

City of Independence

**Independent Auditor's Reports
Basic Financial Statements
Supplementary and Other Information
Schedule of Findings and Questioned Costs**

June 30, 2023



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**City of Independence
Officials
June 30, 2023**

<u>Elected Officials</u>	<u>Title</u>	<u>Term Expires</u>
Brad Bleichner	Mayor	December 31, 2025
Debra Hanna	Council Member	December 31, 2023
Brian Prusator	Council Member	December 31, 2023
Kathryn Jensen	Council Member	December 31, 2025
Jen Callahan	Council Member	December 31, 2023
Ralph Moore	Council Member	December 31, 2025
Mike O'Loughlin	Council Member	December 31, 2025
Tom Huston	Council Member	December 31, 2025
 <u>City Staff</u>		
Matthew R. Schmitz	City Manager	
Susi Lampe	City Clerk/Treasurer	
Douglas Herman	Attorney	

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

We have audited the financial statements of the governmental activities, business type activities, each major fund, the aggregate discretely presented component units and the aggregate remaining fund information of the City of Independence, Iowa, as of and for the year ended June 30, 2023, and the related notes to basic financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The basic financial statements do not include financial data for one of the City's legally separate component units. The Independence Light and Power, Telecommunications reports in accordance with U.S. generally accepted accounting principles, a different financial reporting framework than the City's cash basis of accounting. Accounting principles applicable to the cash basis of accounting require the financial data for all component units be reported with the financial data of the City's primary government unless the City also issues basic financial statements for the financial reporting entity which includes the financial data for all component units. The City has not issued such reporting entity basic financial statements. The amounts by which this omission would affect the receipts, disbursements, and cash balances of the aggregate discretely presented component unit has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the basic financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Independence as of June 30, 2023, or the changes in its cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of City of Independence as of June 30, 2023, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Responsibilities of Management for the Financial Statements

The management of the City of Independence 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, which raise substantial doubt about the City'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'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, which raise substantial doubt about the City'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.

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.

Basis of Accounting

As discussed in Note 1, these basic financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise City of Independence's basic financial statements. The basic financial statements for the six years ended June 30, 2019, (which are not presented herein), were audited by other auditors and they expressed unmodified opinions on those basic financial statements which were prepared on the basis of cash receipts and disbursements and expressed an adverse opinion on the basic financial statements of the aggregate discretely presented component units due to the omission of the Independence Light and Power, Telecommunications. The supplementary information included in Schedules 1 through 4, 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

The other information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability (Asset) and the Schedule of City Contributions as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2023, on our consideration of the City of Independence's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 City of Independence's internal control over financial reporting and compliance.

BerganKDV, Ltd.

Minneapolis, Minnesota
December 5, 2023

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BASIC FINANCIAL STATEMENTS

City of Independence
Cash Basis Statement of Activities and Net Position
Year Ended June 30, 2023

Functions/Programs	Disbursements	Program Receipts		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 636,736	\$ 51,704	\$ 31,321	\$ -
Public safety	2,872,606	118,632	728,585	-
Public works	1,756,996	831,733	879,560	2,276,345
Health and social services	1,000	-	-	-
Culture and recreation	1,830,286	493,368	91,930	-
Community and economic development	422,553	-	434,313	-
Debt service	1,598,755	-	-	87,252
Capital projects	6,056,608	-	-	209,173
Total governmental activities	<u>15,175,540</u>	<u>1,495,437</u>	<u>2,165,709</u>	<u>2,572,770</u>
Business-type activities				
Water	960,608	1,301,315	-	-
Sewer	1,593,546	2,604,632	-	-
Stormwater	190,611	187,083	-	-
Total business-type activities	<u>2,744,765</u>	<u>4,093,030</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 17,920,305</u>	<u>\$ 5,588,467</u>	<u>\$ 2,165,709</u>	<u>\$ 2,572,770</u>

General receipts, transfers, and debt proceeds

- Property and other city tax levied for
 - General purposes
 - Debt service
- Commerical/industrial tax replacement
- Tax increment financing
- Local option sales tax
- Hotel/motel tax
- Payment in lieu of tax
- Unrestricted interest on investments
- Miscellaneous
- Sale of capital assets
- Transfers
- Proceeds from long-term debt
- Total general receipts, transfers, and debt proceeds

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Net (Disbursements) Receipts and
Changes in Cash Basis Net Position

Governmental Activities	Business-Type Activities	Total
\$ (553,711)	\$ -	\$ (553,711)
(2,025,389)	-	(2,025,389)
2,230,642	-	2,230,642
(1,000)	-	(1,000)
(1,244,988)	-	(1,244,988)
11,760	-	11,760
(1,511,503)	-	(1,511,503)
(5,847,435)	-	(5,847,435)
<u>(8,941,624)</u>	<u>-</u>	<u>(8,941,624)</u>
-	340,707	340,707
-	1,011,086	1,011,086
-	(3,528)	(3,528)
<u>-</u>	<u>1,348,265</u>	<u>1,348,265</u>
<u>(8,941,624)</u>	<u>1,348,265</u>	<u>(7,593,359)</u>
3,457,444	-	3,457,444
887,993	-	887,993
103,333	-	103,333
479,305	-	479,305
866,001	-	866,001
128,781	-	128,781
156,000	-	156,000
42,060	61,348	103,408
48,446	-	48,446
1,182	-	1,182
264,708	(264,708)	-
3,006,590	810,000	3,816,590
<u>9,441,843</u>	<u>606,640</u>	<u>10,048,483</u>
500,219	1,954,905	2,455,124
<u>6,242,403</u>	<u>9,113,864</u>	<u>15,356,267</u>
<u>\$ 6,742,622</u>	<u>\$ 11,068,769</u>	<u>\$ 17,811,391</u>

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City of Independence
Cash Basis Statement of Activities and Net Position
Year Ended June 30, 2023

		Primary Government		
		Governmental Activities	Business Type Activities	Total
Cash Basis Net Position				
Restricted				
Nonexpendable				
Cemetery perpetual care		\$ 95,000	\$ -	\$ 95,000
Expendable				
Cemetery		26,983	-	26,983
Capital projects		4,709,296	777,917	5,487,213
Urban renewal projects		227,927	-	227,927
Fire department		116,778	-	116,778
Hotel/motel tax		148,999	-	148,999
Employee benefits		256,830	-	256,830
Debt service		568,104	246,908	815,012
Library purposes		375	-	375
Economic development		336,777	-	336,777
Other purposes		271,882	-	271,882
Unrestricted		(16,329)	10,043,944	10,027,615
Total cash basis net position		\$ 6,742,622	\$ 11,068,769	\$ 17,811,391

City of Independence
Statement of Cash Receipts, Disbursements, and
Changes in Cash Fund Balances -
Governmental Funds
Year Ended June 30, 2023

		Debt Service	Capital Projects
	General	Debt Service (200. 210)	Capital Projects (300-399)
Receipts			
General property taxes	\$ 2,186,835	\$ 887,993	\$ -
Tax increment	-	-	-
Other city tax	128,939	-	-
Special assessments	-	87,252	-
Licenses and permits	334,915	-	-
Intergovernmental	844,458	22,412	2,463,430
Charges for services	934,155	-	-
Use of money and property	188,824	-	-
Miscellaneous	532,788	4,652	16,870
Total receipts	<u>5,150,914</u>	<u>1,002,309</u>	<u>2,480,300</u>
Disbursements			
Current			
General government	522,643	-	-
Public safety	2,180,551	-	-
Public works	856,664	-	-
Health and social services	1,000	-	-
Community and economic development	64,383	-	-
Culture and recreation	1,503,748	-	-
Debt service			
Principal and interest	-	1,355,000	-
Interest and fiscal charges	-	243,755	-
Capital outlay			
General government	-	-	67,315
Public safety	-	-	1,017,950
Public works	-	-	3,798,113
Economic development	-	-	-
Culture and recreation	-	-	158,804
Total disbursements	<u>5,128,989</u>	<u>1,598,755</u>	<u>5,042,182</u>
Excess of receipts over (under) disbursements	21,925	(596,446)	(2,561,882)
Other Financing Sources (Uses)			
Sale of capital asset	501	-	-
Bonds issued	-	-	2,865,000
Bond premium	-	-	141,590
Transfers in	13,483	666,621	993,297
Transfers out	(433,697)	-	-
Total other financing sources (uses)	<u>(419,713)</u>	<u>666,621</u>	<u>3,999,887</u>
Net change in cash fund balances	(397,788)	70,175	1,438,005
Cash Fund Balances			
Beginning of year	<u>2,414,162</u>	<u>497,929</u>	<u>895,589</u>
End of year	<u>\$ 2,016,374</u>	<u>\$ 568,104</u>	<u>\$ 2,333,594</u>

