



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

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Des Moines, Iowa 50319-0006

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NEWS RELEASE

FOR RELEASE

June 9, 2020

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released an audit report on the City of Independence, Iowa.

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$11,925,996 for the year ended June 30, 2019, a 21.3% decrease from the prior year. Disbursements for the year ended June 30, 2019 totaled \$13,310,521, a 1.8% increase over the prior year. The decrease in receipts is due primarily to a reduction in bond proceeds in fiscal year 2019 as compared to the prior year.

AUDIT FINDINGS:

Sand reported eight findings related to the receipt and disbursement of taxpayer funds, one finding pertaining to the Independence Fire Department, a blended component unit, and one finding pertaining to the Independence Public Library Foundation, a discretely presented component unit. They are found on pages 58 through 64 of this report. The findings address issues such as a lack of segregation of duties at the Independence Fire Department and the Independence Public Library Foundation, the incorrect recording of receipts, disbursements exceeding budgeted amounts, receipts collected and not included in the City's accounting records but used for disbursements that do not appear to meet the test of public purpose and noncompliance with Chapters 68B.22 and 809 of the Code of Iowa. Sand provided the City and the Library Foundation with recommendations to address each of the findings.

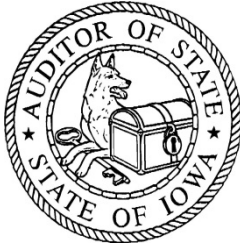
Two of the findings discussed above for the City and two of the findings pertaining to the component units are repeated from the prior year. The City Council and management of the component units have a fiduciary responsibility to provide oversight of the City's and the component units' operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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CITY OF INDEPENDENCE
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2019

City of Independence



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Telephone (515) 281-5834 Facsimile (515) 281-6518

May 26, 2020

Officials of the City of Independence
Independence, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Independence, Iowa, for the year ended June 30, 2019. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of Independence throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and cursive.

Rob Sand
Auditor of State

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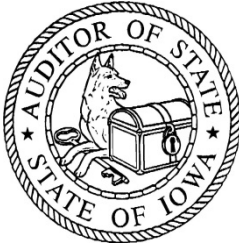
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City of Independence

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Bonita Davis	Mayor	Jan 2022
Debra Hanna	Council Member	Jan 2020
Robert Hill	Council Member	Jan 2020
Dennis Vaughn	Council Member	Jan 2020
Michael Hayward	Council Member	Jan 2022
John Kurtz	Council Member	Jan 2022
Mike O'Loughlin	Council Member	Jan 2022
Carl Scharff	Council Member	Jan 2022
Albert W. Roder	City Manager	Indefinite
Jeena Lynch	City Clerk/Treasurer	Indefinite
Steven C. Leidinger	Attorney	Indefinite

City of Independence



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying 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, Iowa, as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for one of the City's legally separate component units because 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 financial statements for the financial reporting entity which include the financial data for all component units. The City has not issued such reporting entity financial statements. The amounts by which this departure affects the receipts, disbursements and cash balances of the aggregate discretely presented component units is \$12,600,614, \$12,142,147 and \$8,597,872, respectively.

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 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, 2019, 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 financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Independence as of June 30, 2019, 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.

Basis of Accounting

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

Other Matters

Supplementary and Other Information

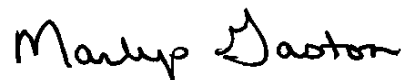
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Independence's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2018 (which are not presented herein) and expressed unmodified opinions on the financial statements of 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. We expressed an adverse opinion on the financial statements of the aggregate discretely presented component units due to the omission of the Independence Light and Power, Telecommunications. We also previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2012 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. 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.

The supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. Because of the significance of the matter described in the “Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units” paragraph on the preceding page, it is inappropriate to, and we do not, express an opinion on the supplementary information.

The other information, Management’s Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City’s Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 8 through 13 and 40 through 46, 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 May 26, 2020 on our consideration of the City of Independence’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Independence’s internal control over financial reporting and compliance.



Marlys K. Gaston, CPA
Deputy Auditor of State

May 26, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Independence provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2019. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2019 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 20.0%, or approximately \$1,969,000 from fiscal year 2018 to fiscal year 2019. Bond proceeds decreased approximately \$2,721,000 and capital grants, contributions and restricted interest receipts increased approximately \$328,000. Property tax receipts also increased approximately \$241,000.
- Disbursements for governmental activities increased 21.4%, or approximately \$1,791,000, in fiscal year 2019 over fiscal year 2018. Capital projects disbursements increased approximately \$1,627,000 and culture and recreation disbursements increased approximately \$134,000.
- The City's total cash basis net position decreased 10.7%, or approximately \$1,385,000, from June 30, 2018 to June 30, 2019. Of this amount, the cash basis net position of the governmental activities decreased approximately \$1,993,000 and the cash basis net position of the business type activities increased approximately \$608,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the 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 financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Employee Benefits, Tax Increment Financing and Local Option Sales Tax, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds and its Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

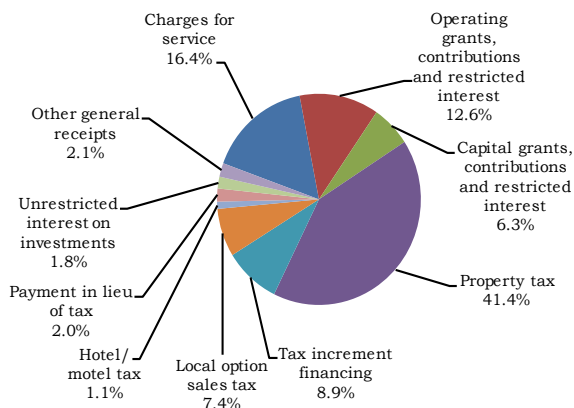
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

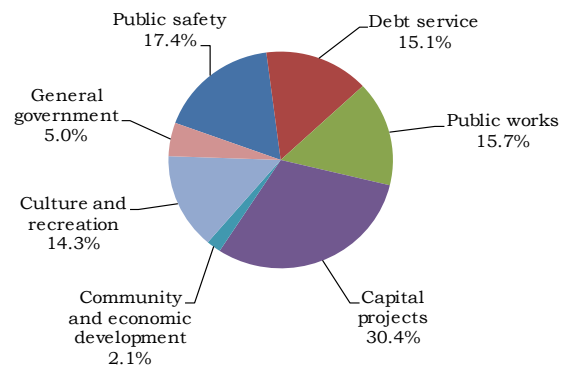
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$5,580,910 to \$3,588,040. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

