

CITY OF INDEPENDENCE

Independence, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2019

CITY OF INDEPENDENCE

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Independence
Independence, Wisconsin

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City of Independence'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 of Independence's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Emphasis of Matter

As discussed in Note I, the City of Independence adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, effective January 1, 2019. Our opinions are not modified with respect to this matter.

As discussed in Note III to the financial statements, net position and fund balance as of December 31, 2018 have been restated to correct a material misstatement. Our opinions are not modified with respect to this matter.

Other Matters

The financial statements of the City of Independence as of December 31, 2018, prior to restatement, were audited by other auditors whose report dated August 21, 2019, expressed unmodified opinions on those statements.

As part of the audit of the December 31, 2019 financial statements, we also audited the adjustments described in Note III that were applied to restate the December 31, 2018 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the December 31, 2018 financial statements of the City of Independence other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the December 31, 2018 financial statements as a whole.

Required Supplementary Information

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

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Independence's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Eau Claire, Wisconsin
June 15, 2020

CITY OF INDEPENDENCE

STATEMENT OF NET POSITION As of December 31, 2019

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and investments	\$ 416,976	\$ 547,526	\$ 964,502
Receivables			
Taxes receivable	922,077	-	922,077
Accounts receivable	-	86,383	86,383
Special assessments receivable	-	1,690	1,690
Delinquent special assessments receivable	2,841	-	2,841
Internal balances	613,737	(613,737)	-
Inventories and prepaid items	18,922	13,933	32,855
Restricted assets			
Cash and investments	172,644	494,747	667,391
Capital Assets (net of accumulated depreciation)			
Land	554,932	37,214	592,146
Construction in progress	15,331	18,705	34,036
Other capital assets, net of depreciation	<u>4,863,399</u>	<u>6,802,150</u>	<u>11,665,549</u>
Total Assets	<u>7,580,859</u>	<u>7,388,611</u>	<u>14,969,470</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related amounts	<u>269,121</u>	<u>64,767</u>	<u>333,888</u>
LIABILITIES			
Accounts payable	49,893	24,789	74,682
Accrued liabilities and deposits	19,263	-	19,263
Accrued interest	30,962	11,650	42,612
Noncurrent Liabilities			
Due within one year	256,723	131,947	388,670
Due in more than one year	<u>3,969,487</u>	<u>2,554,540</u>	<u>6,524,027</u>
Total Liabilities	<u>4,326,328</u>	<u>2,722,926</u>	<u>7,049,254</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenues	920,498	-	920,498
Pension related amounts	<u>137,652</u>	<u>33,424</u>	<u>171,076</u>
Total Deferred Inflows of Resources	<u>1,058,150</u>	<u>33,424</u>	<u>1,091,574</u>
NET POSITION			
Net investment in capital assets	1,327,826	4,198,892	5,526,718
Restricted for			
Equipment replacement	-	299,672	299,672
Debt service	-	183,425	183,425
Cemetery perpetual care	6,391	-	6,391
Library	11,383	-	11,383
Future TIF expenditures	207,155	-	207,155
Lake rehabilitation district	104,210	-	104,210
Unrestricted	<u>808,537</u>	<u>15,039</u>	<u>823,576</u>
TOTAL NET POSITION	<u>\$ 2,465,502</u>	<u>\$ 4,697,028</u>	<u>\$ 7,162,530</u>

See accompanying notes to financial statements.

CITY OF INDEPENDENCE

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 359,980	\$ 17,085	\$ 1,328	\$ -
Public safety	580,718	3,386	5,202	33,000
Public works	383,611	27,708	81,757	-
Health and human services	1,604	-	-	-
Culture, education and recreation	271,686	20,227	10,414	-
Conservation and development	22,992	-	473	-
Interest and fiscal charges	151,765	-	-	-
Total Governmental Activities	<u>1,772,356</u>	<u>68,406</u>	<u>99,174</u>	<u>33,000</u>
Business-type Activities				
Water Utility	389,729	331,813	-	-
Sewer Utility	431,726	394,846	-	-
Total Business-type Activities	<u>821,455</u>	<u>726,659</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 2,593,811</u>	<u>\$ 795,065</u>	<u>\$ 99,174</u>	<u>\$ 33,000</u>

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Property taxes, levied for TIF districts

Property taxes, levied for other purposes

Other taxes

Intergovernmental revenues not restricted to specific programs

Investment income

Miscellaneous

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in net position

NET POSITION - Beginning of Year (as restated)

NET POSITION - END OF YEAR

See accompanying notes to financial statements.

Net (Expenses) Revenues and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
\$ (341,567)	\$ -	\$ (341,567)
(539,130)	-	(539,130)
(274,146)	-	(274,146)
(1,604)	-	(1,604)
(241,045)	-	(241,045)
(22,519)	-	(22,519)
<u>(151,765)</u>	<u>-</u>	<u>(151,765)</u>
<u>(1,571,776)</u>	<u>-</u>	<u>(1,571,776)</u>
-	(57,916)	(57,916)
<u>-</u>	<u>(36,880)</u>	<u>(36,880)</u>
<u>-</u>	<u>(94,796)</u>	<u>(94,796)</u>
<u>(1,571,776)</u>	<u>(94,796)</u>	<u>(1,666,572)</u>
458,746	-	458,746
251,302	-	251,302
160,195	-	160,195
20,000	-	20,000
10,781	-	10,781
324,075	-	324,075
7,282	2,551	9,833
<u>29,669</u>	<u>7,964</u>	<u>37,633</u>
<u>1,262,050</u>	<u>10,515</u>	<u>1,272,565</u>
<u>(11,990)</u>	<u>11,990</u>	<u>-</u>
<u>1,250,060</u>	<u>22,505</u>	<u>1,272,565</u>
(321,716)	(72,291)	(394,007)
<u>2,787,218</u>	<u>4,769,319</u>	<u>7,556,537</u>
<u>\$ 2,465,502</u>	<u>\$ 4,697,028</u>	<u>\$ 7,162,530</u>

See accompanying notes to financial statements.

CITY OF INDEPENDENCE

BALANCE SHEET GOVERNMENTAL FUNDS As of December 31, 2019

	General Fund	Debt Service Fund	TIF #2 Capital Projects Fund	Nonmajor Governmental Funds
ASSETS				
Cash and investments	\$ 215,473	\$ -	\$ 86,877	\$ 114,626
Receivables				
Taxes	473,550	249,352	179,175	20,000
Delinquent special assessments	2,841	-	-	-
Due from other funds	3,421	-	-	-
Prepaid expenses	17,229	-	-	1,693
Advances to other funds	613,737	-	-	-
Restricted cash	<u>29,946</u>	<u>-</u>	<u>142,698</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 1,356,197</u>	<u>\$ 249,352</u>	<u>\$ 408,750</u>	<u>\$ 136,319</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 30,894	\$ -	\$ 18,999	\$ -
Accrued liabilities	18,537	-	-	726
Due to other funds	-	-	3,421	-
Total Liabilities	<u>49,431</u>	<u>-</u>	<u>22,420</u>	<u>726</u>
Deferred Inflows of Resources				
Unearned revenues	<u>471,971</u>	<u>249,352</u>	<u>179,175</u>	<u>20,000</u>
Fund Balance				
Nonspendable	463,994	-	-	1,693
Restricted	36,337	-	207,155	113,900
Assigned	<u>334,464</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>834,795</u>	<u>-</u>	<u>207,155</u>	<u>115,593</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,356,197</u>	<u>\$ 249,352</u>	<u>\$ 408,750</u>	<u>\$ 136,319</u>

See accompanying notes to financial statements.

Totals

\$ 416,976
922,077
2,841
3,421
18,922
613,737
172,644
\$ 2,150,618

\$ 49,893
19,263
3,421
72,577

920,498

465,687
357,392
334,464
1,157,543

\$ 2,150,618

See accompanying notes to financial statements.

CITY OF INDEPENDENCE

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION As of December 31, 2019

Total Fund Balances - Governmental Funds	\$	1,157,543
 Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. See Note III.D.		5,433,662
Deferred outflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.		269,121
Deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds.		(137,652)
Some liabilities, including long-term debt, are not due and payable in the current period and therefore, are not reported in the funds.		
Bonds and notes payable		(3,670,972)
Land contract obligation		(375,000)
Compensated absences		(8,930)
Accrued interest		(30,962)
Net pension liability		(98,741)
Unamortized premium on long-term debt		(59,864)
Unfunded retirement liability		<u>(12,703)</u>
 NET POSITION OF GOVERNMENTAL ACTIVITIES	 \$	 <u>2,465,502</u>

See accompanying notes to financial statements.