See notes to basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 1,057,326	\$ 4,132,154
479,305	479,305
866,001	994,940
-	87,252
-	334,915
1,251,240	4,581,540
-	934,155
1,824	190,648
114,741	669,051
<u>3,770,437</u>	<u>12,403,960</u>
114,093	636,736
692,055	2,872,606
900,332	1,756,996
-	1,000
358,170	422,553
326,538	1,830,286
-	1,355,000
-	243,755
-	67,315
-	1,017,950
-	3,798,113
1,014,426	1,014,426
-	158,804
<u>3,405,614</u>	<u>15,175,540</u>
364,823	(2,771,580)
-	501
-	2,865,000
-	141,590
97,650	1,771,051
<u>(1,072,646)</u>	<u>(1,506,343)</u>
<u>(974,996)</u>	<u>3,271,799</u>
(610,173)	500,219
<u>2,434,723</u>	<u>6,242,403</u>
<u>\$ 1,824,550</u>	<u>\$ 6,742,622</u>

City of Independence
Statement of Cash Receipts, Disbursements,
and Changes in Cash Balances -
Governmental Funds
Year Ended June 30, 2023

		<u>Debt Service</u>	<u>Capital Projects</u>
	<u>General Fund</u>	<u>Debt Service (200. 210)</u>	<u>Capital Projects (300-399)</u>
Cash Basis Fund Balances			
Nonspendable			
Cemetery perpetual care	\$ -	\$ -	\$ -
Restricted for			
Cemetery	23,904	-	-
Capital projects	-	-	4,086,696
Urban renewal projects	-	-	-
Fire department	-	-	-
Employee benefits	-	-	-
Hotel/motel tax	148,999	-	-
Debt service	-	568,104	-
Library purposes	375	-	-
Emergency levy	2,006	-	-
Economic development	-	-	-
Other purposes	-	-	-
Committed for			
Library purposes	21,449	-	-
Assigned for			
Street capital projects	2,169	-	-
Parks	66,508	-	-
Airport	571	-	-
Police canine	6,415	-	-
Fire department	498	-	-
Unassigned	<u>1,743,480</u>	<u>-</u>	<u>(1,753,102)</u>
Total cash fund balances	<u>\$ 2,016,374</u>	<u>\$ 568,104</u>	<u>\$ 2,333,594</u>

Other Governmental Funds	Total Governmental Funds
\$ 95,000	\$ 95,000
3,079	26,983
622,600	4,709,296
227,927	227,927
116,778	116,778
256,830	256,830
-	148,999
-	568,104
-	375
-	2,006
336,777	336,777
269,876	269,876
-	21,449
-	2,169
-	66,508
-	571
-	6,415
-	498
(104,317)	(113,939)
<u>\$ 1,824,550</u>	<u>\$ 6,742,622</u>

City of Independence
Statement of Cash Receipts, Disbursements,
and Changes in Cash Balances
Proprietary Funds
Year Ended June 30, 2023

	Enterprise Funds				Internal Service
	Water (600-605)	Sewer (610-620)	Storm Water (740)	Total	Health Insurance
Operating Receipts					
Charges for services	\$ 1,291,499	\$ 2,599,258	\$ 170,920	4,061,677	\$ 210,715
Miscellaneous	9,816	238	16,163	26,217	-
Total operating receipts	1,301,315	2,599,496	187,083	4,087,894	210,715
Operating Disbursements					
Public safety	-	-	-	-	107,421
Public works	-	-	-	-	18,809
Culture and recreation	-	-	-	-	67,013
General government	-	-	-	-	14,601
Business type activities	456,906	1,243,615	57,249	1,757,770	2,871
Total operating disbursements	456,906	1,243,615	57,249	1,757,770	210,715
Excess of operating receipts over (under) operating disbursements	844,409	1,355,881	129,834	2,330,124	-
Nonoperating Receipts (Disbursements)					
Interest on investments	41,193	20,155	-	61,348	-
Farm rent	-	5,136	-	5,136	-
Debt service	(89,058)	(290,520)	-	(379,578)	-
Capital projects	(414,644)	(59,411)	(133,362)	(607,417)	-
Total nonoperating receipts (disbursements)	(462,509)	(324,640)	(133,362)	(920,511)	-
Excess of receipts over disbursements	381,900	1,031,241	(3,528)	1,409,613	-
Other Financing Sources (Uses)					
Bond Proceeds	-	-	810,000	810,000	-
Transfers in	24,321	24,321	-	48,642	-
Transfers out	-	(313,350)	-	(313,350)	-
Total other financing sources (uses)	24,321	(289,029)	810,000	545,292	-
Change in cash balances	406,221	742,212	806,472	1,954,905	-
Cash Balances					
Beginning of year	2,423,749	6,549,526	140,589	9,113,864	-
End of year	\$ 2,829,970	\$ 7,291,738	\$ 947,061	\$ 11,068,769	\$ -
Cash Basis Fund Balances					
Restricted for					
Debt service	\$ 8,225	\$ 238,683	\$ -	\$ 246,908	\$ -
Capital projects	101,278	-	676,639	777,917	-
Unrestricted	2,720,467	7,053,055	270,422	10,043,944	-
Total cash basis fund balances	\$ 2,829,970	\$ 7,291,738	\$ 947,061	\$ 11,068,769	\$ -

See notes to basic financial statements.

City of Independence
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Independence is a political subdivision of the State of Iowa located in Buchanan County. It was first incorporated in 1864 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a nonpartisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, water utilities, sewer utilities and general government services.

A. Reporting Entity and Jointly Governed Organizations

For financial reporting purposes, the City of Independence has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and 1) the ability of the City to impose its will on that organization or 2) the potential for the organization to provide specific benefits or impose specific financial burdens on the City.

Except as noted, these basic financial statements present the City of Independence (the primary government) and its component units. The basic financial statements do not include financial data for Independence Light and Power, Telecommunications (Utility), a legally separate entity which should be reported as a discretely presented component unit. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

1. Blended Component Unit

The following component unit is legally separate from the City, but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the appropriate fund.

The Independence Fire Department has been incorporated under the provisions of the Iowa Nonprofit Corporation Act for the purpose of supporting the Fire Department. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Independence Fire Department meets the definition of a component unit which should be blended as it provides services entirely, or almost entirely, to the primary government. The financial activity of the component unit has been blended as a Special Revenue Fund of the City.

City of Independence
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity and Jointly Governed Organizations (Continued)

2. Discretely Presented Component Unit

The Independence Public Library Foundation, Inc. (Foundation) has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate exclusively for charitable, educational, and scientific purposes which benefit or support the Independence Public Library. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. Based on these criteria, the economic resources received or held by the Foundation are substantially for the direct benefit of the City of Independence Library. Condensed financial information of the Foundation is presented in Note 7.