	Changes in Cash Basis Net Position of Governmental Activities	
	Year ended June 30,	
	2019	2018
Receipts:		
Program receipts:		
Charges for service	\$ 1,303,650	1,241,354
Operating grants, contributions and restricted interest	1,000,985	1,078,392
Capital grants, contributions and restricted interest	501,294	173,026
General receipts:		
Property tax	3,278,095	3,036,827
Tax increment financing	706,233	656,897
Local option sales tax	587,291	518,702
Hotel/motel tax	87,221	108,477
Payment in lieu of tax	156,000	156,000
Unrestricted interest on investments	140,768	102,680
Bond proceeds	-	2,721,477
Promissory note proceeds	-	19,010
Other general receipts	168,587	86,691
Total receipts	7,930,124	9,899,533
Disbursements:		
Public safety	1,767,474	1,766,096
Public works	1,592,831	1,615,648
Health and social services	3,000	1,000
Culture and recreation	1,454,722	1,320,775
Community and economic development	214,329	174,967
General government	505,783	521,006
Debt service	1,530,605	1,506,107
Capital projects	3,091,950	1,464,456
Total disbursements	10,160,694	8,370,055
Change in cash basis net position before transfers	(2,230,570)	1,529,478
Transfers, net	237,700	229,763
Change in cash basis net position	(1,992,870)	1,759,241
Cash basis net position beginning of year	5,580,910	3,821,669
Cash basis net position end of year	\$ 3,588,040	5,580,910

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities decreased 20.0%, or approximately \$1,969,000, from the prior year. The total cost of all programs and services increased approximately \$1,791,000, or 21.4%, with no new programs added this year. The decrease in receipts was primarily the result of a bond issuance of \$2,721,477 in the prior fiscal year and no bond issuances in the current year. The increase in disbursements in the capital projects function was primarily the result of street reconstruction and City hall projects which started in fiscal year 2019.

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2019	2018
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 992,404	889,876
Sewer	2,313,762	2,317,519
General receipts:		
Unrestricted interest on investments	79,402	42,149
Bond proceeds	606,241	2,010,000
Farm rent	4,063	4,063
Total receipts	<u>3,995,872</u>	<u>5,263,607</u>
Disbursements:		
Water	981,859	995,730
Sewer	2,167,968	1,695,917
Payment to refunding bond agent	-	2,010,000
Total disbursements	<u>3,149,827</u>	<u>4,701,647</u>
Change in cash basis net position before transfers	846,045	561,960
Transfers, net	<u>(237,700)</u>	<u>(229,763)</u>
Change in cash basis net position	608,345	332,197
Cash basis net position beginning of year	<u>7,306,369</u>	<u>6,974,172</u>
Cash basis net position end of year	<u>\$ 7,914,714</u>	<u>7,306,369</u>

Total business type activities receipts decreased approximately \$1,268,000, or 24.1%, from the prior year, primarily due to the reduction in bond proceeds from the prior fiscal year. Total disbursements for the fiscal year decreased 33%, or approximately \$1,552,000, primarily due to the refunding of the sewer revenue improvement bonds in the prior fiscal year. The cash balance increased approximately \$608,000 during the year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Independence completed the year, its governmental funds reported a combined fund balance of \$3,588,040, a decrease of \$1,992,870 compared to last year's total of \$5,580,910. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$261,314 over the prior year to \$1,251,323. The increase is primarily attributable to the transfer of \$497,714 from the Local Option Sales Tax Fund in the current year, netted with \$274,877 transferred to the Capital Projects Fund related to the City's capital plan.
- The Special Revenue, Road Use Tax Fund cash balance increased \$32,923 to \$207,320 during the fiscal year. This increase was primarily due to the City spending less on road improvements than in fiscal year 2018.

- The Special Revenue, Employee Benefits Fund cash balance decreased \$77,810 from \$318,251 to \$240,441. Disbursements increased by \$47,753 in fiscal year 2019 compared to 2018.
- The Special Revenue, Tax Increment Financing Fund cash balance increased \$16,351 from \$280,651 to \$297,002. Receipts increased \$49,336 due to increased collections based on the TIF debt which has been certified for projects within the urban renewal area.
- The Special Revenue, Local Option Sales Tax Fund was established to account for special sales tax collected. At the end of the fiscal year, the cash balance was \$654,435. Receipts were \$68,589 higher than the prior year and transfers out to other funds were \$107,000 higher than the prior year.
- The Debt Service Fund cash balance increased \$30,869 to \$230,023 at the end of the fiscal year. The City increased the debt service levy from \$2.73012 per \$1,000 of taxable valuation in fiscal year 2018 to \$3.04886 per \$1,000 of taxable valuation in fiscal year 2019.
- The Capital Projects Fund cash balance decreased \$2,243,853 to \$439,163 at the end of the fiscal year. The City issued bonds and deposited \$2,721,477 of bond proceeds in the Capital Projects Fund in the prior year to pay for construction projects which began during fiscal year 2019.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased from \$2,715,252 to \$2,787,685. Capital outlay disbursements decreased by approximately \$79,000 from fiscal year 2018 to fiscal year 2019.
- The Enterprise, Sewer Fund cash balance increased \$535,912 to \$5,127,029. The City received proceeds from the Iowa Finance Authority, State Revolving Loan Fund of \$606,241 in the current fiscal year to pay for sewer construction projects.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 13, 2019 and resulted in an increase in budgeted disbursements of \$983,294, primarily related to the capital projects and business type activities functions. The City's receipts were \$690,046 more than budgeted primarily a result of the City receiving more charges for service receipts than budgeted.

Total disbursements were \$4,910,875, or 27.0%, less than the final budget. This was primarily due to the City not completing some of the projects as originally planned and having fewer business type activity disbursements than budgeted.

During the year ended June 30, 2019, disbursements exceeded the amount budgeted in the community and economic development function.

DEBT ADMINISTRATION

At June 30, 2019, the City had \$11,756,349 of bonds/notes and other long-term debt outstanding, compared to \$12,625,204 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2019	2018
General obligation bonds/notes	\$ 9,265,000	10,525,000
Sewer revenue bonds	2,311,241	1,865,000
Revenue loan agreement	16,946	24,115
Loan agreement	153,435	192,079
Promissory note	9,727	19,010
Total	<u>\$ 11,756,349</u>	<u>12,625,204</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all property within the City's corporate limits. The City's outstanding general obligation debt of \$9,578,104, including annually appropriated TIF developer agreements of \$149,942, is significantly below its constitutional debt limit of approximately \$17,738,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Independence's elected and appointed officials and citizens considered many factors when setting the fiscal year 2020 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in the County was 2.4% for June 2019. This compares with the State's unemployment rate of 2.4%.

These factors were taken into account when adopting the budget for fiscal year 2020. Property tax receipts available for appropriation in the fiscal year 2020 operating budget are budgeted at approximately \$90,000 more than the final 2019 budget. This increase is partially due to a \$.99506 per \$1,000 of taxable valuation increase in the employee benefits levy. Budgeted disbursements are expected to increase \$3,638,377 over the final fiscal year 2019 budget to \$20,841,388. This increase is primarily due to the capital projects function.

If these estimates are realized, the City's June 30, 2020 cash balance is expected to decrease to approximately \$10,202,000 by the close of fiscal year 2020.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jeena Lynch, City Clerk, 331 - 1st Street, East, Independence, Iowa 50644.