CITY OF INDEPENDENCE

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

For the Year Ended December 31, 2019

	General Fund	Debt Service Fund	TIF #2 Capital Projects Fund	Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 469,527	\$ 251,302	\$ 160,195	\$ 20,000
Intergovernmental	439,844	-	5,518	10,887
Licenses and permits	4,959	-	-	-
Fines, forfeitures and penalties	2,705	-	-	-
Public charges for services	48,852	-	-	-
Investment income	3,882	-	3,291	109
Miscellaneous revenues	29,182	-	500	11,877
Total Revenues	<u>998,951</u>	<u>251,302</u>	<u>169,504</u>	<u>42,873</u>
EXPENDITURES				
Current				
General government	341,969	-	-	-
Public safety	307,282	-	-	-
Public works	199,872	-	-	-
Health and human services	1,604	-	-	-
Culture, recreation and education	61,545	-	-	84,446
Conservation and development	17,246	-	-	5,336
Capital Outlay	75,899	-	444,149	158
Debt Service				
Principal	-	148,492	85,000	-
Interest and fiscal charges	-	102,810	50,515	-
Total Expenditures	<u>1,005,417</u>	<u>251,302</u>	<u>579,664</u>	<u>89,940</u>
Excess (deficiency) of revenues over expenditures	<u>(6,466)</u>	<u>-</u>	<u>(410,160)</u>	<u>(47,067)</u>
OTHER FINANCING SOURCES				
Debt issued	-	-	375,000	-
Transfers in	5,000	-	-	72,000
Transfers out	(72,000)	-	(16,990)	-
Total Other Financing Sources	<u>(67,000)</u>	<u>-</u>	<u>358,010</u>	<u>72,000</u>
Net Change in Fund Balances	(73,466)	-	(52,150)	24,933
FUND BALANCES - Beginning of Year (as restated)	<u>908,261</u>	<u>-</u>	<u>259,305</u>	<u>90,660</u>
FUND BALANCES - END OF YEAR	<u>\$ 834,795</u>	<u>\$ -</u>	<u>\$ 207,155</u>	<u>\$ 115,593</u>

See accompanying notes to financial statements.

Totals
\$ 901,024
456,249
4,959
2,705
48,852
7,282
41,559
1,462,630

341,969
307,282
199,872
1,604
145,991
22,582
520,206

233,492
153,325
1,926,323

(463,693)

375,000
77,000
(88,990)
363,010

(100,683)

1,258,226

\$ 1,157,543

See accompanying notes to financial statements.

CITY OF INDEPENDENCE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2019

Net change in fund balances - total governmental funds	\$	(100,683)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.

Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements		520,206
Some items reported as capital outlay were not capitalized in the governmental activities column of the statement of net position		(30,690)
Some items reported as operating expenditures in the fund financial statements are capitalized in the government-wide statements		13,052
Depreciation is reported in the government-wide statements		(337,413)

The change in the investment in joint venture fire district does not provide current financial resources and is not reported in the funds.		(235,001)
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Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Debt issued		(375,000)
Principal repaid		233,492

Governmental funds report debt premiums and discounts as other financing sources (uses) or expenditures. However, in the statement of net position, these are reported as additions to or deductions from long-term debt. These are allocated over the period the debt is outstanding in the statement of activities and are reported as interest expense.

Amortization of premium on long-term debt		3,325
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Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences		4,854
Accrued interest payable		(1,765)
Unfunded retirement liability		1,213
Net pension liability and pension related deferred outflows and inflows of resources		(38,353)
Other post-employment benefits		21,047

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	(321,716)
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CITY OF INDEPENDENCE

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 As of December 31, 2019

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Totals</u>
ASSETS			
Current Assets			
Cash and investments	\$ 547,526	\$ -	\$ 547,526
Customer accounts receivable	37,111	49,272	86,383
Inventories	8,189	-	8,189
Prepaid expenses	2,872	2,872	5,744
Current portion of advances to other funds	<u>2,211</u>	<u>-</u>	<u>2,211</u>
Total Current Assets	<u>597,909</u>	<u>52,144</u>	<u>650,053</u>
Noncurrent Assets			
Restricted Assets			
Equipment replacement	-	180,989	180,989
Reserve account	121,867	72,735	194,602
Redemption account	-	473	473
Depreciation account	118,683	-	118,683
Capital Assets			
Construction in progress	-	18,705	18,705
Utility plant	5,834,621	4,925,917	10,760,538
Less: Accumulated depreciation	(1,949,895)	(1,971,279)	(3,921,174)
Other Assets			
Special assessments receivable	893	797	1,690
Advances to other funds	<u>9,413</u>	<u>-</u>	<u>9,413</u>
Total Noncurrent Assets	<u>4,135,582</u>	<u>3,228,337</u>	<u>7,363,919</u>
Total Assets	<u>4,733,491</u>	<u>3,280,481</u>	<u>8,013,972</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related amounts	<u>32,673</u>	<u>32,094</u>	<u>64,767</u>

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds		
	Water Utility	Sewer Utility	Totals
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 4,278	\$ 20,511	\$ 24,789
Accrued interest	-	1,886	1,886
Current portion of revenue bonds payable	-	91,291	91,291
Current portion of compensated absences	1,787	1,787	3,574
Current portion of advances	152,618	16,565	169,183
Liabilities payable from restricted assets			
Current portion of revenue bonds payable	24,838	12,244	37,082
Accrued interest	8,938	826	9,764
Total Current Liabilities	<u>192,459</u>	<u>145,110</u>	<u>337,569</u>
Noncurrent Liabilities			
Long-Term Debt			
Revenue bonds payable	1,431,907	1,098,897	2,530,804
Other Liabilities			
Net pension liability	11,979	11,757	23,736
Advances from other funds	-	456,178	456,178
Total Noncurrent Liabilities	<u>1,443,886</u>	<u>1,566,832</u>	<u>3,010,718</u>
Total Liabilities	<u>1,636,345</u>	<u>1,711,942</u>	<u>3,348,287</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related amounts	<u>16,813</u>	<u>16,611</u>	<u>33,424</u>
NET POSITION			
Net investment in capital assets	2,427,981	1,770,911	4,198,892
Restricted for			
Equipment replacement	118,683	180,989	299,672
Debt service	112,929	70,496	183,425
Unrestricted net position (deficit)	<u>453,413</u>	<u>(438,374)</u>	<u>15,039</u>
TOTAL NET POSITION	<u>\$ 3,113,006</u>	<u>\$ 1,584,022</u>	<u>\$ 4,697,028</u>

See accompanying notes to financial statements.

CITY OF INDEPENDENCE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS

For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds		
	Water Utility	Sewer Utility	Totals
OPERATING REVENUES	<u>\$ 331,813</u>	<u>\$ 394,846</u>	<u>\$ 726,659</u>
OPERATING EXPENSES			
Operation and maintenance	161,176	251,684	412,860
Depreciation	157,777	140,138	297,915
Taxes	<u>2,910</u>	<u>5,167</u>	<u>8,077</u>
Total Operating Expenses	<u>321,863</u>	<u>396,989</u>	<u>718,852</u>
Operating Income (Loss)	<u>9,950</u>	<u>(2,143)</u>	<u>7,807</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	2,255	296	2,551
Interest and fiscal charges	(48,209)	(34,737)	(82,946)
Amortization expense	(19,657)	-	(19,657)
IRS Build America Bond interest subsidy	<u>7,964</u>	<u>-</u>	<u>7,964</u>
Total Nonoperating Revenues (Expenses)	<u>(57,647)</u>	<u>(34,441)</u>	<u>(92,088)</u>
Income (Loss) Before Transfers	<u>(47,697)</u>	<u>(36,584)</u>	<u>(84,281)</u>
TRANSFERS			
Transfers in	16,990	4,092	21,082
Transfers out	<u>(9,092)</u>	<u>-</u>	<u>(9,092)</u>
Total Transfers	<u>7,898</u>	<u>4,092</u>	<u>11,990</u>
Change in Net Position	(39,799)	(32,492)	(72,291)
NET POSITION - Beginning of Year (as restated)	<u>3,152,805</u>	<u>1,616,514</u>	<u>4,769,319</u>
NET POSITION - END OF YEAR	<u><u>\$ 3,113,006</u></u>	<u><u>\$ 1,584,022</u></u>	<u><u>\$ 4,697,028</u></u>

See accompanying notes to financial statements.

