINNESOTA

RESOLUTION NO. 26-0721-01

A RESOLUTION VACATING DRAINAGE AND UTILITY EASEMENTS AND ACCEPTING NEW DRAINAGE AND UTILITY EASEMENTS

THE CITY COUNCIL OF THE CITY OF INDEPENDENCE, MINNESOTA DOES HEREBY RESOLVE AS FOLLOWS:

WHEREAS, a petition was received from the owner of the property abutting the drainage and utility easement described herein, requesting that the City vacate the existing drainage and utility easement and accept a new drainage and utility easement consistent with an updated wetland delineation for the property; and

WHEREAS, the property owner is in the process of obtaining a building permit for a new single-family home on the property located at 6231 County Road 11, Independence, Minnesota (PID No. 11-118-24-22-0007), and in connection with that building permit was required to complete a wetland delineation for the property; and

WHEREAS, the wetland delineation established new wetland boundaries and associated wetland buffers for the property that differ from the drainage and utility easements previously dedicated on the property, and the property owner has requested that the drainage and utility easements on the property be realigned to be consistent with the updated wetland boundaries and buffers; and

WHEREAS, the petition requested that the City Council, pursuant to Minnesota Statute §412.851, vacate the drainage and utility easement legally described below and depicted in EXHIBIT A attached hereto, and accept a new drainage and utility easement legally described below and depicted in EXHIBIT B attached hereto:

Legal Description of Easement to be Vacated

PROPOSED VACATED EASEMENT DESCRIPTION:

A perpetual easement for drainage and utility purposes over, under, and across the South 60.00 feet of the East Half of the East Half of the Northeast Quarter of the Northeast Quarter of Section 11, Township 118, Range 24, Hennepin County, Minnesota.

AND

A perpetual easement for drainage and utility purposes over, under, and across the West 10.00 feet of the East Half of the East Half of the Northeast Quarter of the Northeast Quarter of Section 11, Township 118, Range 24, Hennepin County, Minnesota, that lies North of Line B.

AND

A perpetual easement for drainage and utility purposes over, under, and across the East 10.00 feet of the East Half of the East Half of the Northeast Quarter of the Northeast Quarter of Section 11, Township 118, Range 24, Hennepin County, Minnesota, that lies South of Line C, North of Line D.

AND

A perpetual easement for drainage and utility purposes over, under, and across the South 10.00 feet of the East Half of the East Half of the Northeast Quarter of the Northeast Quarter of Section 11, Township 118, Range 24, Hennepin County, Minnesota, that lies Easterly of Line C.

AND

A perpetual easement for drainage and utility purposes over, under, and across that part of the East Half of the East Half of the Northeast Quarter of the Northeast Quarter of Section 11, Township 118, Range 24, Hennepin County, Minnesota, that lies Southerly of Line B and Westerly and Northerly of Line D.

Line B is described as follows:
Commencing at the Northeast corner of said East Half of the East Half of the Northeast Quarter; thence on an assumed bearing of South 00 degrees 18 minutes 31 seconds West, along the East line of said East Half of the East Half of the Northeast Quarter, a distance of 926.72 feet to the point of beginning of said Line B; thence North 71 degrees 32 minutes 27 seconds West, a distance of 19.84 feet; thence North 29 degrees 43 minutes 07 seconds West, a distance of 43.34 feet; thence North 22 degrees 12 minutes 06 seconds West, a distance of 28.86 feet; thence North 20 degrees 12 minutes 43 seconds West, a distance of 60.27 feet; thence North 29 degrees 26 minutes 36 seconds West, a distance of 43.50 feet; thence North 25 degrees 18 minutes 09 seconds West, a distance of 66.98 feet; thence North 26 degrees 09 minutes 31 seconds West, a distance of 65.57 feet; thence North 58 degrees 05 minutes 56 seconds West, a distance of 47.44 feet; thence North 68 degrees 54 minutes 25 seconds West, a distance of 38.62 feet; thence North 88 degrees 07 minutes 23 seconds West, a distance of 41.33 feet; thence South 82 degrees 40 minutes 16 seconds West, a distance of 49.24 feet to the West line of said East Half of the East Half of the Northeast Quarter of the Northeast Quarter and said line there terminating.