City of Independence

Basic Financial Statements

City of Independence

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2019

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 1,767,474	46,455	139,529	-
Public works	1,592,831	588,248	797,110	279,923
Health and social services	3,000	-	-	-
Culture and recreation	1,454,722	298,634	60,716	-
Community and economic development	214,329	-	-	-
General government	505,783	141,390	3,630	-
Debt service	1,530,605	39,504	-	-
Capital projects	3,091,950	189,419	-	221,371
Total governmental activities	10,160,694	1,303,650	1,000,985	501,294
Business type activities:				
Water	981,859	992,404	-	-
Sewer	2,167,968	2,313,762	-	-
Total business type activities	3,149,827	3,306,166	-	-
Total	\$ 13,310,521	4,609,816	1,000,985	501,294
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Hotel/motel tax				
Payment in lieu of tax				
Unrestricted interest on investments				
Proceeds from State Revolving Fund Loan				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Cemetery perpetual care				
Expendable:				
Streets				
Employee benefits				
Debt service				
Capital projects				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(1,581,490)	-	(1,581,490)
72,450	-	72,450
(3,000)	-	(3,000)
(1,095,372)	-	(1,095,372)
(214,329)	-	(214,329)
(360,763)	-	(360,763)
(1,491,101)	-	(1,491,101)
(2,681,160)	-	(2,681,160)
(7,354,765)	-	(7,354,765)
-	10,545	10,545
-	145,794	145,794
-	156,339	156,339
(7,354,765)	156,339	(7,198,426)
2,601,620	-	2,601,620
676,475	-	676,475
706,233	-	706,233
587,291	-	587,291
87,221	-	87,221
156,000	-	156,000
140,768	79,402	220,170
-	606,241	606,241
168,587	4,063	172,650
237,700	(237,700)	-
5,361,895	452,006	5,813,901
(1,992,870)	608,345	(1,384,525)
5,580,910	7,306,369	12,887,279
\$ 3,588,040	7,914,714	11,502,754
\$ 95,000	-	95,000
207,388	-	207,388
240,441	-	240,441
527,025	236,701	763,726
439,163	175,000	614,163
964,961	-	964,961
1,114,062	7,503,013	8,617,075
\$ 3,588,040	7,914,714	11,502,754

City of Independence

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2019

	Special Revenue			
	General	Road Use Tax	Employee Benefits	Tax Increment Financing
Receipts:				
Property tax	\$ 1,795,084	-	785,771	-
Tax increment financing	-	-	-	706,233
Other city tax	101,319	-	6,667	-
Licenses and permits	272,432	-	-	-
Use of money and property	258,689	-	-	-
Intergovernmental	344,897	770,722	27,212	-
Charges for service	703,026	-	-	-
Special assessments	-	-	-	-
Miscellaneous	230,313	-	12,029	-
Total receipts	<u>3,705,760</u>	<u>770,722</u>	<u>831,679</u>	<u>706,233</u>
Disbursements:				
Operating:				
Public safety	1,279,364	-	452,352	-
Public works	711,692	737,799	143,340	-
Health and social services	3,000	-	-	-
Culture and recreation	1,223,108	-	231,614	-
Community and economic development	53,800	-	-	97,037
General government	423,600	-	82,183	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	<u>3,694,564</u>	<u>737,799</u>	<u>909,489</u>	<u>97,037</u>
Excess (deficiency) of receipts over (under) disbursements	<u>11,196</u>	<u>32,923</u>	<u>(77,810)</u>	<u>609,196</u>
Other financing sources (uses):				
Transfers in	497,714	-	-	-
Transfers out	(274,877)	-	-	(592,845)
Sale of capital assets	27,281	-	-	-
Total other financing sources (uses)	<u>250,118</u>	<u>-</u>	<u>-</u>	<u>(592,845)</u>
Change in cash balances	261,314	32,923	(77,810)	16,351
Cash balances beginning of year	990,009	174,397	318,251	280,651
Cash balances end of year	<u>\$ 1,251,323</u>	<u>207,320</u>	<u>240,441</u>	<u>297,002</u>
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ -	-	-	-
Restricted for:				
Streets	68	207,320	-	-
Employee benefits	-	-	240,441	-
Debt service	-	-	-	297,002
Capital projects	-	-	-	-
Other purposes	137,193	-	-	-
Committed for library purposes	9,561	-	-	-
Unassigned	1,104,501	-	-	-
Total cash basis fund balances	<u>\$ 1,251,323</u>	<u>207,320</u>	<u>240,441</u>	<u>297,002</u>

See notes to financial statements.

Local Option Sales Tax	Debt Service	Capital Projects	Nonmajor	Total
-	671,336	-	-	3,252,191
-	-	-	-	706,233
587,291	5,139	-	-	700,416
-	-	-	-	272,432
-	-	-	986	259,675
-	20,973	348,567	9,031	1,521,402
-	-	-	-	703,026
-	39,503	-	-	39,503
-	-	152,727	52,896	447,965
587,291	736,951	501,294	62,913	7,902,843
-	-	-	35,758	1,767,474
-	-	-	-	1,592,831
-	-	-	-	3,000
-	-	-	-	1,454,722
-	-	-	63,492	214,329
-	-	-	-	505,783
-	1,530,605	-	-	1,530,605
-	-	3,091,950	-	3,091,950
-	1,530,605	3,091,950	99,250	10,160,694
587,291	(793,654)	(2,590,656)	(36,337)	(2,257,851)
-	824,523	346,803	15,382	1,684,422
(579,000)	-	-	-	(1,446,722)
-	-	-	-	27,281
(579,000)	824,523	346,803	15,382	264,981
8,291	30,869	(2,243,853)	(20,955)	(1,992,870)
646,144	199,154	2,683,016	289,288	5,580,910
654,435	230,023	439,163	268,333	3,588,040
-	-	-	95,000	95,000
-	-	-	-	207,388
-	-	-	-	240,441
-	230,023	-	-	527,025
-	-	439,163	-	439,163
654,435	-	-	173,333	964,961
-	-	-	-	9,561
-	-	-	-	1,104,501
654,435	230,023	439,163	268,333	3,588,040

City of Independence

City of Independence

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2019

	Enterprise			Internal Service
	Water	Sewer	Total	Health Insurance
Operating receipts:				
Charges for service	\$ 961,865	2,312,762	3,274,627	111,978
Miscellaneous	30,539	1,000	31,539	-
Total operating receipts	992,404	2,313,762	3,306,166	111,978
Operating disbursements:				
Public safety	-	-	-	43,221
Public works	-	-	-	14,369
Culture and recreation	-	-	-	39,992
General government	-	-	-	5,120
Business type activities	597,468	918,664	1,516,132	9,276
Total operating disbursements	597,468	918,664	1,516,132	111,978
Excess of operating receipts over operating disbursements	394,936	1,395,098	1,790,034	-
Non-operating receipts (disbursements):				
Interest on investments	61,888	17,514	79,402	-
Farm rent	-	4,063	4,063	-
Proceeds from State Revolving Fund Loan	-	606,241	606,241	-
Debt service	-	(224,592)	(224,592)	-
Capital outlay	(384,391)	(1,024,712)	(1,409,103)	-
Net non-operating disbursements	(322,503)	(621,486)	(943,989)	-
Excess of receipts over disbursements	72,433	773,612	846,045	-
Transfers out	-	(237,700)	(237,700)	-
Change in cash balances	72,433	535,912	608,345	-
Cash balances beginning of year	2,715,252	4,591,117	7,306,369	-
Cash balances end of year	\$ 2,787,685	5,127,029	7,914,714	-
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ -	236,701	236,701	-
Capital projects	-	175,000	175,000	-
Unrestricted	2,787,685	4,715,328	7,503,013	-
Total cash basis fund balances	\$ 2,787,685	5,127,029	7,914,714	-

See notes to financial statements.