CITY OF INDEPENDENCE

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds		
	Water Utility	Sewer Utility	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from customers	\$ 333,448	\$ 382,894	\$ 716,342
Paid to suppliers for goods and services	(93,579)	(187,508)	(281,087)
Paid to employees for services	(62,841)	(61,586)	(124,427)
Net Cash Flows From Operating Activities	<u>177,028</u>	<u>133,800</u>	<u>310,828</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	2,255	296	2,551
Net Cash Flows From Investing Activities	<u>2,255</u>	<u>296</u>	<u>2,551</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers (to) from other funds	2,898	4,092	6,990
Advances from other funds to implicitly finance negative cash	-	48,979	48,979
Advances (to) from other funds	2,158	(16,161)	(14,003)
Net Cash Flows From Noncapital Financing Activities	<u>5,056</u>	<u>36,910</u>	<u>41,966</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Debt retired	(24,198)	(101,099)	(125,297)
Interest paid	(48,361)	(35,106)	(83,467)
Build America Bond interest subsidy	7,964	-	7,964
Acquisition and construction of capital assets	(42,178)	(17,909)	(60,087)
Net Cash Flows From Capital and Related Financing Activities	<u>(106,773)</u>	<u>(154,114)</u>	<u>(260,887)</u>
Net Change in Cash and Cash Equivalents	77,566	16,892	94,458
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>710,510</u>	<u>237,305</u>	<u>947,815</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 788,076</u>	<u>\$ 254,197</u>	<u>\$ 1,042,273</u>

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds		
	Water Utility	Sewer Utility	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ 9,950	\$ (2,143)	\$ 7,807
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities			
Depreciation	157,777	140,138	297,915
Depreciation charged to other funds	4,008	(4,008)	-
Changes in assets and liabilities			
Accounts receivable	(2,373)	(7,944)	(10,317)
Inventories	5,682	-	5,682
Prepaid expenses	(227)	(227)	(454)
Accounts payable	(1,271)	4,844	3,573
Accrued compensated absences	121	121	242
Other current liabilities	(1,552)	(2,049)	(3,601)
Pension related deferrals and liabilities	4,913	5,068	9,981
	<u>4,913</u>	<u>5,068</u>	<u>9,981</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 177,028</u>	<u>\$ 133,800</u>	<u>\$ 310,828</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS			
Cash and investments	\$ 547,526	\$ -	\$ 547,526
Restricted cash and investments			
Equipment replacement	-	180,989	180,989
Reserve account	121,867	72,735	194,602
Redemption account	-	473	473
Depreciation account	118,683	-	118,683
	<u>118,683</u>	<u>-</u>	<u>118,683</u>
CASH AND CASH EQUIVALENTS	<u>\$ 788,076</u>	<u>\$ 254,197</u>	<u>\$ 1,042,273</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital assets acquired via accounts payable	\$ -	\$ 7,320	
Amortization of premium on long-term debt	\$ 19,657	\$ -	

See accompanying notes to financial statements.

CITY OF INDEPENDENCE

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
As of December 31, 2019

	<u>Custodial Fund</u> <u>Tax Collection</u> <u>Fund</u>
ASSETS	
Cash and investments	\$ 634,488
Taxes receivable	<u>1,077,360</u>
Total Assets	<u>1,711,848</u>
LIABILITIES	
Due to other taxing units	<u>1,711,848</u>
Total Liabilities	<u>1,711,848</u>
TOTAL NET POSITION	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

CITY OF INDEPENDENCE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Year Ended December 31, 2019

	<u>Custodial Fund</u> <u>Tax Collection</u> <u>Fund</u>
ADDITIONS	
Property taxes collected for other governments	\$ <u>993,243</u>
DEDUCTIONS	
Property taxes distributed to other governments	<u>993,243</u>
Change in Fiduciary Net Position	-
NET POSITION - Beginning of Year	<u>-</u>
NET POSITION - END OF YEAR	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

CITY OF INDEPENDENCE

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CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Independence, Wisconsin conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

This report includes all of the funds of the city. The reporting entity for the city consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

Component units are reported using one of three methods, discrete presentation, blended, or fiduciary. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and the component unit have substantively the same governing body and a financial benefit or burden relationship exists, (2) the primary government and the component unit have substantively the same governing body and management of the primary government has operational responsibility for the component unit, (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens, or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government.

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

A. REPORTING ENTITY (cont.)

Blended Component Units

The Bugle Lake Rehabilitation District ("District") serves all the citizens of the government and is governed by a board comprised of the members of the City Council. The rates for user charges and bond issuance authorizations are approved by the government's council and the government is legally obligated to provide resources in case there are deficiencies in debt service payments and resources are not available from other remedies. The District is reported as a special revenue fund. The District does not issue separate financial statements.

The Community Development Authority of the City of Independence ("CDA") serves all the citizens of the government and is governed by a board appointed by the Mayor and affirmed by the City Council. The rates for user charges and bond issuance authorizations are approved by the government council and the government is legally obligated to provide resources in case there are deficiencies in debt service payments and resources are not available from other remedies. The CDA does not issue separate financial statements.

Because the CDA's sole activity is to provide financing for the city's tax increment district, generally accepted accounting principles specifically provide that the CDA's related outstanding debt, assets, and debt service activity be reported as part of the primary government to avoid the "double" counting of outstanding debt, assets, and debt service activity. This activity is reported as part of the city's TIF #2.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In January 2017, the GASB issued statement No. 84 - *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. This standard was implemented January 1, 2019.

In March 2018, the GASB issued statement No. 88 - *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement defines debt for purposes of disclosure in notes to financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. This standard was implemented January 1, 2019.

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Government-Wide Financial Statements (cont.)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The city does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

Financial statements of the city are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balance, revenues, and expenditures/expenses.

Funds are organized as major funds or nonmajor funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the city or meets the following criteria:

- a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the city believes is particularly important to financial statement users may be reported as a major fund.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The city reports the following major governmental funds:

- General Fund - accounts for the city's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.
- Debt Service Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs, other than TIF or enterprise debt.

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

The city reports the following major governmental funds: (cont.)

TIF #2 Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures outlined in the TIF project plan.

The city reports the following major enterprise funds:

Water Utility - accounts for operations of the water system
Sewer Utility - accounts for operations of the sewer system

The city reports the following nonmajor governmental funds:

Special Revenue Funds - used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

Library
Bugle Lake Rehabilitation

In addition, the city reports the following fund type:

Custodial Fund - used to account for and report assets controlled by the city and the assets are for the benefit of individuals, private organizations, and/or other governmental units.

Tax Collection Fund

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

Government-Wide Financial Statements (cont.)

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

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the city considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred inflows. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the city is entitled the resources and the amounts are available. Amounts owed to the city which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and unavailable revenues. Delinquent special assessments being held by the county are reported as receivables and unavailable revenues.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

Fund Financial Statements (cont.)

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

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

For purposes of the statement of cash flows, the city considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Investment of city funds is restricted by Wisconsin state statutes. Available investments are limited to:

- a. Time deposits in any credit union, bank, savings bank or trust company.
- b. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.
- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

The city has not adopted an investment policy.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated to the general fund. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

See Note III. A. for further information.

2. Receivables

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the city, taxes are collected for and remitted to the state and county governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying statement of fiduciary net position.

Property tax calendar - 2019 tax roll:

Lien date and levy date	December 2019
Tax bills mailed	December 2019
Payment in full, or	January 31, 2020
First installment due	January 31, 2020
Second installment due	July 31, 2020
Personal property taxes in full	January 31, 2020
Tax sale - 2019 delinquent real estate taxes	October 2022

Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the water and sewer utilities because they have the right by law to place substantially all delinquent bills on the tax roll, and other delinquent bills are generally not significant.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

2. Receivables (cont.)

In the governmental fund financial statements, advances to other funds are offset equally by a nonspendable fund balance account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation or by a restricted fund balance account, if the funds will ultimately be restricted when the advance is repaid.

3. Inventories and Prepaid Items

Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not significant. Proprietary fund inventories are generally used for construction and/or for operation and maintenance work. They are not for resale. They are valued at cost based on average cost, and charged to construction and/or operation and maintenance expense when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position.

5. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$1,000 for general capital assets and \$1,000 for infrastructure assets, and an estimated useful life in excess of one year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. No interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

5. Capital Assets (cont.)

Government-Wide Statements (cont.)

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

Buildings	20-50 Years
Land Improvements	20-50 Years
Machinery and Equipment	5-20 Years
Utility System	4-100 Years
Infrastructure	20-50 Years
Vehicles	6-12 Years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

6. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

7. Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable resources.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2019, are determined on the basis of current salary rates and include salary related payments.

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

8. Long-Term Obligations

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable, accrued compensated absences, net pension liability, land contract liability, and the unfunded retirement liability.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

For the government-wide statements and proprietary fund statements, bond premiums and discounts are amortized over the life of the issue using the straight-line method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

9. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

10. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net positions that do not meet the definitions of "restricted" or "net investment in capital assets."

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

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

10. Equity Classifications (cont.)

Fund Statements

Governmental fund balances are displayed as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the City Council. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the City Council that originally created the commitment.
- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The City Council may take official action to assign amounts or delegate this responsibility to the clerk/treasurer through the budgetary process. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

Proprietary fund equity is classified the same as in the government-wide statements.

The city considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the city would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

See Note III. H. for further information.