3. Excluded Component Unit

Independence Light and Power, Telecommunications was established under Chapter 388 of the *Code of Iowa* to operate the City's electrical, cable, internet, and telephone Utility. The Independence Light and Power, Telecommunications is governed by a five-member Board of Trustees appointed by the Mayor and approved by the City Council. In accordance with criteria set forth by the Governmental Accounting Standards Board, Independence Light and Power, Telecommunications meets the definition of a component unit which should be discretely presented. Basic financial statements for Independence Light and Power, Telecommunications were prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles but are not included in the City's basic financial statements since the City prepares its basic financial statements on the cash basis. Complete basic financial statements can be obtained from the Independence Light and Power, Telecommunications, P.O. Box 754, Independence, IA 50644.

4. Jointly Governed Organizations

The City participates in several jointly governed organizations for which the City is not financially accountable or the nature and significance of the relationship with the City are such that exclusion does not cause the City's basic financial statements to be misleading or incomplete. City officials are members of the following boards and commissions: Buchanan County Assessor's Conference Board, Buchanan County Landfill Commission, Buchanan County Emergency Management Commission and Buchanan County Joint 911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

City of Independence
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Non-Expendable Restricted Net Position – is subject to externally imposed stipulations which requires the cash balances to be maintained permanently by the City, including the original principal for cemetery perpetual care.

Expendable Restricted Net Position – results when constraints placed on the use of cash balances is either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate basic financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

General Fund – This fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs not paid from other funds.

Debt Service Fund – This fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

Capital Projects Fund – This fund is used to account for all resources used in the acquisition and construction of capital facilities.

City of Independence
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

The City reports the following major proprietary funds:

Enterprise, Water Fund – These funds account for the operation and maintenance of the City's water system.

Enterprise, Sewer Fund – These funds account for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

Enterprise, Storm Water Fund – These funds account for the operation and maintenance of the City's storm water system.

The City also reports the following proprietary fund:

Internal Service Fund – This fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the basic financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the basic financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

City of Independence
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which the City Council commits for a specific purpose by resolution.

Assigned – Amounts which the City Council intends to use for a specific purpose.

Unassigned – All amounts not included in the preceding classifications.

The City will strive to maintain a minimum unassigned General Fund balance of 25% of total operating expenditures. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then committed, then assigned and lastly unassigned fund balance.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2023, disbursements did not exceed budgeted amounts except for in Culture and Recreation.

NOTE 2 – CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2023, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the *Code of Iowa*. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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 to only make deposits in the State of Iowa where deposits are covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the *Code of Iowa*. The City's deposits in banks at June 30, 2023, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the *Code of Iowa*. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds. The City had \$2,608,085 in certificates of deposit, \$14,432,047 in checking and savings accounts and \$1,575 in Petty Cash at June 30, 2023.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investments trusts; and warrants or improvement certificates of a drainage district.

City of Independence
Notes to Basic Financial Statements

NOTE 2 – CASH AND POOLED INVESTMENTS (CONTINUED)

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$769,684. There are no limitations or restrictions on withdrawals for the IPAIT investments. The City's investment in the Iowa Public Agency Investment Trust is unrated.

Concentration of Credit Risk: The City's investment policy states the City will diversify its investment to reduce the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer, or a specific class of securities. As of June 30, 2023, the City's investments follow the guidelines stated in its investment policy.

Credit Risk: The City's investment policy limits investments to those specified in the above statutes. As of June 30, 2023, the City did not have investments subject to credit ratings.

Interest Rate Risk – The City's investment policy staggers portfolio maturities in a way that avoids undue concentration of assets in a specific maturity sector. Maturities shall be selected which provide stability of income and reasonable liquidity.

Custodial Credit Risk – Investments: For an investment, this is the risk in the event of the failure of the counterparty the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's policy states all invested assets of the City involving the use of a public funds custodial agreement, as defined in *Iowa Code* § 12B.10C, shall comply with all rules adopted pursuant to *Iowa Code* § 12B.10C. All custodial agreements shall be in writing and shall contain a provision that all custodial services be provided in accordance with the laws of the State of Iowa.

The City adopted an Investment Policy in February 2011 that addresses the above risks and provides guidance on investments to City officials. The Investment Policy of the City of Independence shall apply to all operating funds, bond proceeds and other funds and all investment transactions involving operating funds, bond proceeds and other funds accounted for in the basic financial statements of the City of Independence.

City of Independence
Notes to Basic Financial Statements

NOTE 3 – BONDS AND NOTES FROM DIRECT BORROWING

Annual debt service requirements to maturity for general obligation notes, general obligation bonds, and revenue bonds of the City are as follows.

Year Ending June 30,	G.O. Bonds and Notes		Utility Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 1,520,000	\$ 348,315	\$ 653,000	\$ 32,247	\$ 2,173,000	\$ 380,562
2025	1,420,000	303,258	660,000	28,009	2,080,000	331,267
2026	1,625,000	269,116	153,000	23,725	1,778,000	292,841
2027	1,675,000	232,108	154,000	22,205	1,829,000	254,313
2028	1,225,000	193,525	160,000	20,665	1,385,000	214,190
2029-2033	3,635,000	562,707	841,000	73,735	4,476,000	636,442
2034-2038	1,815,000	181,405	582,000	21,930	2,397,000	203,335
2038-2039	-	-	94,950	940	94,950	940
Total	<u>\$ 12,915,000</u>	<u>\$ 2,090,434</u>	<u>\$ 3,297,950</u>	<u>\$ 223,456</u>	<u>\$ 16,212,950</u>	<u>\$ 2,313,890</u>

A. Sewer Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,953,000 of sewer revenue bonds issued in February 2018 and June 2021. The bonds are payable solely from sewer customer net receipts.

The resolutions providing for the issuance of the sewer revenue bonds include the following provisions:

1. The bonds will only be redeemed from the future earnings of the utility activity and the bond holders hold a lien on the future earnings of the fund.
2. User rates shall be established at a level which produce gross receipts at least sufficient to pay the expenses of operation and maintenance of the utility and to have a balance of net receipts equal to at least 110% of the annual payments of principal and interest on the bonds.
3. Sufficient monthly transfers shall be made to a sewer revenue bond sinking account within the Sewer Fund for the purpose of making bond principal and interest payments when due.

B. Water Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,140,000 of water revenue bonds issued in August 2021. The bonds are payable solely from water customer net receipts.

The resolutions providing for the issuance of the water revenue bonds include the following provisions:

1. The bonds will only be redeemed from the future earnings of the utility activity and the bond holders hold a lien on the future earnings of the fund.

City of Independence
Notes to Basic Financial Statements

NOTE 3 – BONDS AND NOTES FROM DIRECT BORROWING (CONTINUED)

B. Water Revenue Bonds (Continued)

2. User rates shall be established at a level which produce gross receipts at least sufficient to pay the expenses of operation and maintenance of the utility and to have a balance of net receipts equal to at least 120% of the annual payments of principal and interest on the bonds.
3. Sufficient monthly transfers shall be made to a water revenue bond sinking account within the Water Fund for the purpose of making bond principal and interest payments when due.

C. Notes from Direct Borrowing

On October 1, 2015, the City entered into an agreement with the Independence Light and Power, Telecommunications, (Utility) for an LED street lighting conversion project for \$264,601 estimated costs. The Utility will continue to bill the City at the most current rate for the old street lighting (HPS) fixtures until the difference between the HPS billing and the most current LED billing negate the capital outlay of the Utility for the street lighting conversion project. The City is not required to pay interest. At the time of the agreement, the payback period was 6.34 years. The City currently pays \$2,973 monthly. The city made a final payment for the remaining outstanding principal in April 2023. There is no outstanding balance as of June 30, 2023.

NOTE 4 – PENSION PLAN

A. Plan Description

IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under *Iowa Code* Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

B. Pension Benefits

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012, will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

City of Independence
Notes to Basic Financial Statements

NOTE 4 – PENSION PLAN (CONTINUED)

B. Pension Benefits (Continued)

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate protection occupation member's monthly IPERS benefits include:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but no more than 30 years of services.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefits payments.

C. Disability and Death Benefits

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

D. Contributions

Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2023, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.21% of covered payroll and the City contributed 9.31% of covered payroll, for a total rate of 15.52%.