Line C is described as follows:
Commencing at the Northeast corner of said East Half of the East Half of the Northeast Quarter of the Northeast Quarter; thence on an assumed bearing of South 00 degrees 18 minutes 31 seconds West, along the East line of said East Half of the East Half of the Northeast Quarter of the Northeast Quarter, a distance of 33.01 feet to the point of beginning of said Line C; thence South 58 degrees 07 minutes 39 seconds West, a distance of 51.50 feet; thence South 20 degrees 18 minutes 07 seconds West, a distance of 60.93 feet; thence South 17 degrees 05 minutes 41 seconds West, a distance of 40.55 feet; thence South 01 degrees 26 minutes 59 seconds West, a distance of 40.97 feet; thence South 12 degrees 46 minutes 35 seconds West, a distance of 58.06 feet; thence South 04 degrees 53 minutes 39 seconds West, a distance of 48.50 feet; thence South 35 degrees 57 minutes 19 seconds West, a distance of 41.53 feet; thence South 29 degrees 16 minutes 19 seconds West, a distance of 84.64 feet; thence South 51 degrees 04 minutes 38 seconds West, a distance of 54.71 feet to the East line of said East Half of the East Half of the Northeast Quarter of the Northeast Quarter and said line there terminating.

Line D is described as follows:
Commencing at the Southeast corner of said East Half of the East Half of the Northeast Quarter of the Northeast Quarter; thence on an assumed bearing of North 00 degrees 18 minutes 31 seconds East, along the East line of said East Half of the East Half of the Northeast Quarter of the Northeast Quarter, a distance of 182.54 feet to the point of beginning of said Line D; thence North 47 degrees 22 minutes 31 seconds West, a distance of 36.34 feet; thence North 89 degrees 49 minutes 47 seconds West, a distance of 53.61 feet; thence North 22 degrees 06 minutes 51 seconds West, a distance of 10.10 feet; thence North 89 degrees 24 minutes 32 seconds West, a distance of 37.29

feet; thence North 03 degrees 42 minutes 19 seconds West, a distance of 50.82 feet; thence North 19 degrees 06 minutes 03 seconds East, a distance of 90.45 feet; thence North 25 degrees 09 minutes 31 seconds East, a distance of 66.45 feet to the South line of said East Half of the East Half of the Northeast Quarter of the Northeast Quarter and said line there terminating.

Legal Description of New Easement to be Dedicated

PROPOSED DRAINAGE AND UTILITY EASEMENT DESCRIPTION:

A perpetual easement for drainage and utility purposes over, under, and across the South 10.00 feet of the North 60.00 feet of the East Half of the Northeast Quarter of the Northeast Quarter of Section 11, Township 118, Range 24, Hennepin County, Minnesota.

AND

A perpetual easement for drainage and utility purposes over, under, and across the West 10.00 feet of the East Half of the East Half of the Northeast Quarter of the Northeast Quarter of Section 11, Township 118, Range 24, Hennepin County, Minnesota, that lies South of Line X.

AND

A perpetual easement for drainage and utility purposes over, under, and across the East 10.00 feet of the East Half of the East Half of the Northeast Quarter of the Northeast Quarter of Section 11, Township 118, Range 24, Hennepin County, Minnesota, that lies South of Line Y, North of Line Z, and South of Line Z.

AND

A perpetual easement for drainage and utility purposes over, under, and across the South 10.00 feet of the East Half of the East Half of the Northeast Quarter of the Northeast Quarter of Section 11, Township 118, Range 24, Hennepin County, Minnesota, that lies Easterly of Line Z.

AND

A perpetual easement for drainage and utility purposes over, under, and across that part of the East Half of the East Half of the Northeast Quarter of the Northeast Quarter of Section 11, Township 118, Range 24, Hennepin County, Minnesota, that lies Easterly of Line Y.

AND

A perpetual easement for drainage and utility purposes over, under, and across that part of the East Half of the East Half of the Northeast Quarter of the Northeast Quarter of Section 11, Township 118, Range 24, Hennepin County, Minnesota, that lies Southerly of Line X and Westerly and Northerly of Line Z, described as:

Commencing at the Northeast corner of said East Half of the East Half of the Northeast Quarter of the Northeast Quarter; thence on an assumed bearing of South 00 degrees 18 minutes 31 seconds West, along the East line of said East Half of the East Half of the Northeast Quarter, a distance of 97.35 feet to the point of beginning; thence North 88 degrees 17 minutes 07 seconds West, a distance of 134.89 feet; thence North 02 degrees 45 minutes 40 seconds East, a distance of 27.62 feet; thence North 54 degrees 39 minutes 05 seconds East, a distance of 47.83 feet; thence North 37 degrees 05 minutes 10 seconds East, a distance of 59.92 feet; thence North 53 degrees 47 minutes 40 seconds East, a distance of 10.61 feet; thence North 45 degrees 05 minutes 20 seconds East, a distance of 93.84 feet; thence North 07 degrees 45 minutes 06 seconds East, a distance of 22.69 feet to a line that bears South 35 minutes 13 seconds 00 seconds East, a distance of 19.61 feet to the point of beginning.