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

11. Pension

For purposes of measuring the net pension asset (liability), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

12. Basis for Existing Rates

Water Utility

Rates for the water utility were approved by the Public Service Commission of Wisconsin on February 2, 2015.

Sewer Utility

Rates for the sewer utility were approved by the City Council on March 4, 2019. Previous rates for the sewer utility were placed into effect on January 1, 2012.

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

A budget has been adopted for the general fund and the debt service fund. A budget has not been formally adopted for the library fund, Bugle Lake Rehabilitation fund, or TIF #2. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

B. LIMITATIONS ON THE CITY'S TAX LEVY

Wisconsin law limits the city's future tax levies. Generally the city is limited to its prior tax levy dollar amount (excluding TIF Districts), increased by the greater of the percentage change in the city's equalized value due to new construction or zero percent. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The city is required to reduce its allowable levy by the estimated amount of fee revenue it collects for certain services, if those services were funded in 2013 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved by referendum.

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)

C. VIOLATION OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS

As of December 31, 2019, the city was not in compliance with the provisions of the 2004 Sewerage System Revenue Bond and the 2015 Sewerage System Mortgage Revenue Bond covenants that require net revenues of the sewer utility to be equal to at least 110% of principal and interest paid during the year. See Note III.F for additional disclosures regarding these revenue bonds.

NOTE III - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The city's deposits and investments at year end were comprised of the following:

	Carrying Value	Bank and Investment Balances	Associated Risks
Deposits	\$ 2,190,916	\$ 2,170,917	Custodial credit
Money market	75,125	75,125	Custodial credit
Petty cash	340	-	N/A
Total Deposits and Investments	\$ 2,266,381	\$ 2,246,042	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 964,502		
Restricted cash and investments	667,391		
Per statement of fiduciary net position			
Tax Collection Fund	634,488		
Total Deposits and Investments	\$ 2,266,381		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has been considered in computing custodial credit risk.

The city maintains collateral agreements with its banks. At December 31, 2019, the banks had pledged various government securities in the amount of \$691,846 to secure the city's deposits.

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the city's deposits may not be returned to the city.

As of December 31, 2019, \$533,380 of the city's total bank balance was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ <u>533,380</u>
Total	\$ <u><u>533,380</u></u>

See Note I.D.1. for further information on deposit and investment policies.

B. RECEIVABLES

All of the receivables are expected to be collected within one year except for \$1,425 of delinquent special assessment receivables in the General Fund.

Governmental funds report *unavailable or unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unavailable revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unearned</u>
Property taxes receivable for subsequent year	\$ <u>920,498</u>
Total Unearned Revenue for Governmental Funds	\$ <u><u>920,498</u></u>

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Long-Term Debt Accounts

Redemption - Used to segregate resources accumulated for debt service payments over the next twelve months.

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

C. RESTRICTED ASSETS (cont.)

Long Term Debt Accounts (cont.)

- Reserve - Used to report resources set aside to make up potential future deficiencies in the redemption account.
- Depreciation - Used to report resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the redemption account.

Equipment Replacement Account

The sewer utility established an equipment replacement account to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources.

Following is a list of restricted assets at December 31, 2019:

	Restricted Assets
Equipment replacement account	\$ 180,989
Bond reserve account	337,300
Bond redemption account	30,419
Depreciation account	118,683
Total	\$ 667,391

D. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 120,244	\$ 434,688	\$ -	\$ 554,932
Construction in progress	-	15,331	-	15,331
Total Capital Assets Not Being Depreciated	120,244	450,019	-	570,263

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities (cont.)				
Capital assets being depreciated				
Buildings	\$ 1,567,900	\$ 3,717	\$ -	\$ 1,571,617
Land improvements	2,673,981	7,032	-	2,681,013
Machinery and equipment	421,111	5,200	-	426,311
Vehicles	392,760	51,343	18,623	425,480
Infrastructure	2,881,925	-	-	2,881,925
Total Capital Assets Being Depreciated	7,937,677	67,292	18,623	7,986,346
Total Capital Assets	8,057,921	517,311	18,623	8,556,609
Less: Accumulated depreciation for				
Buildings	(572,200)	(33,227)	-	(605,427)
Land improvements	(331,625)	(132,573)	-	(464,198)
Machinery and equipment	(381,422)	(14,983)	-	(396,405)
Vehicles	(284,814)	(13,967)	3,880	(294,901)
Infrastructure	(1,219,353)	(142,663)	-	(1,362,016)
Total Accumulated Depreciation	(2,789,414)	(337,413)	3,880	(3,122,947)
Net Capital Assets Being Depreciated	5,148,263	(270,121)	14,743	4,863,399
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 5,268,507	\$ 179,898	\$ 14,743	\$ 5,433,662

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 17,610
Public safety	21,467
Public works, which includes the depreciation of infrastructure	174,991
Culture, recreation and education	123,085
Conservation and development	260
Total Governmental Activities Depreciation Expense	\$ 337,413

Business-type Activities

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Water</u>				
Capital assets not being depreciated				
Land and land rights	\$ 34,264	\$ -	\$ -	\$ 34,264
Total Capital Assets Not Being Depreciated	34,264	-	-	34,264
Capital assets being depreciated				
Source of supply plant	298,030	-	-	298,030
Pumping plant	762,296	4,024	1,618	764,702
Water treatment plant	1,401,906	7,491	3,600	1,405,797
Transmission and distribution plant	3,095,633	15,900	1,611	3,109,922
General plant	217,068	8,462	3,624	221,906
Total Capital Assets Being Depreciated	5,774,933	35,877	10,453	5,800,357
Total Capital Assets	5,809,197	35,877	10,453	5,834,621
Less: Accumulated depreciation for				
Water plant	(1,798,563)	(161,785)	10,453	(1,949,895)
Total Accumulated Depreciation	(1,798,563)	(161,785)	10,453	(1,949,895)
Net Capital Assets Being Depreciated	3,976,370	(125,908)	-	3,850,462
Net Water Capital Assets	\$ 4,010,634	\$ (125,908)	\$ -	\$ 3,884,726

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Sewer</u>				
Capital assets not being depreciated				
Land and land rights	\$ 2,950	\$ -	\$ -	\$ 2,950
Construction in progress	-	18,705	-	18,705
Total Capital Assets Not Being Depreciated	2,950	18,705	-	21,655
Capital assets being depreciated				
Collection system plant	1,876,041	-	-	1,876,041
Collection system pumping plant	1,176,609	2,502	-	1,179,111
Treatment and disposal plant	1,657,251	4,022	1,725	1,659,548
General plant	208,267	-	-	208,267
Total Capital Assets Being Depreciated	4,918,168	6,524	1,725	4,922,967
Total Capital Assets	4,921,118	25,229	1,725	4,944,622
Less: Accumulated depreciation for				
Sewer plant	(1,836,874)	(136,130)	1,725	(1,971,279)
Total Accumulated Depreciation	(1,836,874)	(136,130)	1,725	(1,971,279)
Net Capital Assets Being Depreciated	3,081,294	(129,606)	-	2,951,688
Net Sewer Capital Assets	\$ 3,084,244	\$ (110,901)	\$ -	\$ 2,973,343
Business-type Capital Assets, Net of Accumulated Depreciation	\$ 7,094,878	\$ (236,809)	\$ -	\$ 6,858,069

Depreciation expense was charged to functions as follows:

Business-type Activities

Water	\$ 157,777
Sewer	140,138
Total Business-type Activities Depreciation Expense	\$ 297,915

Depreciation expense may be different from business-type activity accumulated depreciation additions because of joint metering, salvage, cost of removal, internal allocations, and/or costs associated with the disposal of assets.

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS

Interfund Receivables/Payables

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	TIF #2	\$ 3,421
Total - Fund Financial Statements		3,421
Less: Fund eliminations		(3,421)
Add: Interfund advances		<u>613,737</u>
Total Internal Balances - Government-Wide Statement of Net Position		<u>\$ 613,737</u>

All amounts are due within one year.

Balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Advances

The general fund is advancing funds to the water utility. The amount advanced is owed from the utility for a refund for public fire protection that was charged to the general fund between March 30, 2015 and December 31, 2018 in error. This advance is expected to be repaid in 2020. In addition, the general fund is advancing funds to the sewer utility to cover a deficit in its unrestricted cash balance.

The following is a schedule of interfund advances:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Amount Not Due Within One Year</u>
General Fund	Water Utility	\$ 152,618	\$ -
General Fund	Sewer Utility	75,448	61,094
General Fund	Sewer Utility	385,671	385,671
Water Utility	Sewer Utility	<u>11,624</u>	9,413
Total - Fund Financial Statements		625,361	
Less: Fund eliminations		<u>(11,624)</u>	
Total - Interfund Advances		<u>\$ 613,737</u>	

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS (cont.)

Advances (cont.)