City of Independence

Notes to Financial Statements

June 30, 2019

(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 non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

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 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 to or impose specific financial burdens on the City.

Except as noted, these financial statements present the City of Independence (the primary government) and its component units. The 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.

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. The financial activity of the component unit has been blended as a Special Revenue Fund of the City.

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 11.

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. 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 financial statements since the City prepares its financial statements on the cash basis. Complete financial statements can be obtained from the Independence Light and Power, Telecommunications, P.O. Box 754, Independence, IA 50644.

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 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 receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are 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 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:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies 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.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefits Fund is used to account for property tax receipts to be used for payment of employee benefits.

The Tax Increment Financing Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Local Option Sales Tax Fund is used to account for receipts from the tax authorized by referendum and used for community betterment and property tax relief.

The Debt Service 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.

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

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The City also reports the following proprietary fund:

The Internal Service 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 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 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.

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 are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts the City Council has committed to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2019, disbursements exceeded the amount budgeted in the community and economic development function.

(2) Cash and Pooled Investments

The City’s deposits in banks at June 30, 2019 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.

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 investment trusts; and warrants or improvement certificates of a drainage district.

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$745,078 pursuant to Rule 2a-7 under the Investment Company Act of 1940. 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.

(3) Long-Term Debt

Annual debt service requirements to maturity for general obligation and sewer revenue bonds and notes are as follows:

Year Ending June 30,	General Obligation							Total
	Bonds/Notes		Sewer Revenue Bonds		Total			
	Principal	Interest	Principal	Interest	Principal	Interest		
2020	\$ 1,245,000	222,548	160,000	58,370	1,405,000	280,918	1,685,918	
2021	970,000	194,897	170,000	53,810	1,140,000	248,707	1,388,707	
2022	920,000	174,155	175,000	48,710	1,095,000	222,865	1,317,865	
2023	945,000	152,222	180,000	43,110	1,125,000	195,332	1,320,332	
2024	735,000	128,822	500,000	36,990	1,235,000	165,812	1,400,812	
2025-2029	2,890,000	396,693	520,000	19,240	3,410,000	415,933	3,825,933	
2030-2034	1,180,000	116,154	-	-	1,180,000	116,154	1,296,154	
2035-2039	380,000	14,250	-	-	380,000	14,250	394,250	
Total	\$ 9,265,000	1,399,741	1,705,000	260,230	10,970,000	1,659,971	12,629,971	

Sewer Revenue Bonds

On February 15, 2018, the City entered into a sewer revenue refunding loan agreement with Farmers State Bank for the issuance of \$2,010,000 of sewer revenue bonds with interest ranging from 2.45% to 3.7% per annum. The bonds were issued pursuant to the provisions of Chapter 384.24A of the Code of Iowa. Proceeds from the bonds were used to refund the City’s 2005 sewer revenue bond. The bonds are payable through 2025. For the year ended June 30, 2019, principal and interest payments on the bonds required approximately 16% of net receipts. Total principal and interest remaining to be paid on the bonds is \$1,965,230. For the current year, principal and interest paid and total customer net receipts were \$222,610 and \$1,395,098, respectively.

On December 21, 2018, the City entered into a State Revolving Fund (SRF) loan and disbursement agreement with the Iowa Finance Authority (IFA) and the Iowa Department of Natural Resources for the issuance of up to \$1,565,000 sewer revenue bonds with interest at 1.75% per annum. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements and extensions to the City’s sewer system. The City will draw down funds from the IFA upon request to reimburse the City for costs as they are incurred. At June 30, 2019, the City had drawn down \$614,066 of the authorized amount. An initiation fee of \$7,825 (0.5% of the authorized borrowing for the sewer revenue bonds) was charged by the IFA. The initiation fee was withheld from the first proceeds of the sewer revenue bonds drawn by the City during the year ended June 30, 2019. The agreement also requires the City to pay .25% servicing fee on the outstanding principal balance. A final repayment schedule has not yet been adopted. An interest payment of \$1,982 was made during the year ended June 30, 2019. No principal payments were made during the year.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,616,241 of sewer revenue bonds issued in February 2018 and December 2018. 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:

- (a) 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.
- (b) 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.
- (c) Sufficient monthly transfers shall be made to a sewer revenue bond sinking account within the Sewer Fund for the purpose of making the bond principal and interest payments when due

Revenue Loan Agreement

On July 13, 2011, the City entered into a loan agreement with WPPI Energy, a Wisconsin municipal electric company, for an LED streetlight project for \$78,213. The agreement requires 120 monthly payments of \$652 starting in August 2011. The City is not required to pay interest unless a payment is delinquent or in the event of default. The City has pledged its annual road use tax receipts from the State of Iowa to repay the loan. The loan is payable solely from road use tax receipts and is payable through 2021. For the current year, principal paid and total road use tax receipts were \$7,169 and \$770,722, respectively. The outstanding loan balance at June 30, 2019 was \$16,946.

Year Ending June 30,	Revenue Loan Agreement Principal
2020	\$ 7,824
2021	7,824
2022	1,298
Total	<u>\$ 16,946</u>

Loan Agreement

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 outstanding loan balance at June 30, 2019 was \$153,435.

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Loan</u> <u>Agreement</u> <u>Principal</u>
2020	\$ 35,671
2021	35,671
2022	35,671
2023	35,671
2024	10,751
Total	<u>\$ 153,435</u>

Promissory Note

On August 23, 2017, the City entered into a promissory note with Farmers State Bank for \$19,010 for the purchase of a police vehicle. The note bears interest at 1.65% per annum. The City is required to make two payments of \$9,731 on August 1, 2018 and 2019.

(4) Pension Plan

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 the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO 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.

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.

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

The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- 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 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 benefit payments.

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.

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 2019, 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 6.81% of covered payroll and the City contributed 10.21% of covered payroll, for a total rate of 17.02%.

The City's contributions to IPERS for the year ended June 30, 2019 were \$223,783.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the City reported a liability of \$1,111,001 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 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, 2018, the City’s proportion was 0.017556%, which was a decrease of 0.000644% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City’s pension expense, deferred outflows of resources and collective deferred inflows of resources totaled \$230,421, \$255,243 and \$91,776, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2018 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.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Health Annuitant tables with MP-2017 generational adjustments.

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%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability 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 to 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.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 2,414,317	1,111,001	18,503

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.