Line X is described as follows:
Commencing at the Northeast corner of said East Half of the East Half of the Northeast Quarter of the Northeast Quarter; thence on an assumed bearing of South 00 degrees 18 minutes 31 seconds West, along the East line of said East Half of the East Half of the Northeast Quarter, a distance of 934.90 feet to the point of beginning of said Line X; thence South 77 degrees 16 minutes 03 seconds West, a distance of 11.75 feet; thence North 33 degrees 59 minutes 23 seconds West, a distance of 28.93 feet; thence North 11 degrees 20 minutes 12 seconds West, a distance of 61.44 feet; thence North 26 degrees 12 minutes 25 seconds West, a distance of 82.28 feet; thence North 39 degrees 19 minutes 35 seconds West, a distance of 38.89 feet; thence North 23 degrees 47 minutes 17 seconds West, a distance of 89.19 feet; thence North 41 degrees 16 minutes 58 seconds West, a distance of 73.55 feet; thence North 79 degrees 13 minutes 04 seconds West, a distance of 109.55 feet; thence North 58 degrees 18 minutes 49 seconds West, a distance of 54.36 feet to the West line of said East Half of the East Half of the Northeast Quarter of the Northeast Quarter and said line there terminating.

Line Y is described as follows:
Commencing at the Northeast corner of said East Half of the East Half of the Northeast Quarter of the Northeast Quarter; thence on an assumed bearing of South 00 degrees 18 minutes 31 seconds West, along the East line of said East Half of the East Half of the Northeast Quarter, a distance of 27.17 feet to the point of beginning of said Line Y; thence North 88 degrees 07 minutes 17 seconds West, a distance of 35.64 feet; thence South 45 degrees 50 minutes 47 seconds West, a distance of 43.75 feet; thence South 34 degrees 41 minutes 18 seconds West, a distance of 54.05 feet; thence South 36 degrees 35 minutes 41 seconds West, a distance of 20.09 feet; thence South 04 degrees 39 minutes 06 seconds West, a distance of 49.02 feet; thence South 02 degrees 41 minutes 15 seconds West, a distance of 65.45 feet; thence South 08 degrees 07 minutes 10 seconds West, a distance of 92.18 feet; thence South 29 degrees 31 minutes 31 seconds West, a distance of 76.01 feet; thence North 43 degrees 13 minutes 17 seconds West, a distance of 95.58 feet to the East line of said East Half of the East Half of the Northeast Quarter of the Northeast Quarter and said line there terminating.

Line Z is described as follows:
Commencing at the Southeast corner of said East Half of the East Half of the Northeast Quarter of the Northeast Quarter; thence on an assumed bearing of North 00 degrees 18 minutes 31 seconds East, along the East line of said East Half of the East Half of the Northeast Quarter, a distance of 164.46 feet to the point of beginning of said Line Z; thence North 26 degrees 17 minutes 34 seconds West, a distance of 64.32 feet; thence North 19 degrees 25 minutes 12 seconds West, a distance of 54.94 feet; thence North 41 degrees 03 minutes 41 seconds West, a distance of 2.63 feet; thence North 41 degrees 01 minutes 41 seconds West, a distance of 40.27 feet; thence North 18 degrees 09 minutes 20 seconds West, a distance of 59.22 feet; thence North 00 degrees 52 minutes 13 seconds West, a distance of 71.07 feet; thence North 03 degrees 07 minutes 49 seconds West, a distance of 63.63 feet; thence North 07 degrees 07 minutes 47 seconds West, a distance of 53.89 feet to the South line of said East Half of the East Half of the Northeast Quarter of the Northeast Quarter and said line there terminating.

[Staff note: legal descriptions above are transcribed from the Otto Associates survey exhibits dated 6-29-2026 (Project No. 26-0226) and should be verified word-for-word against the source exhibits by the surveyor/City Attorney before recording.]

WHEREAS, the City reviewed and examined the request and determined that the petitioner is the owner of the property abutting the easement to be vacated; and

WHEREAS, a public hearing to consider the vacation of such easement was held on the July 21, 2026 before the Independence City Council after due published and posted notice had been given, as well as personal mailed notice to all affected property owners by the City, and all interested and affected persons were given an opportunity to voice their concerns and be heard; and

WHEREAS, any person, corporation or public body owning or controlling easements contained upon the property vacated, reserves the right to continue maintaining the same or to enter upon such way or portion thereof vacated to maintain, repair, replace or otherwise attend thereto; and

WHEREAS, the City reviewed the requested vacation and new easement dedication and did not identify any issues; and

WHEREAS, the Council in its discretion has determined that the vacation and new easement dedication will benefit the public interest;

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF INDEPENDENCE, COUNTY OF HENNEPIN, MINNESOTA, that the petition for vacation is hereby granted and the drainage and utility easement legally described above and depicted in Exhibit A is hereby vacated:

BE IT FURTHER RESOLVED that the new drainage and utility easement legally described above and depicted in Exhibit B is hereby accepted, and the property owner is authorized to record the grant of easement conveying said easement to the City;

BE IT FURTHER RESOLVED that the Mayor and City Administrator are hereby authorized to sign all documents necessary to effectuate the intent of this resolution.