The principal purpose of the sewer utility advances from the general fund and water utility are related to bond repayments associated with the 2004 Sewerage System Revenue Bonds. Based on a repayment schedule associated with the bonds, the sewer utility has agreed to pay back a total of \$253,164 and \$39,006 in advances from the general fund and water utility, respectively.

The remaining cash requirements related to the repayment of these advances are as follows:

Years	General Fund		Water Utility	
	Principal	Interest	Principal	Interest
2020	\$ 14,354	\$ 1,886	\$ 2,211	\$ 291
2021	14,713	1,527	2,267	235
2022	15,080	1,160	2,323	179
2023	15,457	783	2,382	120
2024	<u>15,844</u>	<u>396</u>	<u>2,441</u>	<u>61</u>
Totals	<u>\$ 75,448</u>	<u>\$ 5,752</u>	<u>\$ 11,624</u>	<u>\$ 886</u>

Transfers

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
General Fund	Water Utility	\$ 5,000	Property tax equivalent
Water Utility	TIF #2	16,990	Debt service contribution
Sewer Utility	Water Utility	4,092	Reimbursement of prior year expense
Library	General Fund	<u>72,000</u>	City appropriation
Total - Fund Financial Statements		98,082	
Less: Fund eliminations		(76,092)	
Less: Partial netting of governmental fund and enterprise fund transfers		<u>(10,000)</u>	
Total Transfers - Government-Wide Statement of Activities		<u>\$ 11,990</u>	

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 2,210,000	\$ -	\$ 65,000	\$ 2,145,000	\$ 65,000
General obligation debt from direct borrowings and direct placements	719,464	-	83,492	635,972	90,841
Revenue bonds	975,000	-	85,000	890,000	90,000
(Discounts)/Premiums	63,189	-	3,325	59,864	-
Sub-totals	<u>3,967,653</u>	<u>-</u>	<u>236,817</u>	<u>3,730,836</u>	<u>245,841</u>
Other Liabilities					
Vested compensated absences	13,784	8,930	13,784	8,930	8,930
Net pension liability	-	98,741	-	98,741	-
Unfunded retirement liability	13,916	587	1,800	12,703	1,952
Land contract liability	-	375,000	-	375,000	-
Net OPEB liability	21,047	-	21,047	-	-
Total Other Liabilities	<u>48,747</u>	<u>483,258</u>	<u>36,631</u>	<u>495,374</u>	<u>10,882</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 4,016,400</u>	<u>\$ 483,258</u>	<u>\$ 273,448</u>	<u>\$ 4,226,210</u>	<u>\$ 256,723</u>
Business-type Activities					
Bonds and Notes Payable					
Revenue bonds from direct borrowings and direct placements	\$ 2,784,474	\$ -	\$ 125,297	\$ 2,659,177	\$ 128,373
(Discounts)/Premiums	(19,657)	-	(19,657)	-	-
Sub-totals	<u>2,764,817</u>	<u>-</u>	<u>105,640</u>	<u>2,659,177</u>	<u>128,373</u>
Other Liabilities					
Vested compensated absences	3,332	3,574	3,332	3,574	3,574
Net pension liability	-	23,736	-	23,736	-
Net OPEB liability	4,270	-	4,270	-	-
Total Other Liabilities	<u>7,602</u>	<u>27,310</u>	<u>7,602</u>	<u>27,310</u>	<u>3,574</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 2,772,419</u>	<u>\$ 27,310</u>	<u>\$ 113,242</u>	<u>\$ 2,686,487</u>	<u>\$ 131,947</u>

In accordance with Wisconsin Statutes, total general obligation indebtedness of the city may not exceed 5% of the equalized value of taxable property within the city's jurisdiction. The debt limit as of December 31, 2019, was \$4,729,320. Total general obligation debt outstanding at year end was \$2,780,972.

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the city. Notes and bonds in the governmental funds will be retired by future property tax levies.

Governmental Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2019
Corporate purpose bonds	4/26/17	4/1/37	3.00-4.00%	\$ 2,240,000	\$ 2,145,000
Promissory note	3/5/15	3/1/20	3.10%	275,000	25,297 *
Promissory note	6/19/17	6/1/22	3.40%	350,000	289,397 *
Promissory note	9/27/18	9/27/23	4.00%	349,866	<u>321,278 *</u>
Total Governmental Activities - General Obligation Debt					<u><u>\$ 2,780,972</u></u>

* The debt noted is directly placed with a third party.

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt	
	Principal	Interest
2020	\$ 65,000	\$ 74,175
2021	95,000	72,225
2022	95,000	69,375
2023	100,000	66,525
2024	105,000	63,525
2025-2029	560,000	268,750
2030-2034	660,000	167,025
2035-2037	<u>465,000</u>	<u>34,700</u>
Totals	<u><u>\$ 2,145,000</u></u>	<u><u>\$ 816,300</u></u>

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

<u>Years</u>	Governmental Activities General Obligation Debt from Direct Borrowings and Direct Placements	
	Principal	Interest
2020	\$ 90,841	\$ 19,335
2021	67,564	16,636
2022	260,768	14,553
2023	216,799	10,808
Totals	\$ 635,972	\$ 61,332

Revenue Debt

Governmental activities revenue bonds are payable from revenues derived from tax increment levied in TIF #2. Business-type activities revenue bonds are payable only from revenues derived from the operation of the water and sewer utilities.

The water utility has pledged future operating revenues, net of specified operating expenses, to repay revenue bonds issued in 2010 and 2015. Proceeds from the bonds provided financing for the water plant improvements. The bonds are payable solely from operating revenues and are payable through 2055. Annual principal and interest payments on the bonds are expected to require 40.88% of net revenues. The total principal and interest remaining to be paid on the bonds is \$2,395,112. Principal and interest paid for the current year and total customer net revenues were \$72,258 and \$162,727, respectively.

The sewer utility has pledged future operating revenues, net of specified operating expenses, to repay revenue bonds issued in 2004 and 2015. Proceeds from the bonds provided financing for the sewer plant improvements. The bonds are payable solely from operating revenues and are payable through 2055. Annual principal and interest payments on the bonds are expected to require 33.13% of net revenues. The total principal and interest remaining to be paid on the bonds is \$1,645,776. Principal and interest paid for the current year and total customer net revenues were \$133,625 and \$137,995, respectively.

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Revenue debt payable at December 31, 2019, consists of the following:

Governmental Activities Revenue Debt

Revenue Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2019
Community Development Authority revenue bonds	9/27/06	12/1/27	4.05-5.40%	\$ 1,650,000	\$ 890,000
Total Governmental Activities - Revenue Debt					<u>\$ 890,000</u>

Business-type Activities Revenue Debt

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2019
<u>Water Utility</u>					
Water system mortgage revenue bonds	3/26/10	3/1/50	4.00%	\$ 675,000	\$ 592,774 *
Water system mortgage revenue bonds	6/15/15	6/15/55	2.75%	925,000	<u>863,971</u> *
Total Water Utility					<u>1,456,745</u>
<u>Sewer Utility</u>					
Sewerage system mortgage revenue bonds	12/22/04	5/1/24	2.37%	\$ 1,591,695	\$ 478,560 *
Sewerage system mortgage revenue bonds	6/15/15	6/15/55	2.75%	775,000	<u>723,872</u> *
Total Sewer Utility					<u>1,202,432</u>
Total Business-type Activities - Revenue Debt					<u>\$ 2,659,177</u>

* The debt noted is directly placed with a third party.

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Debt service requirements to maturity are as follows:

<u>Years</u>	Governmental Activities Revenue Debt	
	Principal	Interest
	2020	\$ 90,000
2021	95,000	41,488
2022	100,000	36,738
2023	110,000	31,688
2024	115,000	26,078
2025-2027	380,000	41,360
Totals	\$ 890,000	\$ 223,205

<u>Years</u>	Business-type Activities Revenue Debt from Direct Borrowings and Direct Placements	
	Principal	Interest
	2020	\$ 128,373
2021	131,688	74,136
2022	135,093	70,705
2023	138,587	67,184
2024	142,176	63,568
2025-2029	230,262	291,340
2030-2034	268,865	252,738
2035-2039	314,191	207,412
2040-2044	367,459	154,143
2045-2049	430,120	91,482
2050-2054	337,641	31,050
2055	34,722	476
Totals	\$ 2,659,177	\$ 1,381,711

Other Debt Information

Estimated payments of compensated absences, net pension liability, unfunded retirement liability, and land contract liability are not included in the debt service requirement schedules. The compensated absences, net pension liability, and unfunded retirement liability attributable to governmental activities will be liquidated primarily by the general fund. The land contract liability attributable to governmental activities will be liquidated primarily by TIF #2.

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Other Debt Information (cont.)

The city's general obligation debt from direct borrowings and/or direct placements related to governmental activities with balances totaling \$635,972, contain provisions that if the city fails to pay any amount due, the unpaid balance shall, at the option of the lender, without notice, mature and become immediately payable.