(5) Other Postemployment Benefits (OPEB)

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 \$489 and \$27 for single coverage to \$1,100 and \$91 for family coverage, respectively. 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, 2019. Under another prior City policy, the City pays the Medicare supplement premium for 2 retirees age 65 or older. These retirees are required to contribute \$140 per month towards the premium. For the year ended June 30, 2019, the City contributed \$464,256 and plan members eligible for benefits contributed \$70,975 to the plan. At June 30, 2019, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	4
Active employees	<u>39</u>
Total	<u><u>43</u></u>

(6) 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 \$1,823,913. The total amount rebated during the year ended June 30, 2019 was \$97,037. The City has rebated a total of \$331,148 of incremental property tax under the agreements. The outstanding balance of the agreements at June 30, 2019 was \$1,438,209.

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 \$149,942 which has been appropriated at June 30, 2019 is subject to the debt limitation calculation.

(7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, compensatory time and other leave hours 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, 2019, primarily relating to the General Fund and the Enterprise, Water and Sewer Funds, is as follows:

Type of Benefit	Amount
Vacation	\$ 127,000
Compensatory time	27,000
Holiday	16,000
Casual	12,000
Total	<u>\$ 182,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2019.

(8) 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 \$24,000 and \$17,333 for in-network and out-of-network services, respectively. The City partially self-funds the deductibles. The responsibilities for covered charges are as follows:

	In-Network				
	First \$250	Next \$3,750	Next \$1,250	Next \$18,750	Thereafter
City	0%	90%	10%	20%	0%
Employee	100%	10%	10%	0%	0%
Wellmark	0%	0%	80%	80%	100%

	Out-of-Network				
	First \$250	Next \$1,667	Next \$2,083	Next \$13,333	Thereafter
City	0%	70%	100%	30%	0%
Employee	100%	30%	0%	0%	0%
Wellmark	0%	0%	0%	70%	100%

The City contracts with Group Services 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 Group Services from the Internal Service, Health Insurance Fund. During the year ended June 30, 2019, the City paid \$111,978 to Group Services for claims and administrative fees.

(9) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2019 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General Fund	Special Revenue: Local Option Sales Tax	\$ 497,714
Debt Service	Special Revenue: Tax Increment Financing Local Option Sales Tax	577,463 9,360
	Enterprise: Sewer	<u>237,700</u>
		<u>824,523</u>
Capital Projects	General Fund Special Revenue: Local Option Sales Tax	274,877 <u>71,926</u>
		346,803
Special Revenue: LMI Urban Renewal Economic Development	Special Revenue: Tax Increment Financing Tax Increment Financing	13,620 <u>1,762</u>
Total		<u>\$ 1,684,422</u>

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

(10) 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, 2019 were \$94,576.

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.

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.

(11) 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, 2018.

Receipts:		
Capital donations	\$	2,485
Material donations		18,725
Summer reading program		978
Programming		6,553
Interest and increase in fair value		292
Miscellaneous		9,592
Total receipts		<u>38,625</u>
Disbursements:		
Equipment and additional furnishings		
Landscaping		95
Supplies		180
Materials		15,565
Summer reading program		2,738
Programming		14,074
Miscellaneous		4,589
Change in investment		12,113
Total disbursements		<u>49,354</u>
Excess of disbursements over receipts		(10,729)
Balance beginning of year		<u>351,685</u>
Balance end of year	\$	<u>340,956</u>

(12) 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.

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, 2019, the City abated \$38,445 of property tax under the urban renewal and economic development agreements.

(13) Subsequent Event

In October 2019, the City entered into a loan agreement to issue general obligation corporate purpose bonds of \$1,650,000 for the purpose of constructing street, bridge, water system, sanitary sewer system, storm water drainage and sidewalk improvements.

The COVID-19 outbreak is disrupting business across a range of industries in the United States and financial markets have experienced a significant decline. As a result, local, regional and national economies, including that of the City of Independence, may be adversely impacted. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact to the City's operations and finances.

City of Independence

Other Information

City of Independence
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances –
 Budget and Actual (Cash Basis) – All Governmental Funds and Enterprise Funds

Other Information

Year ended June 30, 2019

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Total
Receipts:				
Property tax	\$ 3,252,191	-	-	3,252,191
Tax increment financing	706,233	-	-	706,233
Other city tax	700,416	-	-	700,416
Licenses and permits	272,432	-	-	272,432
Use of money and property	259,675	83,465	74	343,066
Intergovernmental	1,521,402	-	-	1,521,402
Charges for service	703,026	3,386,605	111,978	3,977,653
Special assessments	39,503	-	-	39,503
Miscellaneous	447,965	31,539	52,896	426,608
Total receipts	7,902,843	3,501,609	164,948	11,239,504
Disbursements:				
Public safety	1,767,474	43,221	78,312	1,732,383
Public works	1,592,831	14,369	14,369	1,592,831
Health and social services	3,000	-	-	3,000
Culture and recreation	1,454,722	39,992	39,992	1,454,722
Community and economic development	214,329	-	-	214,329
General government	505,783	5,120	5,120	505,783
Debt service	1,530,605	-	-	1,530,605
Capital projects	3,091,950	-	-	3,091,950
Business type activities	-	3,159,103	9,276	3,149,827
Total disbursements	10,160,694	3,261,805	147,069	13,275,430
Excess (deficiency) of receipts over (under) disbursements	(2,257,851)	239,804	17,879	(2,035,926)
Other financing sources (uses), net	264,981	368,541	-	633,522
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,992,870)	608,345	17,879	(1,402,404)
Balances beginning of year	5,580,910	7,306,369	76,918	12,810,361
Balances end of year	\$ 3,588,040	7,914,714	94,797	11,407,957

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
3,257,845	3,257,845	(5,654)
701,350	701,350	4,883
744,165	744,246	(43,830)
56,200	56,200	216,232
1,537,415	1,539,015	(1,195,949)
1,668,356	1,812,271	(290,869)
1,979,055	1,984,205	1,993,448
15,000	15,000	24,503
268,235	439,326	(12,718)
<u>10,227,621</u>	<u>10,549,458</u>	<u>690,046</u>
1,771,621	1,775,478	43,095
1,596,802	1,644,006	51,175
3,000	3,000	-
1,367,812	1,459,960	5,238
213,989	213,989	(340)
500,778	517,578	11,795
1,519,783	1,532,883	2,278
5,327,828	5,571,511	2,479,561
4,901,398	5,467,900	2,318,073
<u>17,203,011</u>	<u>18,186,305</u>	<u>4,910,875</u>
(6,975,390)	(7,636,847)	5,600,921
<u>4,276,000</u>	<u>6,481,300</u>	<u>(5,847,778)</u>
(2,699,390)	(1,155,547)	(246,857)
<u>10,175,263</u>	<u>10,175,263</u>	<u>2,635,098</u>
<u>7,475,873</u>	<u>9,019,716</u>	<u>2,388,241</u>

City of Independence

Notes to Other Information – Budgetary Reporting

June 30, 2019

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 and the component units. 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. These 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, one budget amendment increased budgeted disbursements by \$983,294. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2019, disbursements exceeded the amount budgeted in the community and economic development function.