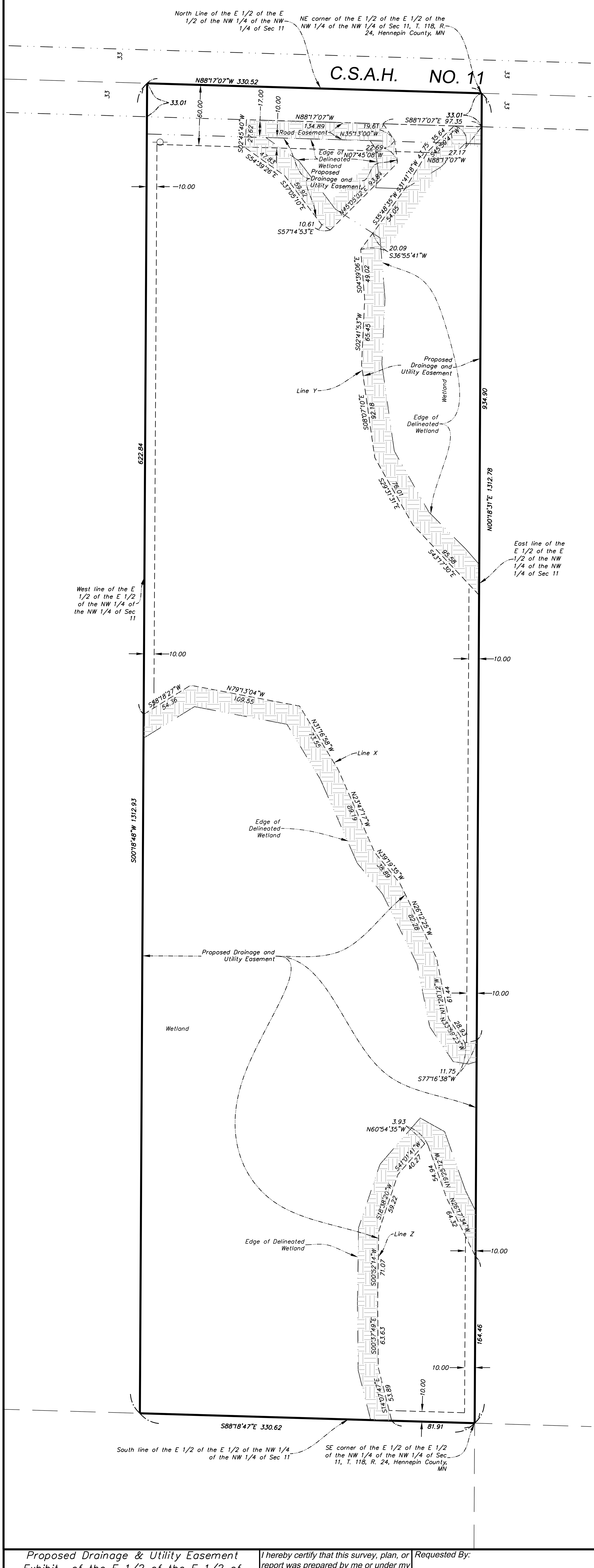
This resolution was adopted by the City Council of the City of Independence on this 21st day of July, 2026, by a vote of ____ ayes and ____ nays.

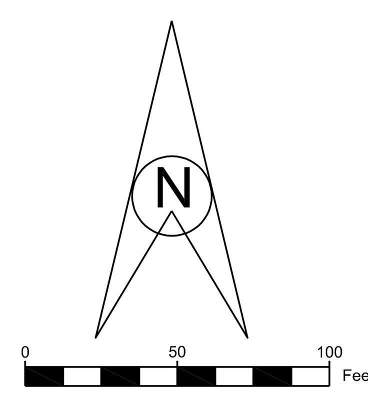
____
Brad Spencer, Mayor

ATTEST:

____
Mark Kaltsas, City Administrator

Proposed Drainage & Utility Easement Exhibit





LEGEND

988 — denotes Existing Contour

denotes Power Pole

denotes Drainage and Utility Easement

denotes 20' Wetland Buffer

denotes Delineated Wetland

NOTE:

Wetlands Delineated by Kjolhaug Environmental Services Company

PROPOSED DRAINAGE AND UTILITY EASEMENT DESCRIPTION:

A perpetual easement for drainage and utility purposes over, under, and across the South 10.00 feet of the North 60.00 feet of the East Half of the East Half of the Northwest Quarter of the Northwest Quarter of Section 11, Township 118, Range 24, Hennepin County, Minnesota.