The sewer utility revenue bonds from direct borrowings and/or direct placements with a balance of \$478,560, contain a provision that in the event the utility fails to make a payment when due or fails to comply with any other provisions of the financial assistance agreement, the lender may pursue remedies including, but not limited to, deducting amounts from any state payments due to the municipality, declaring the entire balance of the loan immediately due and payable, increasing the interest rate to the market interest rate, and/or appointing a receiver for the benefit of the lender.

The water utility revenue bonds from direct borrowings and/or direct placements with a balance of \$592,774, contain a provision that in the event the utility defaults on the payment of any interest or principal on the bonds, the lender may declare the entire principal amount and accrued interest immediately due and payable.

A statutory mortgage lien upon the water and sewer utility's system and any additions, improvements and extensions thereto is created by Section 66.0621 of the Wisconsin Statutes as provided for in the ordinances creating the revenue bond issue. The water and sewer utility's system and the earnings of the system remain subject to the lien until payment in full of the principal and interest on the bonds.

Land Contract

On August 30, 2019, the city purchased property via a land contract that is intended to be used for future development. The outstanding principal balance on this land contract was \$375,000 as of December 31, 2019. This principal balance must be paid by January 1, 2025. In addition, interest is charged on the land contract at a rate of 3% of the unpaid balance, which is to be paid annually by January 1st of each year until the principal balance has been paid off.

G. LEASE DISCLOSURES

TIF #2 is leasing land and improvements from the City of Independence Community Development Authority ("CDA"). The CDA issued \$1,650,000 in revenue bonds for this purchase in 2006. The annual lease payments to be paid are the same as the CDA's annual debt service payments on the bonds. Revenues generated by TIF #2 are expected to be paid to the CDA to make the debt payments. The total lease outstanding at December 31, 2019 was \$890,000.

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

H. NET POSITION/FUND BALANCES

Net position reported on the government wide statement of net position at December 31, 2019, includes the following:

Governmental Activities

Net Investment in Capital Assets	
Land	\$ 554,932
Construction in progress	15,331
Other capital assets, net of accumulated depreciation	4,863,399
Less: Long-term capital-related debt	(3,670,972)
Less: Unamortized debt premium	(59,864)
Less: Land contract payable	<u>(375,000)</u>
Total Net Investment in Capital Assets	<u>\$ 1,327,826</u>

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

H. NET POSITION/FUND BALANCES (cont.)

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2019, include the following:

	General Fund	TIF #2	Nonmajor Funds	Totals
Fund Balances				
Nonspendable:				
Non-current advances to other funds	\$ 446,765	\$ -	\$ -	\$ 446,765
Prepaid expenses	17,229	-	1,693	18,922
Restricted for:				
Debt service	29,946	-	-	29,946
Cemetery perpetual care	6,391	-	-	6,391
Future TIF expenditures	-	207,155	-	207,155
Library	-	-	9,690	9,690
Lake rehabilitaiton	-	-	104,210	104,210
Assigned to:				
Summer recreation	29,147	-	-	29,147
Street projects	33,352	-	-	33,352
Park equipment	25,037	-	-	25,037
Community development	40,131	-	-	40,131
City Hall	11,319	-	-	11,319
Dam	15,864	-	-	15,864
Street machinery	61,436	-	-	61,436
Public safety outlay	53,070	-	-	53,070
Office equipment	10,144	-	-	10,144
Street lights	29,753	-	-	29,753
Industrial development	12,040	-	-	12,040
Siren	37,621	-	-	37,621
Opera House equipment	8,555	-	-	8,555
Special projects	52	-	-	52
Drug dog	23,268	-	-	23,268
Park projects	9,244	-	-	9,244
Fire station maintenance	15,043	-	-	15,043
Reduction to assigned fund balance	(80,612)	-	-	(80,612)
Total Fund Balances	\$ 834,795	\$ 207,155	\$ 115,593	\$ 1,157,543

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

H. NET POSITION/FUND BALANCES (cont.)

Business-type Activities

Net Investment in Capital Assets	
Land	\$ 37,214
Construction in progress	18,705
Other capital assets, net of accumulated depreciation	6,802,150
Less: Long-term capital-related debt	<u>(2,659,177)</u>
Total Net Investment in Capital Assets	<u>\$ 4,198,892</u>

I. RESTATEMENT OF FUND BALANCES/NET POSITION

Fund balance/net position has been restated to correct errors in the presentation of funds. The summer recreation special revenue fund did not meet the requirements of having restricted or committed inflows in order to be reported as a separate special revenue fund. The city's 2018 financial statements had reported the summer recreation fund as part of the city's nonmajor funds' opinion unit. In 2019, that activity is reported within the general fund. In addition, the cemetery perpetual care and Bugle Lake Rehabilitation District funds did not meet the requirements to be classified as fiduciary funds. The city's 2018 financial statements had reported the cemetery perpetual care and Bugle Lake Rehabilitation District funds as separate expendable trust funds. In 2019, the cemetery perpetual care activity is reported within the general fund and the Bugle Lake Rehabilitation District activity is reported as a nonmajor special revenue fund.

In addition, fund balance/net position has been restated to correct an error related to the overbilling of public fire protection from the water utility to general fund between March 30, 2015 and December 31, 2018.

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

I. RESTATEMENT OF FUND BALANCES/NET POSITION (cont.)

General Fund

General Fund balance - December 31, 2018 (as reported)	\$ 718,378
Add: Summer recreation special revenue fund balance	31,039
Cemetery perpetual care fiduciary net position	6,226
Unauthorized public fire protection charges from March 30, 2015 through December 31, 2018	<u>152,618</u>
Fund Balance - December 31, 2018 (as restated)	<u>\$ 908,261</u>
Net income of the prior year would have been increased (decreased) by	<u>\$ 39,890</u>

Combined Nonmajor Governmental Funds

Combined Nonmajor Governmental Fund balance - December 31, 2018 (as reported)	\$ 42,732
Add: Bugle Lake Rehabilitation District fiduciary net position	78,967
Less: Summer recreation special revenue fund balance	<u>(31,039)</u>
Fund Balance - December 31, 2018 (as restated)	<u>\$ 90,660</u>
Net income of the prior year would have been increased (decreased) by	<u>\$ 26,146</u>

Water Utility

Water Utility Net Position - December 31, 2018 (as reported)	\$ 3,305,423
Less: Errors in public fire protection charges from March 30, 2015 through December 31, 2018	<u>(152,618)</u>
Net Position - December 31, 2018 (as restated)	<u>\$ 3,152,805</u>
Net income of the prior year would have been increased (decreased) by	<u>\$ (43,520)</u>

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

I. RESTATEMENT OF FUND BALANCES/NET POSITION (cont.)

Fiduciary Funds

Fiduciary Funds Net Position - December 31, 2018 (as reported)	\$ 85,193
Less: Cemetery perpetual care fiduciary net position	(6,226)
Bugle Lake Rehabilitation District fiduciary net position	<u>(78,967)</u>
Net Position - December 31, 2018 (as restated)	<u>\$ -</u>
Net income of the prior year would have been increased (decreased) by	<u>\$ (22,516)</u>

Governmental Activities

Governmental Activities Net Position - December 31, 2018 (as reported)	\$ 2,549,407
Add: Cemetery perpetual care fiduciary net position	6,226
Bugle Lake Rehabilitation District fiduciary net position	78,967
Errors in public fire protection charges from March 30, 2015 through December 31, 2018	<u>152,618</u>
Net Position - December 31, 2018 (as restated)	<u>\$ 2,787,218</u>
Net income of the prior year would have been increased (decreased) by	<u>\$ 66,036</u>

Business-Type Activities

Business-Type Activities Net Position - December 31, 2018 (as reported)	\$ 4,921,937
Less: Error in public fire protection charges from March 30, 2015 through December 31, 2018	<u>(152,618)</u>
Net Position - December 31, 2018 (as restated)	<u>\$ 4,769,319</u>
Net income of the prior year would have been increased (decreased) by	<u>\$ (43,520)</u>

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

Vesting. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and executive service retirement participants, if hired on or before 12/31/2016) are entitled to retirement benefits based on a formula factor, their average earnings, and creditable service.

Final average earnings is the average of the participant's three highest annual earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at age 55 (50 for protective occupations) and receive an actuarially reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Post-retirement adjustments. The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2009	(2.1)%	(42.0)%
2010	(1.3)	22.0
2011	(1.2)	11.0
2012	(7.0)	(7.0)
2013	(9.6)	9.0
2014	4.7	25.0
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17.0

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for General category employees and Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category merged into the General Employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$37,493 in contributions from the city.