City of Independence

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Five Years*
(In Thousands)

Other Information

	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.017556%	0.018200%	0.018357%	0.015529%	0.015327%
City's proportionate share of the net pension liability	\$ 1,111	1,212	1,155	767	608
City's covered payroll	\$ 2,189	2,129	2,068	1,974	2,021
City's proportionate share of the net pension liability as a percentage of its covered payroll	50.75%	56.93%	55.85%	38.86%	30.08%
IPERS' net position as a percentage of the total liability pension	83.62%	82.21%	81.82%	85.19%	87.61%

* 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.

See accompanying independent auditor's report.

City of Independence

Schedule of City Contributions

Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Other Information

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution	\$ 224	203	198	192
Contributions in relation to the statutorily required contribution	<u>(224)</u>	<u>(203)</u>	<u>(198)</u>	<u>(192)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 2,299	2,189	2,129	2,068
Contributions as a percentage of covered payroll	9.74%	9.27%	9.30%	9.28%

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
186	189	177	168	149	126
(186)	(189)	(177)	(168)	(149)	(126)
-	-	-	-	-	-
1,974	2,021	1,914	1,911	1,850	1,651
9.42%	9.35%	9.25%	8.79%	8.05%	7.63%

City of Independence

Notes to Other Information – Pension Liability

Year ended June 30, 2019

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Changes of assumptions:

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

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale P-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive deferred benefits.
- 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 (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

Supplementary Information

City of Independence

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2019

	LMI Urban Renewal	Economic Development	Special Independence Fire Department
Receipts:			
Use of money and property	\$ -	-	74
Intergovernmental	-	-	-
Miscellaneous	-	-	52,896
Total receipts	-	-	52,970
Disbursements:			
Operating:			
Public safety	-	-	35,091
Community and economic development	61,730	1,762	-
Total disbursements	61,730	1,762	35,091
Excess (deficiency) of receipts over (under) disbursements	(61,730)	(1,762)	17,879
Transfers in	13,620	1,762	-
Change in cash balance	(48,110)	-	17,879
Cash balances beginning of year	116,815	-	76,918
Cash balances end of year	\$ 68,705	-	94,797
Cash Basis Fund Balances			
Nonspendable – Cemetery perpetual care	\$ -	-	-
Restricted for other purposes	68,705	-	94,797
Total cash basis fund balances	\$ 68,705	-	94,797

See accompanying independent auditor's report.

<u>Revenue</u>	<u>Permanent</u>	
Police Forfeiture	Cemetery Perpetual Care	Total
-	912	986
9,031	-	9,031
-	-	52,896
<u>9,031</u>	<u>912</u>	<u>62,913</u>
667	-	35,758
-	-	63,492
<u>667</u>	<u>-</u>	<u>99,250</u>
8,364	912	(36,337)
-	-	15,382
<u>8,364</u>	<u>912</u>	<u>(20,955)</u>
52	95,503	289,288
<u>8,416</u>	<u>96,415</u>	<u>268,333</u>
-	95,000	95,000
<u>8,416</u>	<u>1,415</u>	<u>173,333</u>
<u>8,416</u>	<u>96,415</u>	<u>268,333</u>

City of Independence
Schedule of Indebtedness
Year ended June 30, 2019

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds/notes:			
Urban renewal street improvement, series 2009	Apr 1, 2009	2.25-4.10%	\$ 995,000
Sewer improvement, series 2011	Feb 24, 2011	1.00-3.15	650,000
Refunding, series 2013A	Jun 25, 2013	0.40-2.50	2,270,000
City hall, recreation center and fire truck, series 2013B	Oct 9, 2013	2.00-3.00	1,150,000
Street improvements, sidewalk project and library refunding, series 2015A	May 26, 2015	2.00-2.25	2,200,000
Corporate purpose, series 2016	Sep 22, 2016	2.00-2.50	4,810,000
Streets, bridge, water/sanitary sewer systems, storm water, sidewalks, fire truck, series 2018	May 8, 2018	2.00-3.00	2,700,000
Total			
Revenue bonds:			
Sewer revenue refunding, series 2018	Feb 15, 2018	2.45-3.70%	\$ 2,010,000
Sewer revenue, series 2018A	Dec 21, 2018	1.75	* 614,066
Total			
Revenue loan agreement:			
LED street light project	Jul 13, 2011	0.00%	\$ 78,213
Loan agreement:			
LED street lighting conversion project	Oct 1, 2015	0.00%	\$ 264,601
Promissory note:			
Police vehicle	Aug 23, 2017	1.65%	\$ 19,010

* The agreement also requires the City to annually pay a 0.25% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
215,000	-	105,000	110,000	8,763
215,000	-	70,000	145,000	6,527
1,105,000	-	215,000	890,000	22,200
720,000	-	110,000	610,000	18,073
1,440,000	-	185,000	1,255,000	29,402
4,130,000	-	555,000	3,575,000	86,020
2,700,000	-	20,000	2,680,000	83,409
<u>\$ 10,525,000</u>	<u>-</u>	<u>1,260,000</u>	<u>9,265,000</u>	<u>254,394</u>
1,865,000	-	160,000	1,705,000	62,610
-	614,066	-	614,066	1,982
<u>\$ 1,865,000</u>	<u>614,066</u>	<u>160,000</u>	<u>2,319,066</u>	<u>64,592</u>
24,115	-	7,169	16,946	-
192,079	-	38,644	153,435	-
19,010	-	9,283	9,727	448

City of Independence
Bond and Note Maturities
June 30, 2019

General Obligation										
Year Ending June 30,	Urban Renewal Street Improvement Bonds, Series 2009		Sewer Improvement Bonds, Series 2011		Refunding Bonds, Series 2013A		City Hall, Recreation Center and Fire Truck Series 2013B			
	Issued Apr 1, 2009		Issued Feb 24, 2011		Issued Jun 25, 2013		Issued Oct 9, 2013			
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2020	4.10%	\$ 110,000	3.15%	\$ 70,000	1.75%	\$ 215,000	2.15%	\$ 115,000		
2021		-	3.15	75,000	2.00	220,000	2.40	120,000		
2022		-		-	2.25	225,000	2.60	120,000		
2023		-		-	2.50	230,000	2.80	125,000		
2024		-		-		-	3.00	130,000		
2025		-		-		-		-		
2026		-		-		-		-		
2027		-		-		-		-		
2028		-		-		-		-		
2029		-		-		-		-		
2030		-		-		-		-		
2031		-		-		-		-		
2032		-		-		-		-		
2033		-		-		-		-		
2034		-		-		-		-		
2035		-		-		-		-		
2036		-		-		-		-		
Total		\$ 110,000		\$ 145,000		\$ 890,000		\$ 610,000		

Revenue Bonds		
Sewer Revenue Refunding Series 2018		
Year Ending June 30,	Issued Feb 15, 2018	
Interest Rates	Amount	
2020	2.85%	\$ 160,000
2021	3.00	170,000
2022	3.20	175,000
2023	3.40	180,000
2024	3.55	500,000
2025	3.70	520,000
Total		\$ 1,705,000

See accompanying independent auditor's report.