AND

A perpetual easement for drainage and utility purposes over, under, and across the West 10.00 feet of the East Half of the East Half of the Northwest Quarter of the Northwest Quarter of Section 11, Township 118, Range 24, Hennepin County, Minnesota, that lies North of Line X.

AND

A perpetual easement for drainage and utility purposes over, under, and across the East 10.00 feet of the East Half of the East Half of the Northwest Quarter of the Northwest Quarter of Section 11, Township 118, Range 24, Hennepin County, Minnesota, that lies South of Line Y, North of Line X, and South of Line Z.

AND

A perpetual easement for drainage and utility purposes over, under, and across the South 10.00 feet of the East Half of the East Half of the Northwest Quarter of the Northwest Quarter of Section 11, Township 118, Range 24, Hennepin County, Minnesota, that lies Easterly of Line Z.

AND

A perpetual easement for drainage and utility purposes over, under, and across that part of the East Half of the East Half of the Northwest Quarter of the Northwest Quarter of Section 11, Township 118, Range 24, Hennepin County, Minnesota, that lies Easterly of Line Y.

AND

A perpetual easement for drainage and utility purposes over, under, and across that part of the East Half of the East Half of the Northwest Quarter of the Northwest Quarter of Section 11, Township 118, Range 24, Hennepin County, Minnesota, that lies Southerly of Line X and Westerly and Northerly of Line Z.

AND

A perpetual easement for drainage and utility purposes over, under, and across that part of the East Half of the East Half of the Northwest Quarter of the Northwest Quarter of Section 11, Township 118, Range 24, Hennepin County, Minnesota, described as follows:

Commencing at the Northeast corner of said East Half of the East Half of the Northwest Quarter; thence on an assumed bearing of South 00 degrees 18 minutes 31 seconds West, along the East line of said East Half of the East Half of the Northwest Quarter, a distance of 33.01 feet; thence North 89 degrees 17 minutes 07 seconds West, a distance of 97.35 feet to the point of beginning;
thence North 88 degrees 17 minutes 07 seconds West, a distance of 134.89 feet;
thence South 02 degrees 45 minutes 40 seconds West, a distance of 27.62 feet;
thence South 54 degrees 39 minutes 26 seconds East, a distance of 47.83 feet;
thence South 37 degrees 05 minutes 10 seconds East, a distance of 59.92 feet;
thence South 57 degrees 14 minutes 53 seconds East, a distance of 10.61 feet;
thence North 45 degrees 05 minutes 02 seconds East, a distance of 93.84 feet;
thence North 07 degrees 45 minutes 08 seconds West, a distance of 22.69 feet to a line that bears South 35 minutes 13 seconds 00 seconds East; thence North 35 degrees 13 minutes 00 seconds West, a distance of 19.61 feet to the point of beginning.

Line X is described as follows:

Commencing at the Northeast corner of said East Half of the East Half of the Northwest Quarter of the Northwest Quarter; thence on an assumed bearing of South 00 degrees 18 minutes 31 seconds West, along the East line of said East Half of the East Half of the Northwest Quarter of the Northwest Quarter, a distance of 934.90 feet to the point of beginning of said Line X;
thence South 77 degrees 16 minutes 38 seconds West, a distance of 11.75 feet;
thence North 33 degrees 59 minutes 23 seconds West, a distance of 28.93 feet;
thence North 11 degrees 20 minutes 12 seconds West, a distance of 61.44 feet;
thence North 26 degrees 12 minutes 25 seconds West, a distance of 82.28 feet;
thence North 39 degrees 19 minutes 35 seconds West, a distance of 38.89 feet;
thence North 23 degrees 47 minutes 17 seconds West, a distance of 89.19 feet;
thence North 31 degrees 16 minutes 58 seconds West, a distance of 73.55 feet;
thence North 79 degrees 13 minutes 04 seconds West, a distance of 109.55 feet;
thence North 58 degrees 18 minutes 27 seconds West, a distance of 54.36 feet to the West line of said East Half of the East Half of the Northwest Quarter of the Northwest Quarter and said line there terminating.