Contribution rates for the plan year reported as of December 31, 2019 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (Executives & Elected Officials)	6.7%	6.7%
Protective with Social Security	6.7%	10.7%
Protective without Social Security	6.7%	14.9%

Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2019, the city reported a liability of \$122,477 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The city's proportion of the net pension liability was based on the city's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2018, the city's proportion was 0.00344263%, which was an increase of 0.00022065% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2019, the city recognized pension expense of \$87,667.

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

At December 31, 2019, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 95,391	\$ 168,618
Changes in assumptions	20,645	-
Net differences between projected and actual earnings on pension plan investments	178,871	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,360	2,458
Employer contributions subsequent to the measurement date	37,621	-
Totals	\$ 333,888	\$ 171,076

\$37,621 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31:	Deferred Outflows of Resources and Deferred Inflows of Resources (net)
2020	\$ 46,115
2021	10,763
2022	19,528
2023	48,785

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Actuarial assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2017
Measurement Date of Net Pension Liability (Asset):	December 31, 2018
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	7.0%
Discount Rate:	7.0%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table
Post-retirement Adjustments*:	1.9%

** No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the Total Pension Liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates. The Total Pension Liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Long-term expected return on plan assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan 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:

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	49%	8.1%	5.5%
Fixed Income	24.5	4.0	1.5
Inflation Sensitive Assets	15.5	3.8	1.3
Real Estate	9	6.5	3.9
Private Equity/Debt	8	9.4	6.7
Multi-Asset	4	6.7	4.1
Total Core Fund	110	7.3	4.7
<u>Variable Fund Asset Class</u>			
U.S Equities	70	7.6	5.0
International Equities	30	8.5	5.9
Total Variable Fund	100	8.0	5.4

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

Single discount rate. A single discount rate of 7.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.00% and a long term bond rate of 3.71%. Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Sensitivity of the city's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the city's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00 percent, as well as what the city's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
City's proportionate share of the net pension liability (asset)	\$486,740	\$122,477	\$(148,379)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

At December 31, 2019, the city reported a payable to the pension plan which represents contractually required contributions outstanding as of the end of the year.

B. RISK MANAGEMENT

The city is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

C. COMMITMENTS AND CONTINGENCIES

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

From time to time, the city is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the city attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the city's financial position or results of operations.

The city has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV - OTHER INFORMATION (cont.)

D. JOINT VENTURES

Independence Fire District

The City of Independence and the Townships of Arcadia, Burnside, Chimney Rock, Lincoln and Montana jointly operate the fire district, which is called the Independence Fire District (District) and provides fire protection services.

The governing body is made up of citizens from each community. Local representatives are appointed by the city council or board of trustees of each member government. The governing body has authority to adopt its own budget and control the financial affairs of the District. The city is obligated by the joint venture agreement to remit an amount annually to the District. The city made payments to the District totaling \$52,380 in 2019.

Financial information of the District as of December 31, 2019 is available from the Independence City Hall at 23688 Adams Street, Independence, WI 54747.

The city does not have an equity interest in the District.

Arcadia Ambulance Service

The City of Independence, the City of Arcadia and the Townships of Arcadia, Burnside, Dodge, Glencoe, Montana and Waumandee jointly operate the local ambulance service, which is called the Arcadia Ambulance Service (Ambulance) and provides ambulance services.

The governing body is made up of citizens from each community. Local representatives are appointed by the city council or board of trustees of each member government. The governing body has the authority to adopt its own budget and control the financial affairs of the Ambulance. The city is obligated by the joint venture agreement to remit an amount annually to the Ambulance. The city made a payment of \$26,055 to the Ambulance in 2019.

Financial information of the Ambulance as of December 31, 2019 is available from the Arcadia City Hall at 203 West Main Street, Arcadia, WI 54612.

The city does not have an equity interest in the Ambulance.

E. SUBSEQUENT EVENTS

In December 2019, a novel strain of coronavirus was reported in Wuhan, Hubei province, China. In the first several months of 2020, the virus, SARS-CoV-2, and resulting disease, COVID-19, spread to the United States, including areas impacting the city. The city's evaluation of the effects of these events is ongoing; however, based on current information, it is believed this situation will cause a decrease in certain revenue sources and an increase in past due utility customer accounts receivable.

CITY OF INDEPENDENCE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

NOTE IV - OTHER INFORMATION (cont.)

E. SUBSEQUENT EVENTS (cont.)

The extent of the impact of COVID-19 on the city's operational and financial performance will depend on future developments, including the duration and spread of the outbreak, and related governmental or other regulatory actions.

Subsequent to year end, the City Council approved approximately \$1,415,000 of construction and engineering contracts related to the Upper Bugle Lake sediment pond restoration project, the Madison Street improvement project, and the Markham Hillside Addition street and utility improvement project.

During its May 14, 2020 meeting, the City Council approved the issuance of a line of credit for up to \$1,800,000. The line of credit bears an interest rate of 1.75%, and will be outstanding for a period of nine months with a single payment due at the end of the loan term.

During its June 15, 2020 meeting, the City Council approved the issuance of Tax Increment Revenue Refunding Bonds in the amount of \$662,000 with interest rates ranging from 2.90% to 4.15%. The bonds will be used to refund existing long-term debt.

F. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following:

- > Statement No. 87, *Leases*
- > Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- > Statement No. 91, *Conduit Debt Obligations*

When they become effective, application of these standards may restate portions of these financial statements. The statements listed above had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, with the exception of Statement No. 87, which was postponed by one and a half years.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF INDEPENDENCE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2019

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	\$ 469,246	\$ 469,527	\$ 281
Intergovernmental	413,415	439,844	26,429
Licenses and permits	5,840	4,959	(881)
Fines, forfeitures and penalties	4,200	2,705	(1,495)
Public charges for services	81,765	48,852	(32,913)
Investment income	1,500	3,882	2,382
Miscellaneous	<u>22,319</u>	<u>29,182</u>	<u>6,863</u>
Total Revenues	<u>998,285</u>	<u>998,951</u>	<u>666</u>
EXPENDITURES			
Current			
General government	333,940	341,969	(8,029)
Public safety	336,640	307,282	29,358
Public works	190,061	199,872	(9,811)
Health and human services	1,800	1,604	196
Culture, recreation and education	33,000	61,545	(28,545)
Conservation and development	20,000	17,246	2,754
Capital Outlay	121,194	75,899	45,295
Debt Service			
Interest and fiscal charges	<u>1,650</u>	-	<u>1,650</u>
Total Expenditures	<u>1,038,285</u>	<u>1,005,417</u>	<u>32,868</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(40,000)</u>	<u>(6,466)</u>	<u>33,534</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	65,000	5,000	(60,000)
Transfers out	<u>(72,000)</u>	<u>(72,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(7,000)</u>	<u>(67,000)</u>	<u>(60,000)</u>
Net Change in Fund Balance	(47,000)	(73,466)	(26,466)
FUND BALANCE - Beginning of Year (as restated)	<u>908,261</u>	<u>908,261</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 861,261</u>	<u>\$ 834,795</u>	<u>\$ (26,466)</u>

See independent auditors' report and accompanying notes to required supplementary information.

CITY OF INDEPENDENCE

SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY) WISCONSIN RETIREMENT SYSTEM (WRS) For the Year Ended December 31, 2019

WRS Fiscal Year End Date (Measurement Date)	City's Proportion of the Net Pension Asset (Liability)	City's Proportionate Share of the Net Pension Asset (Liability)	City's Covered Payroll	City's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/18	0.00344263%	\$ (122,477)	\$ 459,710	26.64%	96.45%
12/31/17	0.00322198%	95,665	426,361	22.44%	102.93%
12/31/16	0.00305566%	(25,187)	411,024	6.13%	99.12%
12/31/15	0.00293349%	(47,668)	370,643	12.86%	98.20%
12/31/14	0.00300196%	73,736	350,360	21.05%	102.74%

SCHEDULE OF EMPLOYER CONTRIBUTIONS WISCONSIN RETIREMENT SYSTEM (WRS) For the Year Ended December 31, 2019

City Year End Date	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/19	\$ 37,621	\$ 37,621	-	\$ 469,141	8.02%
12/31/18	37,493	37,493	-	459,711	8.16%
12/31/17	34,399	34,399	-	426,361	8.07%
12/31/16	31,178	31,178	-	411,024	7.59%
12/31/15	28,826	28,826	-	370,643	7.78%

See independent auditors' report and accompanying notes to required supplementary information.

CITY OF INDEPENDENCE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2019

BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I. C.

The budgeted amounts presented are as presented in the original budget and no amendments were adopted during the year. The city may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds council action.

Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year. Budgets are adopted at the department level of expenditure.

WISCONSIN RETIREMENT SYSTEM

The amounts determined for each fiscal year were determined as of the calendar year-end and occurred within the fiscal year.

The city is required to present the last ten years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

Changes in benefit terms. There were no changes of benefit terms for any participating employer in the Wisconsin Retirement System.