City of Independence
Notes to Basic Financial Statements

NOTE 4 – PENSION PLAN (CONTINUED)

D. Contributions (Continued)

The City's contributions to IPERS for the year ended June 30, 2023, were \$254,684.

**E. Net Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and
Deferred Inflows of Resources Related to Pensions**

At June 30, 2023, the City reported a liability of \$393,129 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2022, the City's proportion was 0.017588%, which was a decrease of 0.000513% from its proportion measured as of June 30, 2021. At June 30, 2022, the City's Protection Occupations proportion was 0.221445%, which was an increase of 0.003531% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City's pension expense, deferred outflows of resources and collective deferred inflows of resources totaled (\$25,722), \$379,678 and \$202,332, respectively.

There were no non-employer contributing entities to IPERS.

F. Actuarial Assumptions

The total pension liability (asset) in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation	
(effective June 30, 2017)	2.60% per annum
Rate of salary increase	3.25 to 16.25% average, including inflation.
(effective June 30, 2017)	Rates vary by membership group.
Long-term investment rate of return	7.00% compounded annually, net of investment
(effective June 30, 2017)	expense, including inflation.
Wage Growth	3.25% per annum, based on 2.6% inflation
(effective June 30, 2017)	and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2022, valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

Mortality rates used in the 2022 valuation were based on the PubG-2010 mortality tables with future mortality improvements modeled using Scale MP-2021.

City of Independence
Notes to Basic Financial Statements

NOTE 4 – PENSION PLAN (CONTINUED)

F. Actuarial Assumptions (Continued)

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0 %	3.57 %
International equity	17.5	4.79
Global smart beta equity	6.0	4.16
Core plus fixed income	20.0	1.66
Public credit	4.0	3.77
Cash	1.0	0.77
Private equity	13.0	7.57
Private real assets	8.5	3.55
Private credit	8.0	3.63
	<hr/>	
Total	100.0 %	

G. Discount Rate

The discount rate used to measure the total pension liability (asset) was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

H. Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current 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 net pension liability (asset)	\$ 1,386,621	\$ 393,129	\$ (480,485)

City of Independence
Notes to Basic Financial Statements

NOTE 4 – PENSION PLAN (CONTINUED)

I. IPERS Fiduciary Net Position

Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

NOTE 5 – COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and compensatory time for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, compensatory time, and other leave payable to employees at June 30, 2023, primarily relating to the General Fund and the Enterprise, Water and Sewer Funds, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Compensatory time	\$ 28,426
Sick	70,188
Vacation	99,623
 Total	 <u><u>\$ 198,237</u></u>

This liability has been computed based on rates of pay as of June 30, 2023.

NOTE 6 – EMPLOYEE HEALTH INSURANCE PLAN

The City has a group insurance policy through Wellmark which provides comprehensive medical coverage for eligible employees and, if elected, their spouses and dependents. The City provides for a fully insured benefit through Wellmark with a plan deductible of \$21,666 and \$17,500 for in-network and out-of-network services, respectively. The City partially self-funds the deductibles. The responsibilities for covered charges are as follows:

	<u>In-Network</u>				
	First \$250	Next \$4,750	Next \$250	Next \$16,416	Thereafter
City	0%	90%	20%	30%	0%
Employee	100%	10%	10%	0%	0%
Wellmark	0%	0%	70%	70%	100%
	<u>Out-of-Network</u>				
	First \$250	Next \$1,667	Next \$3,083	Next \$12,500	Thereafter
City	0%	70%	100%	40%	0%
Employee	100%	30%	0%	0%	0%
Wellmark	0%	0%	0%	60%	100%

City of Independence
Notes to Basic Financial Statements

NOTE 6 – EMPLOYEE HEALTH INSURANCE PLAN (CONTINUED)

The City contracted with Group Services through July 30, 2022, and then Employee Benefit Systems for the remainder of the fiscal year to administer the portion of health claims self-funded by the City. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to the administrators from the Internal Service, Health Insurance Fund. During the year ended June 30, 2023, the City paid \$19,819 to Group Services and \$191,147 to Employee Benefit Services for claims and administrative fees.

NOTE 7 – INDEPENDENCE PUBLIC LIBRARY FOUNDATION, INC.

The Independence Public Library Foundation, Inc. (Foundation) is incorporated under the Iowa Nonprofit Corporation Act and directly benefits the Independence Public Library. As permitted by GASB Statement No. 34, the City has opted to present condensed financial information for this discretely presented component unit. The following is the condensed financial information for the Foundation for the year ended December 31, 2022:

Receipts

Material donations	\$ 30,916
Summer reading program	2,241
Programming	11,005
Miscellaneous	<u>2,839</u>
Total receipts	<u><u>\$ 47,001</u></u>

Disbursements

Landscaping	\$ 568
Supplies	1,272
Materials	32,445
Summer reading program	1,574
Programming	4,099
Decrease in fair value	33,811
Miscellaneous	<u>30</u>
Total disbursements	<u><u>\$ 73,799</u></u>

Excess of disbursements over receipts	(26,798)
Balance beginning of year	<u>420,192</u>
Balance end of year	<u><u>\$ 393,394</u></u>

City of Independence
Notes to Basic Financial Statements

NOTE 8 – RISK MANAGEMENT

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the *Code of Iowa*. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 778 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2023, were \$210,965.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

City of Independence
Notes to Basic Financial Statements

NOTE 8 – RISK MANAGEMENT (CONTINUED)

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of \$1,000,000. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. Plan Description

The City operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees, and their spouses. Group insurance benefits are established under *Iowa Code* Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and the plan members range from \$626 and \$41 for single coverage to \$1,410 and \$141 for family coverage, respectively for health and dental insurance. Under a previous benefit, the City pays the single premium for certain retirees under age 65. Although the City has discontinued this benefit, a retiree who was grandfathered in under the prior policy is receiving this benefit at June 30, 2023. Under another prior City policy, the City pays the Medicare supplement premium for 1 retiree age 65 or older. This retiree is required to contribute \$140 per month towards the premium. For the year ended June 30, 2023, the City contributed \$544,474 and plan members eligible for benefits contributed \$79,446 to the plan. At June 30, 2023, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

B. OPEB Benefits

Individuals who are employed by the City of Independence and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Active employees	39
	<hr/>
Total	40
	<hr/> <hr/>

City of Independence
Notes to Basic Financial Statements

NOTE 10 – DEVELOPMENT AGREEMENTS

The City has entered into various development agreements to assist in certain urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the developer in exchange for the construction of buildings and certain infrastructure improvements by the developers.

The total to be paid by the City under the agreements is not to exceed \$4,863,591. The total amount rebated during the year ended June 30, 2023, was \$286,637. The City has rebated a total of \$861,540 of incremental property tax under the agreements. The outstanding balance of the agreements at June 30, 2023, was \$3,740,120.

These agreements are not a general obligation of the City. However, the agreements are subject to the constitutional debt limitation of the City. Since the development agreements are subject to annual appropriation by the City Council, only the \$286,637 which has been appropriated at June 30, 2023, is subject to the debt limitation calculation.

NOTE 11 – TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax receipts to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

A. City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the *Code of Iowa*. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2023, the City abated \$238,486 of property tax under the urban renewal and economic development agreements.

City of Independence
Notes to Basic Financial Statements

NOTE 12 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2023, are as follows:

Transfers Out	Transfers In						Total
	General	Debt Service	Capital Projects	Non Major	Water	Sewer	
General	\$ -	\$ 13,891	\$ 419,806	\$ -	\$ -	\$ -	\$ 433,697
Non Major	13,483	339,380	573,491	97,650	24,321	24,321	1,072,646
Sewer	-	313,350	-	-	-	-	313,350
Total	<u>\$ 13,483</u>	<u>\$ 666,621</u>	<u>\$ 993,297</u>	<u>\$ 97,650</u>	<u>\$ 24,321</u>	<u>\$ 24,321</u>	<u>\$ 1,819,693</u>

Transfers above move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

NOTE 13 – LEASE LIABILITY

The City entered into a lease agreement effective July 1, 2019, to lease office space for the period July 1, 2019 to June 24, 2024. The current lease agreement shall automatically renew for one-year terms, with a 3% increase in the rental rate at each renewal.