Line Y is described as follows:

Commencing at the Northeast corner of said East Half of the East Half of the Northwest Quarter of the Northwest Quarter; thence on an assumed bearing of South 00 degrees 18 minutes 31 seconds West, along the East line of said East Half of the East Half of the Northwest Quarter of the Northwest Quarter, a distance of 33.01 feet to the point of beginning of said Line Y;
thence North 88 degrees 17 minutes 07 seconds West, a distance of 27.17 feet;
thence South 45 degrees 50 minutes 47 seconds West, a distance of 35.64 feet;
thence South 31 degrees 41 minutes 18 seconds West, a distance of 43.75 feet;
thence South 35 degrees 48 minutes 35 seconds West, a distance of 54.05 feet;
thence South 36 degrees 55 minutes 41 seconds West, a distance of 20.09 feet;
thence South 04 degrees 39 minutes 06 seconds East, a distance of 49.02 feet;
thence South 02 degrees 41 minutes 53 seconds West, a distance of 65.45 feet;
thence South 08 degrees 07 minutes 10 seconds East, a distance of 92.18 feet;
thence South 29 degrees 31 minutes 31 seconds East, a distance of 76.01 feet;
thence South 43 degrees 17 minutes 30 seconds East, a distance of 95.58 feet to the East line of said East Half of the East Half of the Northwest Quarter of the Northwest Quarter and said line there terminating.

Line Z is described as follows:

Commencing at the Southeast corner of said East Half of the East Half of the Northwest Quarter of the Northwest Quarter; thence on an assumed bearing of North 00 degrees 18 minutes 31 seconds East, along the East line of said East Half of the East Half of the Northwest Quarter of the Northwest Quarter, a distance of 164.46 feet to the point of beginning of said Line Z;
thence North 26 degrees 17 minutes 34 seconds West, a distance of 64.32 feet;
thence North 19 degrees 25 minutes 12 seconds West, a distance of 54.94 feet;
thence North 60 degrees 54 minutes 35 seconds West, a distance of 3.93 feet;
thence South 41 degrees 01 minutes 41 seconds West, a distance of 40.27 feet;
thence South 18 degrees 38 minutes 20 seconds West, a distance of 59.22 feet;
thence South 00 degrees 52 minutes 14 seconds West, a distance of 71.07 feet;
thence South 00 degrees 37 minutes 49 seconds East, a distance of 63.63 feet;
thence South 14 degrees 07 minutes 47 seconds East, a distance of 53.89 feet to the South line of said East Half of the East Half of the Northwest Quarter of the Northwest Quarter and said line there terminating.

Proposed Drainage & Utility Easement Exhibit of the E 1/2 of the E 1/2 of the N.W. 1/4 of the N.W. 1/4 of Sec. 11, T. 118, R. 24, Hennepin County, Minnesota

Revised:

I hereby certify that this survey, plan, or report was prepared by me or under my direct supervision and that I am a duly Licensed Land Surveyor under the laws of the State of Minnesota.

Paul E. Otto

Paul E. Otto
License #40062 Date: 6-29-26

Requested By:

Dingman Custom Homes

Date:	Drawn By:	Scale:	Checked By:
6-26-26	K.R.B.	1" = 50'	P.E.O.

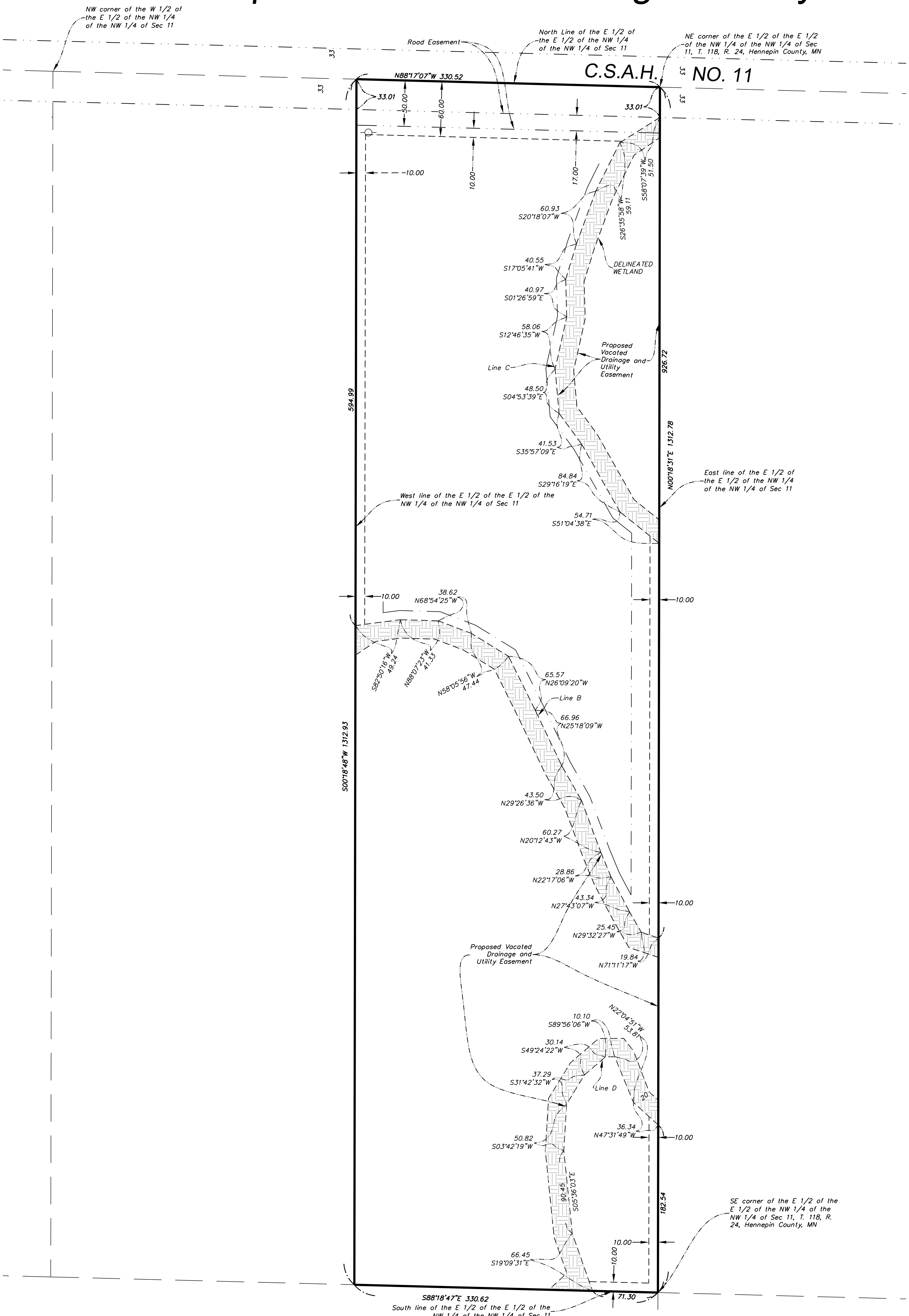
OTTO ASSOCIATES
Engineers & Land Surveyors, Inc.