Changes in assumptions. Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 – 2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop Total Pension Liability changed, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates.

SUPPLEMENTARY INFORMATION

CITY OF INDEPENDENCE

DETAILED SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2019

	Original and Final Budget	Actual	Variance with Final Budget
TAXES			
General property taxes	\$ 459,746	\$ 458,746	\$ (1,000)
Payments in lieu of taxes	9,500	10,781	1,281
Total Taxes	<u>469,246</u>	<u>469,527</u>	<u>281</u>
INTERGOVERNMENTAL			
Federal grants	-	33,000	33,000
State shared revenues	316,890	316,853	(37)
Fire insurance tax	4,000	4,402	402
State aid - other law enforcement	1,000	800	(200)
State aid - connecting streets	77,825	77,825	-
State aid - recycling	4,000	3,932	(68)
Other state payments	1,700	3,032	1,332
County aid - highway and bridges	8,000	-	(8,000)
Total Intergovernmental	<u>413,415</u>	<u>439,844</u>	<u>26,429</u>
LICENSES AND PERMITS			
Liquor and malt beverage licenses	3,500	2,996	(504)
Operators' license	600	775	175
Cigarette licenses	140	140	-
Other business and occupational licenses	600	380	(220)
Dog and cat licenses	700	364	(336)
Building permits	300	304	4
Total Licenses and Permits	<u>5,840</u>	<u>4,959</u>	<u>(881)</u>
FINES, FORFEITURES AND PENALTIES			
Court penalties and costs	4,000	2,543	(1,457)
Parking violations	100	25	(75)
Other law and ordinance violations	100	137	37
Total Fines, Forfeitures and Penalties	<u>4,200</u>	<u>2,705</u>	<u>(1,495)</u>
PUBLIC CHARGES FOR SERVICES			
Clerk's fees	100	141	41
Publication fees	100	95	(5)
Law enforcement fees	200	681	481
Highway maintenance and construction	1,400	786	(614)
Parks	2,500	2,120	(380)
Recreation programs	-	18,107	18,107
Conservation and development	37,465	-	(37,465)
Refuse and garbage collection	40,000	26,922	(13,078)
Total Public Charges for Services	<u>81,765</u>	<u>48,852</u>	<u>(32,913)</u>
INVESTMENT INCOME			
Interest on investments	<u>1,500</u>	<u>3,882</u>	<u>2,382</u>

CITY OF INDEPENDENCE

DETAILED SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2019

	<u>Original and Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
MISCELLANEOUS REVENUES			
Rent	\$ 11,000	\$ 11,890	\$ 890
Insurance recoveries	6,000	7,061	1,061
Donations	5,319	3,291	(2,028)
Other miscellaneous	-	6,940	6,940
Total Miscellaneous Revenues	<u>22,319</u>	<u>29,182</u>	<u>6,863</u>
OTHER FINANCING SOURCES			
Transfers in	<u>65,000</u>	<u>5,000</u>	<u>(60,000)</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 1,063,285</u>	<u>\$ 1,003,951</u>	<u>\$ (59,334)</u>

CITY OF INDEPENDENCE

DETAILED SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2019

	Original and Final Budget	Actual	Variance with Final Budget
GENERAL GOVERNMENT			
Council and mayor	\$ 17,000	\$ 22,645	\$ (5,645)
Legal	7,000	7,845	(845)
Clerk	236,975	229,347	7,628
Legislative support	2,500	1,592	908
Property taxes	3,465	-	3,465
Elections	2,000	1,311	689
Assessment of property	6,000	4,275	1,725
Outside services and auditing	13,000	11,850	1,150
Property and liability insurance	20,000	28,680	(8,680)
General buildings/plant/hall	26,000	34,325	(8,325)
Illegal taxes and refunds	-	99	(99)
Total General Government	<u>333,940</u>	<u>341,969</u>	<u>(8,029)</u>
PUBLIC SAFETY			
Police	213,640	228,845	(15,205)
Fire protection	98,000	52,382	45,618
Ambulance	25,000	26,055	(1,055)
Total Public Safety	<u>336,640</u>	<u>307,282</u>	<u>29,358</u>
PUBLIC WORKS			
Engineering	4,500	7,616	(3,116)
Machinery operation and maintenance	7,500	10,716	(3,216)
Curb and gutter	500	493	7
Tree and brush removal	4,000	5,084	(1,084)
Street signs	3,000	7,305	(4,305)
Bridges, culverts and rivers	1,000	-	1,000
Snow and ice control	27,000	34,813	(7,813)
Alleys and local purpose roads	66,896	63,158	3,738
Street lighting	26,000	24,427	1,573
Sidewalks	1,000	-	1,000
Storm sewer maintenance	1,500	1,533	(33)
Parking facilities	1,000	-	1,000
Refuse and garbage collection	40,000	38,652	1,348
Solid waste disposal	165	165	-
Recycling	6,000	5,910	90
Total Public Works	<u>190,061</u>	<u>199,872</u>	<u>(9,811)</u>
HEALTH AND HUMAN SERVICES			
Animal control	100	-	100
Cemetery	1,500	1,404	96
Other health and human services	200	200	-
Total Health and Human Services	<u>1,800</u>	<u>1,604</u>	<u>196</u>

CITY OF INDEPENDENCE

DETAILED SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES - BUDGET AND ACTUAL -
GENERAL FUND
For the Year Ended December 31, 2019

	Original and Final Budget	Actual	Variance with Final Budget
CULTURE, RECREATION AND EDUCATION			
Parks	\$ 20,000	\$ 27,321	\$ (7,321)
Recreation programs and events	13,000	34,224	(21,224)
Total Leisure Activities	<u>33,000</u>	<u>61,545</u>	<u>(28,545)</u>
CONSERVATION AND DEVELOPMENT			
Weed control	4,500	5,673	(1,173)
Economic development	5,000	5,293	(293)
Other conservation and development	10,500	6,280	4,220
Total Conservation and Development	<u>20,000</u>	<u>17,246</u>	<u>2,754</u>
CAPITAL OUTLAY			
General public buildings	5,000	17,567	(12,567)
Law enforcement	15,000	-	15,000
Highway equipment	45,000	41,800	3,200
Highway and street construction	54,194	15,812	38,382
Street lighting outlay	2,000	-	2,000
Storm sewer	-	720	(720)
Total Capital Outlay	<u>121,194</u>	<u>75,899</u>	<u>45,295</u>
DEBT SERVICE			
Interest and fiscal charges	<u>1,650</u>	-	<u>1,650</u>
OTHER FINANCING USES			
Transfers out	<u>72,000</u>	<u>72,000</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 1,110,285</u>	<u>\$ 1,077,417</u>	<u>\$ 32,868</u>

CITY OF INDEPENDENCE

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2019

	Special Revenue		
	Library	Bugle Lake Rehabilitation	Total Nonmajor Governmental Funds
ASSETS			
Cash and investments	\$ 10,416	\$ 104,210	\$ 114,626
Receivables			
Taxes	-	20,000	20,000
Prepaid expenses	1,693	-	1,693
TOTAL ASSETS	\$ 12,109	\$ 124,210	\$ 136,319
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accrued liabilities	\$ 726	\$ -	\$ 726
Deferred Inflows of Resources			
Unearned revenues	-	20,000	20,000
Fund Balances			
Nonspendable	1,693	-	1,693
Restricted	9,690	104,210	113,900
Total Fund Balances	11,383	104,210	115,593
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 12,109	\$ 124,210	\$ 136,319

CITY OF INDEPENDENCE

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2019

	<u>Special Revenue</u>		Total Nonmajor Governmental Funds
	<u>Library</u>	<u>Bugle Lake Rehabilitation</u>	
REVENUES			
Taxes	\$ -	\$ 20,000	\$ 20,000
Intergovernmental	10,414	473	10,887
Investment income	3	106	109
Miscellaneous revenues	<u>1,877</u>	<u>10,000</u>	<u>11,877</u>
Total Revenues	<u>12,294</u>	<u>30,579</u>	<u>42,873</u>
EXPENDITURES			
Current			
Culture, recreation and education	84,446	-	84,446
Conservation and development	-	5,336	5,336
Capital Outlay	<u>158</u>	<u>-</u>	<u>158</u>
Total Expenditures	<u>84,604</u>	<u>5,336</u>	<u>89,940</u>
Excess (deficiency) of revenues over expenditures	<u>(72,310)</u>	<u>25,243</u>	<u>(47,067)</u>
OTHER FINANCING SOURCES			
Transfers in	<u>72,000</u>	<u>-</u>	<u>72,000</u>
Net Change in Fund Balances	(310)	25,243	24,933
FUND BALANCES - Beginning of Year (as restated)	<u>11,693</u>	<u>78,967</u>	<u>90,660</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 11,383</u></u>	<u><u>\$ 104,210</u></u>	<u><u>\$ 115,593</u></u>