Lease payments are due monthly. Lease expense for the year ended June 30, 2023, was \$32,400. Annual debt service requirements to maturity for lease liabilities of the City are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	<u>\$ 31,539</u>	<u>\$ 861</u>	<u>\$ 32,400</u>

NOTE 14 – RELATED PARTY

The City paid the Utility \$475,197 for electric and telecommunications services for the fiscal year ended June 30, 2023.

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OTHER INFORMATION

City of Independence
Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances-
Budget and Actual (Cash basis) - All Governmental Funds and Proprietary Funds
Year Ended June 30, 2023

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Total
Receipts				
Property tax	\$ 4,132,154	\$ -	\$ -	\$ 4,132,154
Tax increment financing	479,305	-	-	479,305
Other city tax	994,940	-	-	994,940
Special assessments	87,252	-	-	87,252
Licenses and permits	334,915	-	-	334,915
Use of money and property	188,248	66,484	1,775	252,957
Intergovernmental	4,581,540	-	-	4,581,540
Charges for services	936,555	4,288,555	210,715	5,014,395
Miscellaneous	669,051	10,054	73,501	605,604
Total receipts	<u>12,403,960</u>	<u>4,365,093</u>	<u>285,991</u>	<u>16,483,062</u>
Disbursements				
Public safety	2,872,606	107,421	201,365	2,778,662
Public works	1,756,996	18,809	18,809	1,756,996
Health and social services	1,000	-	-	1,000
Culture and recreation	1,830,286	67,013	67,013	1,830,286
Community and economic development	422,553	-	-	422,553
General government	636,736	14,601	14,601	636,736
Debt service	1,598,755	379,578	-	1,978,333
Capital outlay	6,056,608	474,055	-	6,530,663
Business type activities	-	1,894,003	2,871	1,891,132
Total disbursements	<u>15,175,540</u>	<u>2,955,480</u>	<u>304,659</u>	<u>17,826,361</u>
Excess (deficiency) of receipts over (under) disbursements	(2,771,580)	1,409,613	(18,668)	(1,343,299)
Debt issuance and other financing sources (uses), net	3,271,799	545,292	-	3,817,091
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	500,219	1,954,905	(18,668)	2,473,792
Balances beginning of year	<u>6,242,403</u>	<u>9,113,864</u>	<u>165,545</u>	<u>15,190,722</u>
Balances end of year	<u>\$ 6,742,622</u>	<u>\$ 11,068,769</u>	<u>\$ 146,877</u>	<u>\$ 17,664,514</u>

Budgeted Amounts		Final to
Original	Final	Total Variance
\$ 4,119,042	\$ 4,119,042	\$ 13,112
657,297	657,297	(177,992)
1,022,935	1,049,839	(54,899)
50,000	63,449	23,803
81,670	96,399	238,516
1,754,141	1,773,929	(1,520,972)
1,889,937	3,766,377	815,163
2,733,250	2,825,862	2,188,533
498,563	602,191	3,413
<u>12,806,835</u>	<u>14,954,385</u>	<u>1,528,677</u>
2,309,514	3,002,212	(223,550)
1,879,950	1,916,720	(159,724)
3,000	1,000	-
1,600,924	1,827,915	2,371
1,401,008	1,592,954	(1,170,401)
680,141	697,746	(61,010)
1,561,328	1,979,273	(940)
4,427,900	6,796,230	(265,567)
3,158,390	2,082,238	(191,106)
<u>17,022,155</u>	<u>19,896,288</u>	<u>(2,069,927)</u>
(4,215,320)	(4,941,903)	3,598,604
900,000	1,500,521	2,316,570
(3,315,320)	(3,441,382)	5,915,174
<u>11,248,508</u>	<u>11,248,508</u>	<u>3,942,214</u>
<u>\$ 7,933,188</u>	<u>\$ 7,807,126</u>	<u>\$ 9,857,388</u>

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City of Independence
Notes to Other Information – Budgetary Reporting

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the *Code of Iowa*, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. The nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, budget amendments increased budgeted disbursements and other financing uses and increased budgeted revenues and other financing sources. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2023, disbursements did not exceed the amounts budgeted except for the culture and recreation function.

City of Independence
Schedule of the City's Proportionate Share
of the Net Pension Liability (Asset)
Iowa Public Employees' Retirement System
For the Last Nine Years*
(In Thousands)
Other Information

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
City's Proportion of the net pension liability (asset)				
Regular	0.017588 %	0.018101 %	0.018408 %	0.018530 %
Protective occupation	0.221445 %	0.217914 %	0.233070 %	0.240509 %
City's Proportionate share of the net pension liability (asset)				
Regular	\$ 698	\$ 25	\$ 1,284	\$ 1,080
Protective occupation	(305)	(751)	76	(73)
City's Covered employee payroll				
Regular	\$ 1,618	\$ 1,488	\$ 1,469	\$ 1,411
Protective occupation	1,095	922	868	928
Proportionate share of the net pension liability (asset) as a percentage of covered payroll				
Regular	43.14 %	1.68 %	87.41 %	76.54 %
Protective occupation	-27.85 %	-81.45 %	8.76 %	-7.87 %
Plan fiduciary net position as a percentage of the total pension liability	91.41 %	100.80 %	82.90 %	85.45 %

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten year trend is compiled, the City will present information for those years for which information is available.

2019	2018	2017	2016	2015
0.017631 %	0.017727 %	0.017730 %	0.017463 %	0.019422 %
0.246042 %	0.233282 %	0.243125 %	0.231377 %	0.228297 %
\$ 1,115 (4)	\$ 1,170 42	\$ 1,106 50	\$ 868 (101)	\$ 786 (178)
\$ 1,419 879	\$ 1,311 817	\$ 1,261 815	\$ 1,204 780	\$ 1,297 730
78.58 %	89.24 %	87.71 %	72.09 %	60.60 %
-0.46 %	5.14 %	6.13 %	-12.95 %	-24.38 %
83.62 %	82.21 %	81.82 %	85.19 %	87.61 %

City of Independence
Schedule of the Primary Government's Contributions
Iowa Public Employees' Retirement System
Last Ten Fiscal Years
(In Thousands)
Other Information

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Statutorily required contribution	\$ 255	\$ 226	\$ 222	\$ 225	\$ 224
Contributions in relation to the Statutorily required contribution	<u>(255)</u>	<u>(226)</u>	<u>(222)</u>	<u>(225)</u>	<u>(224)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	<u>\$ 2,713</u>	<u>\$ 2,411</u>	<u>\$ 2,337</u>	<u>\$ 2,342</u>	<u>\$ 2,299</u>
Contributions as a percentage of covered employee payroll	9.40%	9.37%	9.50%	9.61%	9.74%

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 203	\$ 198	\$ 192	\$ 186	\$ 189
<u>(203)</u>	<u>(198)</u>	<u>(192)</u>	<u>(186)</u>	<u>(189)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 2,189</u>	<u>\$ 2,129</u>	<u>\$ 2,068</u>	<u>\$ 1,974</u>	<u>\$ 2,021</u>
9.27%	9.30%	9.28%	9.42%	9.35%

City of Independence
Notes to Other Information – Pension Liability (Asset)

Changes of Benefit Terms

There are no significant changes in benefit terms.

Changes of Assumptions

The 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement rates for Regular members.
- Lowered disability rates for Regular members.
- Adjusted termination rates for all membership groups.