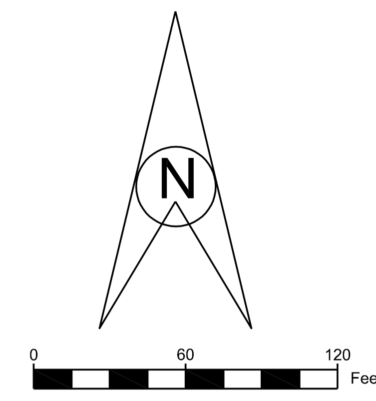
www.ottoassociates.com
9 West Division Street
Buffalo, MN 55313
(763)682-4727
Fax: (763)682-3522

● denotes iron monument found
○ denotes 1/2 inch by 14 inch iron pipe set and marked by License #40062

Project No. 26-0226

Proposed Vacated Drainage & Utility Easement Exhibit





LEGEND

- denotes Wetland
- denotes Proposed Vacated Drainage and Utility Easement
- denotes Power Pole

PROPOSED VACATED EASEMENT DESCRIPTION:

A perpetual easement for drainage and utility purposes over, under, and across the South 10.00 feet of the North 60.00 feet of the East Half of the East Half of the Northwest Quarter of the Northwest Quarter of Section 11, Township 118, Range 24, Hennepin County, Minnesota.

AND

A perpetual easement for drainage and utility purposes over, under, and across the West 10.00 feet of the East Half of the East Half of the Northwest Quarter of the Northwest Quarter of Section 11, Township 118, Range 24, Hennepin County, Minnesota, that lies North of Line B.

AND

A perpetual easement for drainage and utility purposes over, under, and across the East 10.00 feet of the East Half of the East Half of the Northwest Quarter of the Northwest Quarter of Section 11, Township 118, Range 24, Hennepin County, Minnesota, that lies South of Line C, North of Line B, and South of Line D.

AND

A perpetual easement for drainage and utility purposes over, under, and across the South 10.00 feet of the East Half of the East Half of the Northwest Quarter of the Northwest Quarter of Section 11, Township 118, Range 24, Hennepin County, Minnesota, that lies Easterly of Line D.

AND

A perpetual easement for drainage and utility purposes over, under, and across that part of the East Half of the East Half of the Northwest Quarter of the Northwest Quarter of Section 11, Township 118, Range 24, Hennepin County, Minnesota, that lies Easterly of Line C.

AND

A perpetual easement for drainage and utility purposes over, under, and across that part of the East Half of the East Half of the Northwest Quarter of the Northwest Quarter of Section 11, Township 118, Range 24, Hennepin County, Minnesota, that lies Southerly of Line B and Westerly and Northerly of Line D.