Bonds/Notes

Street Improvements, Sidewalk Project and Library Refunding Series 2015A		Corporate Purpose Series 2016		Streets, Bridge, Water/ Sanitary Sewer Systems, Storm Water, Sidewalks, Fire Truck, Series 2018			
Issued May 26, 2015		Issued September 22, 2016		Issued May 8, 2018			
Interest Rates	Amount	Interest Rates	Amount				Total
2.00%	\$ 145,000	2.00%	\$ 570,000	2.00%	\$ 20,000		1,245,000
2.00	145,000	2.00	190,000	2.00	220,000		970,000
2.00	150,000	2.00	200,000	2.467	225,000		920,000
2.00	155,000	2.00	200,000	3.00	235,000		945,000
2.00	155,000	2.00	205,000	3.00	245,000		735,000
2.00	165,000	2.00	215,000	3.00	260,000		640,000
2.10	165,000	2.00	220,000	3.00	270,000		655,000
2.25	175,000	2.00	225,000	3.00	280,000		680,000
-	-	2.00	150,000	3.00	300,000		450,000
-	-	2.00	155,000	3.00	310,000		465,000
-	-	2.00	160,000	3.00	315,000		475,000
-	-	2.125	165,000		-		165,000
-	-	2.125	175,000		-		175,000
-	-	2.30	180,000		-		180,000
-	-	2.30	185,000		-		185,000
-	-	2.50	190,000		-		190,000
-	-	2.50	190,000		-		190,000
	<u>\$ 1,255,000</u>		<u>\$ 3,575,000</u>		<u>\$ 2,680,000</u>		<u>9,265,000</u>

City of Independence

Schedule of Receipts by Source and Disbursements By Function –
All Governmental Funds

For the Last Ten Years

	2019	2018	2017	2016
Receipts:				
Property tax	\$ 3,252,191	3,018,357	3,186,513	3,128,089
Tax increment financing	706,233	656,897	98,892	166,630
Other city tax	700,416	645,649	813,352	640,987
Licenses and permits	272,432	256,860	69,914	89,195
Use of money and property	259,675	209,140	194,230	141,415
Intergovernmental	1,521,402	1,288,205	1,278,114	1,401,708
Charges for service	703,026	702,988	667,417	603,005
Special assessments	39,503	49,282	59,189	55,045
Miscellaneous	447,965	320,168	379,372	328,563
Total	<u>\$ 7,902,843</u>	<u>7,147,546</u>	<u>6,746,993</u>	<u>6,554,637</u>
Disbursements:				
Operating:				
Public safety	\$ 1,767,474	1,766,096	1,654,724	1,680,073
Public works	1,592,831	1,615,648	1,530,453	1,327,137
Health and social services	3,000	1,000	1,000	1,000
Culture and recreation	1,454,722	1,320,775	1,280,887	1,246,512
Community and economic development	214,329	174,967	134,901	121,721
General government	505,783	521,006	478,584	499,413
Debt service	1,530,605	1,506,107	1,057,519	821,452
Capital projects	3,091,950	1,464,456	4,958,095	2,448,405
Total	<u>\$ 10,160,694</u>	<u>8,370,055</u>	<u>11,096,163</u>	<u>8,145,713</u>

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
2,655,159	2,570,302	2,519,123	2,178,481	2,029,915	2,038,194
261,462	161,435	106,940	950,088	1,137,199	975,591
671,505	660,571	636,612	612,557	603,525	613,167
65,351	69,066	60,148	102,148	59,786	29,581
121,041	59,219	72,964	68,800	93,636	85,804
1,205,469	1,382,637	1,185,984	1,338,587	2,366,866	1,657,781
677,288	706,356	701,425	695,363	650,042	644,702
16,532	9,308	23,108	2,181	6,734	8,211
197,429	147,337	91,872	105,241	133,377	178,906
<u>5,871,236</u>	<u>5,766,231</u>	<u>5,398,176</u>	<u>6,053,446</u>	<u>7,081,080</u>	<u>6,231,937</u>
1,660,598	1,637,455	1,670,893	1,541,741	1,533,732	1,208,401
1,259,990	1,359,286	1,499,710	1,362,701	1,321,296	1,046,893
1,000	1,000	1,000	1,000	1,000	350
1,251,561	1,239,958	1,132,898	1,075,096	1,033,014	908,038
139,502	209,003	171,297	798,111	199,882	793,123
597,251	507,223	467,402	501,051	441,649	529,177
710,490	602,639	900,081	395,928	329,762	357,810
932,651	2,101,026	625,272	507,019	1,763,135	920,784
<u>6,553,043</u>	<u>7,657,590</u>	<u>6,468,553</u>	<u>6,182,647</u>	<u>6,623,470</u>	<u>5,764,576</u>



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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Independence, Iowa, as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 26, 2020. 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. generally 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.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as items (A) through (C) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Independence's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance 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.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2019 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

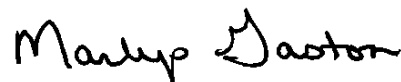
The City of Independence's Responses to the Findings

The City of Independence's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Independence's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Independence during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Marlys K. Gaston, CPA
Deputy Auditor of State

May 26, 2020

City of Independence

Schedule of Findings

Year ended June 30, 2019

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) 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. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the Fire Department's transactions.

Condition – All accounting functions are handled by the Treasurer.

Cause – 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 – Inadequate segregation of duties could adversely affect the Department'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 Fire Department should segregate accounting duties to the extent possible, including approval of disbursements and signing of checks.

Response – 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. Each year we take advise from the State Auditor and their staff to try and improve in areas needed but fall short in the area of segregation of duties due to limited staffing.

Conclusion – Response accepted.

(B) 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 statements.

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

Cause – 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.

City of Independence

Schedule of Findings

Year ended June 30, 2019

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.

Response – The Independence Public Library Foundation will continue to use pre-numbered receipts for Foundation donations. 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 segregate duties to the amount possible for the Foundation Programming Fund, Foundation Building Fund and Friends of the Library Fund.

Conclusion – Response accepted.

(C) Independence Public Library Foundation – A Discretely Presented Component Unit

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all receipts and periodic review of those records by someone independent of other duties related to Foundation receipts. Proper accounting includes records that include a description of the receipt and the date it was collected. Independent review of these records should include comparing receipt information to amounts deposited in the bank.

Condition – The Independence Public Library Foundation collects donations and programming fees without consistently providing pre-numbered receipts.

Cause – Procedures have not been designed and implemented to ensure sufficient records are maintained to properly account for donations and programming fees to ensure pre-numbered receipts are issued and maintained, or to require independent review of those records.

Effect – This condition could result in unrecorded or misstated collections and the opportunity for misappropriation.

Recommendation – The City should require all collections be supported by a pre-numbered receipt and supporting documentation should be available to determine and support the proper classification by source. Independent review of financial records, including a reconciliation of pre-numbered receipts to the deposit, should be documented by the signature or initials of the reviewer and the date of the review.

Response – The Independence Public Library Foundation will continue to use pre-numbered receipts for Foundation donations. 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.

Conclusion – Response acknowledged. Independent review of financial records including a reconciliation of pre-numbered receipts to the deposit, should be documented by the signature or initials of the reviewer and the date of the review.