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

SUPPLEMENTARY INFORMATION

City of Independence
Schedule 1
Combining Statement of Cash Receipts,
Disbursements, and Changes in Cash Fund
Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Special Revenue			
	LMI Urban Renewal (145)	Economic Development (160)	Employee Benefits (112)	Independence Fire Department
Receipts				
General property taxes	\$ -	\$ -	\$ 1,057,326	\$ -
Other city tax	-	-	-	-
Tax increment financing	-	-	-	-
Intergovernmental	-	387,531	26,683	-
Use of money and property	-	-	-	1,775
Miscellaneous	-	46,743	24,596	43,402
Total receipts	-	434,274	1,108,605	45,177
Disbursements				
Current				
General government	-	-	114,093	-
Public safety	-	-	597,872	93,944
Public works	-	-	175,687	-
Community and economic development	71,533	-	-	-
Culture and recreation	-	-	326,538	-
Capital outlay				
Economic development	-	1,014,426	-	-
Total disbursements	71,533	1,014,426	1,214,190	93,944
Excess of receipts over (under) disbursements	(71,533)	(580,152)	(105,585)	(48,767)
Other financing sources (uses)				
Transfers in	85,990	11,660	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	85,990	11,660	-	-
Net change in cash fund balances	14,457	(568,492)	(105,585)	(48,767)
Cash Fund Balances				
Beginning of year	213,470	905,269	362,415	165,545
End of year	\$ 227,927	\$ 336,777	\$ 256,830	\$ 116,778
Cash basis fund balances				
Nonspendable - Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -
Restricted for				
Cemetery	-	-	-	-
Urban renewal projects	227,927	-	-	-
Economic development	-	336,777	-	-
Employee benefits	-	-	256,830	-
Fire department	-	-	-	116,778
Other purposes	-	-	-	-
Capital projects	-	-	-	-
Unassigned	-	-	-	-
Total cash basis fund balance	\$ 227,927	\$ 336,777	\$ 256,830	\$ 116,778

Special Revenue				Permanent	Total Other Governmental Funds
Police Forfeiture (177)	Local Option Sales Tax (121)	Road Use Tax (110)	Tax Increment Financing (125)	Cemetery Perpetual Care (500)	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,057,326
-	866,001	-	-	-	866,001
-	-	-	479,305	-	479,305
2,548	-	834,478	-	-	1,251,240
-	-	-	-	49	1,824
-	-	-	-	-	114,741
<u>2,548</u>	<u>866,001</u>	<u>834,478</u>	<u>479,305</u>	<u>49</u>	<u>3,770,437</u>
-	-	-	-	-	114,093
239	-	-	-	-	692,055
-	-	724,645	-	-	900,332
-	-	-	286,637	-	358,170
-	-	-	-	-	326,538
-	-	-	-	-	1,014,426
<u>239</u>	<u>-</u>	<u>724,645</u>	<u>286,637</u>	<u>-</u>	<u>3,405,614</u>
2,309	866,001	109,833	192,668	49	364,823
-	-	-	-	-	97,650
-	(713,143)	-	(359,503)	-	(1,072,646)
-	(713,143)	-	(359,503)	-	(974,996)
2,309	152,858	109,833	(166,835)	49	(610,173)
<u>10,780</u>	<u>103,929</u>	<u>512,767</u>	<u>62,518</u>	<u>98,030</u>	<u>2,434,723</u>
<u>\$ 13,089</u>	<u>\$ 256,787</u>	<u>\$ 622,600</u>	<u>\$ (104,317)</u>	<u>\$ 98,079</u>	<u>\$ 1,824,550</u>
\$ -	\$ -	\$ -	\$ -	\$ 95,000	\$ 95,000
-	-	-	-	3,079	3,079
-	-	-	-	-	227,927
-	-	-	-	-	336,777
-	-	-	-	-	256,830
-	-	-	-	-	116,778
13,089	256,787	-	-	-	269,876
-	-	622,600	-	-	622,600
-	-	-	(104,317)	-	(104,317)
<u>\$ 13,089</u>	<u>\$ 256,787</u>	<u>\$ 622,600</u>	<u>\$ (104,317)</u>	<u>\$ 98,079</u>	<u>\$ 1,824,550</u>

City of Independence
Schedule 2
Schedule of Indebtedness
Year Ended June 30, 2023

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year
General Obligation Bonds				
Refunding, Series 2013A	Jun 25, 2013	0.40%-2.50%	\$ 2,270,000	\$ 230,000
City Hall, Recreation Center and Fire Truck, Series 2013B	Oct 9, 2013	2.00%-3.00%	1,150,000	255,000
Street Improvements, Sidewalk Project and Library Refunding, Series 2015A	May 26, 2015	2.00%-2.25%	2,200,000	815,000
Corporate Purpose, Series 2016	Sep 22, 2016	2.00%-2.50%	4,810,000	2,615,000
Streets, Bridge, Water/Sanitary Sewer Systems, Storm Water, Sidewalks				
Fire Truck, Series 2018	May 8, 2018	2.00%-3.00%	2,700,000	2,215,000
Corporate Purpose, Series 2019	Oct 29, 2019	2.00%-2.20%	1,650,000	1,065,000
Corporate Purpose, Series 2021	Aug 4, 2021	0.35%-1.90%	2,770,000	2,700,000
Corporate Purpose, Series 2022	Apr 12, 2022	3.06%	700,000	700,000
Corporate Purpose, Series 2022B	Oct 10, 2022	3.95%	600,000	-
Corporate Purpose, Series 2023	Apr 10, 2023	4.00%	3,075,000	-
Total				<u>\$ 10,595,000</u>
Revenue Bonds				
Sewer revenue, Series 2018A	Dec 21, 2018	1.75%	\$ 614,066	\$ 1,368,950
Sewer Revenue Refunding, Series 2021	June 2, 2021	0.60%	1,388,000	1,200,000
Water Revenue Bonds, Series 2021	August 10, 2021	1.00%-1.15%	1,140,000	<u>1,060,000</u>
Total				<u>\$ 3,628,950</u>
Loan Agreement				
LED street light project	Oct 1, 2015	0.00%	264,601	<u>\$ 46,422</u>

Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ -	\$ 230,000	\$ -	\$ 5,750
-	125,000	130,000	7,400
-	155,000	660,000	16,903
-	200,000	2,415,000	55,720
-	235,000	1,980,000	66,450
-	125,000	940,000	21,730
-	285,000	2,415,000	27,475
-	-	700,000	24,336
600,000	-	600,000	13,891
<u>3,075,000</u>	<u>-</u>	<u>3,075,000</u>	<u>-</u>
<u>\$ 3,675,000</u>	<u>\$ 1,355,000</u>	<u>\$ 12,915,000</u>	<u>\$ 239,655</u>
-	\$ 68,000	\$ 1,300,950	\$ 23,940
-	188,000	1,012,000	7,200
<u>-</u>	<u>75,000</u>	<u>985,000</u>	<u>13,458</u>
<u>\$ -</u>	<u>\$ 331,000</u>	<u>\$ 3,297,950</u>	<u>\$ 44,598</u>
<u>\$ -</u>	<u>\$ 46,422</u>	<u>\$ -</u>	<u>\$ -</u>

City of Independence
Schedule 3
Bond and Note Maturities
Year Ended June 30, 2023

Year Ending June 30,	General Obligation					
	Center and Fire Truck Series 2013B		City Hall, Recreation Corporate Purpose Series 2015A		Corporate Purpose Series 2016	
	Issued Oct 9, 2013		Issued May 26, 2015		Issued Sept 22, 2016	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2024	3.00	\$ 130,000	2.00	\$ 155,000	2.00	\$ 205,000
2025		-	2.00	165,000	2.00	215,000
2026		-	2.10	165,000	2.00	220,000
2027		-	2.25	175,000	2.00	225,000
2028		-		-	2.00	150,000
2029		-		-	2.00	155,000
2030		-		-	2.00	160,000
2031		-		-	2.125	165,000
2032		-		-	2.125	175,000
2033		-		-	2.30	180,000
2034		-		-	2.30	185,000
2035		-		-	2.50	190,000
2036		-		-	2.50	190,000
Total		<u>\$ 130,000</u>		<u>\$ 660,000</u>		<u>\$ 2,415,000</u>