Line B is described as follows:

Commencing at the Northeast corner of said East Half of the East Half of the Northwest Quarter of the Northwest Quarter; thence on an assumed bearing of South 00 degrees 18 minutes 31 seconds West, along the East line of said East Half of the East Half of the Northwest Quarter of the Northwest Quarter, a distance of 926.72 feet to the point of beginning of said Line B;
thence North 71 degrees 11 minutes 17 seconds West, a distance of 19.84 feet;
thence North 29 degrees 32 minutes 27 seconds West, a distance of 25.45 feet;
thence North 27 degrees 43 minutes 07 seconds West, a distance of 43.34 feet;
thence North 22 degrees 17 minutes 06 seconds West, a distance of 28.86 feet;
thence North 20 degrees 12 minutes 43 seconds West, a distance of 60.27 feet;
thence North 29 degrees 26 minutes 36 seconds West, a distance of 43.50 feet;
thence North 25 degrees 18 minutes 09 seconds West, a distance of 66.96 feet;
thence North 26 degrees 09 minutes 20 seconds West, a distance of 65.57 feet;
thence North 58 degrees 05 minutes 56 seconds West, a distance of 47.44 feet;
thence North 68 degrees 54 minutes 25 seconds West, a distance of 38.62 feet;
thence North 88 degrees 07 minutes 23 seconds West, a distance of 41.33 feet;
thence South 82 degrees 50 minutes 16 seconds West, a distance of 49.24 feet
to the West line of said East Half of the East Half of the Northwest Quarter of the Northwest Quarter and said line there terminating.

Line C is described as follows:

Commencing at the Northeast corner of said East Half of the East Half of the Northwest Quarter of the Northwest Quarter; thence on an assumed bearing of South 00 degrees 18 minutes 31 seconds West, along the East line of said East Half of the East Half of the Northwest Quarter of the Northwest Quarter, a distance of 33.01 feet to the point of beginning of said Line C;
thence South 58 degrees 07 minutes 39 seconds West, a distance of 51.50 feet;
thence South 26 degrees 35 minutes 58 seconds West, a distance of 59.11 feet;
thence South 20 degrees 18 minutes 07 seconds West, a distance of 60.93 feet;
thence South 17 degrees 05 minutes 41 seconds West, a distance of 40.55 feet;
thence South 01 degrees 26 minutes 59 seconds East, a distance of 40.97 feet;
thence South 12 degrees 46 minutes 35 seconds West, a distance of 58.06 feet;
thence South 04 degrees 53 minutes 39 seconds East, a distance of 48.50 feet;
thence South 35 degrees 57 minutes 09 seconds East, a distance of 41.53 feet;
thence South 29 degrees 16 minutes 19 seconds East, a distance of 84.84 feet;
thence South 51 degrees 04 minutes 38 seconds East, a distance of 54.71 feet
to the East line of said East Half of the East Half of the Northwest Quarter of the Northwest Quarter and said line there terminating.

Line D is described as follows:

Commencing at the Southeast corner of said East Half of the East Half of the Northwest Quarter of the Northwest Quarter; thence on an assumed bearing of North 00 degrees 18 minutes 31 seconds East, along the East line of said East Half of the East Half of the Northwest Quarter of the Northwest Quarter, a distance of 182.54 feet to the point of beginning of said Line D;
thence North 47 degrees 31 minutes 49 seconds West, a distance of 36.34 feet;
thence North 22 degrees 04 minutes 51 seconds West, a distance of 53.81 feet;
thence South 89 degrees 56 minutes 06 seconds West, a distance of 10.10 feet;
thence South 49 degrees 24 minutes 22 seconds West, a distance of 30.14 feet;
thence South 31 degrees 42 minutes 32 seconds West, a distance of 37.29 feet;
thence South 03 degrees 42 minutes 19 seconds West, a distance of 50.82 feet;
thence South 05 degrees 36 minutes 03 seconds East, a distance of 90.45 feet;
thence South 19 degrees 09 minutes 31 seconds East, a distance of 66.45 feet
to the South line of said East Half of the East Half of the Northwest Quarter of the Northwest Quarter and said line there terminating.

Proposed Vacated Drainage & Utility Easement Exhibit of the E 1/2 of the N.W. 1/4 of the N.W. 1/4 of Sec. 11, T. 118, R. 24, Hennepin County, Minnesota	I hereby certify that this survey, plan, or report was prepared by me or under my direct supervision and that I am a duly Licensed Land Surveyor under the laws of the State of Minnesota.	Requested By: Dingman Custom Homes		
Revised:	Paul E. Otto Paul E. Otto License #40062 Date: 6-29-26	Date: 6-26-26	Drawn By: K.R.B.	Scale: 1" = 60'
		Checked By: P.E.O.		

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- ● denotes iron monument found
- ○ denotes 1/2 inch by 14 inch iron pipe set and marked by License #40062

Project No. 26-0226