City of Independence

Schedule of Findings

Year ended June 30, 2019

(D) Financial Reporting

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial statements.

Condition - During the audit, we identified hotel/motel tax revenues in the amount of \$14,222 which were recorded in the wrong fund in the City's financial statements. Adjustments were subsequently made by the City to properly report these amounts in the City's financial statements.

Cause – City policies do not require, and procedures have not been established to require independent review of transactions to ensure the City's financial statements are accurate and reliable.

Effect – Lack of policies and procedures resulted in City employees not detecting the errors in the normal course of performing their assigned functions. As a result, adjustments to the City's financial statements were necessary.

Recommendation – The City should implement procedures to ensure amounts are properly recorded in the City's financial statements.

Response – Hotel/motel tax revenues will be recorded and reported accurately in the future.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Independence

Schedule of Findings

Year ended June 30, 2019

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2019 exceeded the amount budgeted in the community and economic development function. Chapter 384.20 of the Code of Iowa states, in part “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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.

Response – The City made a conscience effort with a budget amendment to maintain compliance with the Code of Iowa. LMI Housing Down Payment and Repair Grant invoices exceeded the budgeted amount following the amendment. The amount exceeded in this function was \$340.52. The budget will be monitored, and the City will amend in the future when necessary prior to disbursing in excess of the budget.

Conclusion – Response accepted.

- (2) Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Independence Area Food Pantry	Donation	\$ 248

The Independence Public Library announced for one month, the library would take all fines that were collected and donate them to the Independence Area Food Pantry. The Library did not turn these fine collections over to the City for recording and deposit. Since the Independence Public Library is a department of the City, the fines should have been provided to the City and the activity included in the City’s accounting records.

In addition, the Constitution of the State of Iowa prohibits governmental bodies from making gifts to a private non-profit corporation. Article III, Section 31 states, “No public money or property shall be appropriated for local, or private purposes, unless such appropriation, compensation, or claim, be allowed by two thirds of the member elected to each branch of the General Assembly.”

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose.” For better accountability, financial and budgetary control, the financial activity and balances of all City accounts, including all fines collected, should be included in the City’s computer system and accounting records and be reported to the City Council on a monthly basis. In addition, the City should ensure all future disbursements are in accordance with the Constitution of the State of Iowa.

City of Independence

Schedule of Findings

Year ended June 30, 2019

Response – The Independence Public Library will revise the methods used in our Food for Fines program. Monetary donations for the food pantry will be put directly in a labeled donation jar for that purpose by the contributor. The food pantry donations will be collected and then be given to the food pantry.

Conclusion – Response acknowledged. The Independence Public Library should turn over all receipts collected, including fines, to the City Clerk.

- (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:

Name, Title and Business Connection	Transaction Description	Amount
Daniel Eschen, Water Department employee, Father owns NAPA Auto Parts	Miscellaneous parts	\$ 10,480

Of the \$10,480 paid to NAPA Auto Parts by the City, \$63 was related to the Water Department and the remainder was purchased by various departments of the City. Therefore, \$10,417 does not appear to represent a conflict of interest in accordance with Chapter 362.5(3)(e) of the Code of Iowa since the Water Department employee's employment is not directly affected as a result of the contract and the duties of employment do not directly involve procurement or preparation of any part of the contract. The City received a letter from the City Attorney dated December 7, 2017, which concludes the Water Department employee does not have a direct or indirect interest in NAPA Auto Parts. It also states the Water Department employee would not participate in any purchases for the City. The Water Department employee did not participate in the Water Department purchases.

- (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 the coverage is adequate for current operations.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) Revenue Bonds – No instances of non-compliance with the revenue bond resolution were noted.

City of Independence

Schedule of Findings

Year ended June 30, 2019

- (9) Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management on or before December 1. However, the City understated the amount reported as TIF debt outstanding by not including the correct amount of outstanding debt for several certified developer agreements and the amount of general obligation bonds paid from TIF funds. In addition, the amounts reported on the Levy Authority Summary for rebate and non-rebate disbursements did not agree to the amount reported in the City’s Special Revenue, Tax Increment Financing Fund, therefore, the ending balance also does not agree with City records.

Recommendation – The City should ensure the debt outstanding and TIF Fund amounts reported on the Levy Authority Summary agree with the City’s records.

Response – The City will initiate an effort to correct the report based on the recommendations provided by the Auditor of State’s Office.

Conclusion – Response accepted.

- (10) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The Independence Public Library does not receive an image of the back of each cancelled check for their respective bank accounts.

Recommendation – The Independence Public Library should obtain and retain images of both the front and back of cancelled checks for all bank accounts as required by Chapter 554D.114 of the Code of Iowa.

Response – The library will request the images of the back of each cancelled check from the Bank of Iowa

Conclusion – Response accepted.

- (11) Gifts Accepted or Received – During fiscal year 2019, the police department received a series of \$10 restaurant gift certificates and stainless-steel bottles from an out of state vendor for purchasing supplies from this vendor. A letter from this vendor stated these items are provided to all customers based on points earned for every dollar spent. It is unclear how these items are being used by the police department.

In accordance with Chapter 68B.22 of the Code of Iowa, a public official or public employee shall not directly or indirectly accept or receive any gift from a restricted donor at any time. A public official or public employee may accept an otherwise prohibited nonmonetary gift and not be in violation of this section if the nonmonetary gift is donated within thirty days to a public body, the Iowa Department of Administrative Services or to a bona fide educational or charitable organization.

Recommendation – The City should comply with Code of Iowa Chapter 68B.22.

Response – The City has a policy in regard to gifts and will adhere to such.

Conclusion – Response acknowledged. If gifts are accepted, procedures should be in place to donate them in accordance with Chapter 68B.22 of the Code of Iowa.

City of Independence

Schedule of Findings

Year ended June 30, 2019

- (12) Seized Property – In March 2018, the Independence Police Department seized property as a part of a criminal investigation. The property seized was deemed abandoned by the owner, becoming the property of the City Police Department under Chapter 809 of the Code of Iowa. A listing of the seized property was prepared and presented to the City Council. The listing of property was approved for disposal at a future auction.

Subsequent to City Council approval, certain City departments retained a portion of these seized items for City business use. While it appears reasonable many of the items retained by the City departments could be used for City business, other items retained were questionable including a Harmon Kardon speaker, a Hawkeye toy van and Yeti mugs. While a modified Police Department auction and disposal listing was presented to the City Council and approved on January 13, 2020, the listing provided for the continued retention of the questionable items noted above.

Recommendation – The City should consult legal counsel to determine the appropriate disposition of any questionable items retained to ensure the disposition of seized property complies with Chapter 809 of the Code of Iowa and to ensure the disposition of seized property results in the City obtaining the maximum public benefit.

Response – The Independence Police Department will consult legal counsel to determine how to dispose of the retained items that are not reasonable to be retained by the Police Department and to ensure compliance with Chapter 809 of the Code of Iowa.

Conclusion – Response accepted.

City of Independence

Staff

This audit was performed by:

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