General Obligation					
Streets, Bridge, Water / Sanitary Sewer Systems, Storm Water, Sidewalks, Fire Truck, Series 2018 Issued May 8, 2018		Corporate Purpose Series 2019 Issued Oct 29, 2019		Corporate Purpose Series 2021 Issued Aug 4, 2021	
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
3.00	\$ 245,000	2.00	\$ 125,000	1.00	\$ 285,000
3.00	260,000	2.00	130,000	1.00	285,000
3.00	270,000	2.00	130,000	1.00	460,000
3.00	280,000	2.00	135,000	1.00	465,000
3.00	300,000	2.00	135,000	1.00	225,000
3.00	625,000	2.10	140,000	1.00	225,000
-	-	2.20	145,000	1.05	230,000
-	-	-	-	1.15	240,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
	<u>\$ 1,980,000</u>		<u>\$ 940,000</u>		<u>\$ 2,415,000</u>

City of Independence
Schedule 3
Bond and Note Maturities
Year Ended June 30, 2023

Year Ending June 30,	General Obligation					
	Corporate Purpose Series 2022		Corporate Purpose Series 2022B		Corporate Purpose Series 2023	
	Issued Apr 12, 2022		Issued Oct 10, 2022		Issued Apr 10, 2023	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2024	3.06	\$ 130,000	3.95	\$ 75,000	4.00	\$ 170,000
2025	3.06	135,000	3.95	80,000	4.00	150,000
2026	3.06	140,000	3.95	80,000	4.00	160,000
2027	3.06	145,000	3.95	85,000	4.00	165,000
2028	3.06	150,000	3.95	90,000	4.00	175,000
2029		-	3.95	95,000	4.00	185,000
2030		-	3.95	95,000	4.00	190,000
2031		-		-	4.00	200,000
2032		-		-	4.00	210,000
2033		-		-	4.00	220,000
2034		-		-	4.00	235,000
2035		-		-	4.00	245,000
2036		-		-	4.00	255,000
2037		-		-	4.00	230,000
2038		-		-	4.00	285,000
2039		-		-		-
Total		<u>\$ 700,000</u>		<u>\$ 600,000</u>		<u>\$ 3,075,000</u>

Revenue Bonds						
Sewer Rev SRF Loan Series 2018		Sewer Revenue Bonds Refunding Series 2021A		Water Revenue Bonds Series 2021		Total
Issued Feb 15, 2018		Issued June 2, 2021		Issued Aug 4, 2021		
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
1.75	\$ 70,000	0.60	\$ 503,000	0.65	\$ 80,000	\$ 2,173,000
1.75	71,000	0.60	509,000	0.65	80,000	2,080,000
1.75	73,000		-	1.00	80,000	1,778,000
1.75	74,000		-	1.00	80,000	1,829,000
1.75	75,000		-	1.30	85,000	1,385,000
1.75	77,000		-	1.30	85,000	1,587,000
1.75	79,000		-	1.50	85,000	984,000
1.75	80,000		-	1.50	90,000	775,000
1.75	82,000		-	1.70	90,000	557,000
1.75	83,000		-	1.70	90,000	573,000
1.75	85,000		-	1.90	80,000	585,000
1.75	87,000		-	1.90	60,000	582,000
1.75	88,000		-		-	533,000
1.75	90,000		-		-	320,000
1.75	92,000		-		-	377,000
1.75	94,950		-		-	94,950
	<u>\$ 1,300,950</u>		<u>\$ 1,012,000</u>		<u>\$ 985,000</u>	<u>\$ 16,212,950</u>

City of Independence
Schedule 4
Schedule of Receipts by Source
and Disbursements by Function - All Governmental Funds
For the Last Ten Years

	2023	2022	2021	2020
Receipts				
Property tax	\$ 4,132,154	\$ 3,996,317	\$ 3,747,487	\$ 4,160,388
Tax increment financing	479,305	710,562	530,315	768,523
Other city tax	994,940	1,003,288	909,818	712,758
Licenses and permits	334,915	341,063	277,659	259,936
Use of money and property	190,648	180,474	188,463	233,456
Intergovernmental	4,581,540	4,472,150	1,901,844	1,952,150
Charges for services	934,155	887,372	811,104	686,942
Special assessments	87,252	142,399	128,829	84,828
Miscellaneous	669,051	1,377,222	515,871	338,336
Total	<u>\$ 12,403,960</u>	<u>\$ 13,110,847</u>	<u>\$ 9,011,390</u>	<u>\$ 9,197,317</u>
Disbursements				
Operating				
Public safety	\$ 2,872,606	\$ 2,063,910	\$ 1,934,279	\$ 1,902,902
Public works	1,756,996	1,794,200	1,658,911	1,920,640
Health and social services	1,000	1,000	1,000	5,000
Culture and recreation	1,830,286	1,674,696	1,510,756	1,480,865
Community and economic development	422,553	355,369	247,711	238,462
General government	636,736	634,009	644,558	541,342
Debt service	1,598,755	1,602,397	1,512,026	1,502,686
Capital projects	6,056,608	5,626,020	2,635,530	5,771,448
Total	<u>\$ 15,175,540</u>	<u>\$ 13,751,601</u>	<u>\$ 10,144,771</u>	<u>\$ 13,363,345</u>

2019	2018	2017	2016	2015	2014
\$ 3,252,191	\$ 3,018,357	\$ 3,186,513	\$ 3,128,089	\$ 2,655,159	\$ 2,570,302
706,233	656,897	98,892	166,630	261,462	161,435
700,416	645,649	813,352	640,987	671,505	660,571
272,432	256,860	69,914	89,195	65,351	69,066
259,675	209,140	194,230	141,415	121,041	59,219
1,521,402	1,288,205	1,278,114	1,401,708	1,205,469	1,382,637
703,026	702,988	667,417	603,005	677,288	706,356
39,503	49,282	59,189	55,045	16,532	9,308
447,965	320,168	379,372	328,563	197,429	147,337
<u>\$ 7,902,843</u>	<u>\$ 7,147,546</u>	<u>\$ 6,746,993</u>	<u>\$ 6,554,637</u>	<u>\$ 5,871,236</u>	<u>\$ 5,766,231</u>
\$ 1,767,474	\$ 1,766,096	\$ 1,654,724	\$ 1,680,073	\$ 1,660,598	\$ 1,637,455
1,592,831	1,615,648	1,530,453	1,327,137	1,259,990	1,359,286
3,000	1,000	1,000	1,000	1,000	1,000
1,454,722	1,320,775	1,280,887	1,246,512	1,251,561	1,239,958
214,329	174,967	134,901	121,721	139,502	209,003
505,783	521,006	478,584	499,413	597,251	507,223
1,530,605	1,506,107	1,057,519	821,452	710,490	602,639
3,091,950	1,464,456	4,958,095	2,448,405	932,651	2,101,026
<u>\$ 10,160,694</u>	<u>\$ 8,370,055</u>	<u>\$ 11,096,163</u>	<u>\$ 8,145,713</u>	<u>\$ 6,553,043</u>	<u>\$ 7,657,590</u>

City of Independence
Schedule 5
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Federal Agency/Pass Through Agency/Program Title	Federal Assistance Listing Number	Expenditures
U.S. Department of Treasury		
Direct Programs:		
Coronavirus State and Local Fiscal Recovery Funds	21.027	\$ 484,713
U.S. Department of Transportation		
Through Federal Aviation Administration		
Airport Improvement Program	20.106	189,422
U.S. Department of Housing and Urban Development		
Through Iowa Economic Development Authority		
Community Development Block Grants	14.218	400,478
Total Federal Expenditures		<u>\$ 1,074,613</u>

City of Independence
Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes of net assets, or cash flows of the City.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance where in certain types of expenditures may or may not be allowable or may be limited to reimbursement.

NOTE 3 – INDIRECT COST RATE

The City did not elect to use the 10 percent de minimis indirect cost rate, as allowed by under the Uniform Guidance.

NOTE 4 - PASS-THROUGH GRANT NUMBERS

All pass-through entities listed above use the same Assistance Listing numbers as the federal grantors to identify these grants and have not assigned any additional identifying numbers.

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**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of
Basic 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, Iowa

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 basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Independence as of and for the year ended June 30, 2023, and the related notes to basic financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 5, 2023. Our report expressed unmodified opinions on the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information, which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. general accepted accounting principles. Our report expressed an adverse opinion on the aggregate discretely presented component units due to the omission of Independence Light and Power, Telecommunications.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the basic 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 basic 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 basic financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Report on Internal Control over Financial Reporting (Continued)

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies in internal control, Audit Findings 2023-001 and 2023-002.

Report on Compliance and Other Matters

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

City's Response to Findings

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

Purpose of this Report

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

Minneapolis, Minnesota
December 4, 2023

**Report on Compliance for Each Major Federal Program
and Report on Internal Control over Compliance
Required by the Uniform Guidance**

Independent Auditor's Report

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

Report on Compliance for the Major Federal Program

Opinion on Each Major Federal Program

We have audited the compliance of the City of Independence with the types of compliance requirements identified as subject to audit described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2023. The City's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance.

In our opinion, the City of Independence complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance 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 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Independence's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Independence's federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Independence's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Independence's compliance with the requirements of the major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City of Independence's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Independence's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Independence's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Report on Internal Control over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Minneapolis, Minnesota
December 4, 2023

**City of Independence
Schedule of Findings and Questioned Costs in
Accordance with the Uniform Guidance**

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes, Audit Findings 2023-001 and 2023-002
Noncompliance material to financial statement noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of Major Programs

Assistance Listing No:	21.027
Name of Federal Program or Cluster	Coronavirus State and Local Fiscal Recovery Funds
Auditee qualified as low risk auditee?	No

**City of Independence
Schedule of Findings and Questioned Costs**

SECTION II – FINANCIAL STATEMENT FINDINGS

2023-001 LACK OF SEGREGATION OF ACCOUNTING DUTIES

Independence Fire Department – A Blended Component Unit

Criteria:

An effective internal control system provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. The segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Fire Department's financial information.

Condition:

All accounting functions are handled by the Treasurer.

Context:

The Fire Department has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect or Potential Effect:

Inadequate segregation of duties could adversely affect the Department's ability to prevent or detect and correct misstatements, errors, or misappropriations on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation:

The Fire Department should segregate accounting duties to the extent possible, including approval of disbursements and signing checks.

Responsible Official's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding

Independence Fire Department continues to improve where we can in the area of segregation of duties. With limited staff available, it makes it hard to be efficient as well as consistent with our accounting functions. We continue to utilize staff in City Hall to improve our segregation of duties when possible.

3. Official Responsible for Ensuring CAP

Blake Hayward, Fire Chief, is the official responsible for ensuring corrective action of the deficiency.

**City of Independence
Schedule of Findings and Questioned Costs**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2023-001 LACK OF SEGREGATION OF ACCOUNTING DUTIES (CONTINUED)

Responsible Official's Response (Continued):

CORRECTIVE ACTION PLAN (CAP) (CONTINUED):

4. Planned Completion Date for CAP
The planned completion date for the CAP is June 30, 2024.
5. Plan to Monitor Completion of CAP
The City Council will be monitoring this CAP.

2023-002 LACK OF SEGREGATION OF ACCOUNTING DUTIES

Independence Public Library Foundation – A Discretely Presented Component Unit

Criteria:

An effective internal control system provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Foundation's financial information.

Condition:

All accounting functions are handled by one or two individuals without adequate compensating controls.

Context:

The Foundation has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect or Potential Effect:

Inadequate segregation of duties could adversely affect the Foundation's ability to prevent or detect and correct misstatements, errors, or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation:

The Library Foundation should segregate duties to the extent possible.

**City of Independence
Schedule of Findings and Questioned Costs**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2023-002 LACK OF SEGREGATION OF ACCOUNTING DUTIES (CONTINUED)

Responsible Official's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
Independence Public Library Foundation (IPLF) continues to improve where we can in the area of segregation of duties. With limited full-time staff, it makes it hard to be efficient as well as consistent with accounting functions. IPLF will continue to use pre-numbered receipts for Foundation donations. Part-time and full-time staff are all trained on the procedure for accepting and writing receipts for donations. This allows for additional segregation of duties. The Friends Book Store (on-going sale) transactions are documented on a spreadsheet and the Friends Book Sale (biannual sale) volunteers will continue to use pre-numbered receipts. The Foundation will continue to segregate duties to the amount possible for the Foundation Programming Fund, Foundation Building Fund, and Friends of the Library Fund.
3. Official Responsible for Ensuring CAP
Laura Blaker, Library Director, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP
The planned completion date for the CAP is June 30, 2024.
5. Plan to Monitor Completion of CAP
The City Council and Public Library Foundation Board will be monitoring this CAP.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – OTHER FINDINGS RELATED TO STATUTORY REPORTING:

1. Certified Budget – Disbursements in the Culture and Recreation functional area exceeded amounts budgeted during the year.

Auditor's Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the *Code of Iowa* before disbursements were allowed to exceed the budget.

City's Response – The budget will be amended in the future prior to exceeding it.

Auditor's Conclusion – Response accepted.

City of Independence
Schedule of Findings and Questioned Costs

SECTION IV – OTHER FINDINGS RELATED TO STATUTORY REPORTING:
(CONTINUED)

2. Questionable Disbursements

We noted no material expenditures which did not appear to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

3. Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

4. Business Transactions

Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Daniel Eschen, Water Department employee, Father owns Napa Auto Parts	Miscellaneous parts	\$ 9,135
John Kurtz, City Council member works part-time at Advance Auto parts	Miscellaneous supplies	\$ 1,037
Brian Prusator, City Council member works at Superior Cleaning Service	Miscellaneous supplies	\$ 20,841

In accordance with Chapter 362.5(3)(j) of the *Code of Iowa*, the transactions with the City Council Members do not appear to represent conflicts of interest since the Council Members are not owners of these vendors, they are employees and do not benefit from these transactions. The transaction with the Water Department employee does not appear to represent a conflict of interest since the employee does not have a direct or indirect interest in NAPA Auto Parts.

5. Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

6. Council Minutes

No transactions were found that we believe should have been approved in the Council minutes but were not.

City of Independence
Schedule of Findings and Questioned Costs

**SECTION IV – OTHER FINDINGS RELATED TO STATUTORY REPORTING:
(CONTINUED)**

7. Deposits and Investments

No instances of noncompliance with the deposit and investment provision of Chapter 12B and 12C of the *Code of Iowa* and the City's investment policy were noted.

8. Revenue Bonds and Notes

No instances of non-compliance with the revenue bond and note resolutions were noted

9. Tax Increment Financing

The Special Revenue, Tax Increment Financing (TIF) Fund properly disbursed payments for TIF loans and rebates. Also, the City of Independence properly completed the Tax Increment Debt Certificate Forms to request TIF property taxes.

10. Annual Urban Renewal Report

The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1 as required by Chapter 384.22(2)(a) of the *Code of Iowa* and no exceptions were noted.

11. Financial Condition – The Tax Increment Financing Special Revenue Fund had a deficit fund balance of \$104,317.

Auditor's Recommendation – The City should investigate alternatives to eliminate this deficits in order to return the funds to a sound financial position.

City's Response – The deficits will be eliminated as tax revenue is received in fiscal year 2024 and future years.

Auditor's Conclusion – Response accepted.

SECTION V – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Condition:

During the course of our audit interfund transfers were not fully approved by City Council.

Corrective Action Taken:

The City ensured that all interfund transfers were approved by the City Council.

Condition:

A Budget Amendment was approved after the deadline.

Corrective Action Taken:

The City ensured that all budget amendments were approved before the deadline.