

**CITY OF HARMONY, MINNESOTA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2008**



**CITY OF HARMONY, MINNESOTA**

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**CITY OF HARMONY, MINNESOTA**

**INTRODUCTORY SECTION**

**DECEMBER 31, 2008**

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**CITY OF HARMONY, MINNESOTA**

**CITY OFFICIALS**

**December 31, 2008**

David Kingsley	Mayor
Robert Smith	Council Member
Gerald Shuck	Council Member
Sherry Hines	Council Member
Linda Grover	Council Member
Jerome Illg	Administrator
Eileen Schansberg	Deputy Clerk

**December 31, 2009**

Steve Donney	Mayor
Dan Tieffenbacher	Council Member
Gerald Shuck	Council Member
Sherry Hines	Council Member
Debbie Scrabeck	Council Member
Jerome Illg	Administrator
Eileen Schansberg	Deputy Clerk

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**CITY OF HARMONY, MINNESOTA**

**FINANCIAL SECTION**

**DECEMBER 31, 2008**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members  
of the City Council  
**City of Harmony, Minnesota**

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 Harmony, Minnesota, as of and for the year ended December 31, 2008, which collectively comprise the City of Harmony, Minnesota's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2007 financial statements and, in our report dated April 21, 2008 we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Harmony, Minnesota as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and the Major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 to 13 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Harmony, Minnesota's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Harmony, Minnesota. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Rochester, Minnesota  
March 25, 2009



**CITY OF HARMONY, MINNESOTA**  
**BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

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**CITY OF HARMONY, MINNESOTA**  
**STATEMENT OF NET ASSETS**  
December 31, 2008  
With Comparative Totals for December 31, 2007

	Governmental Activities	Business-Type Activities	Totals	
			2008	2007
<b>Assets</b>				
Cash and investments	\$ 1,050,738	\$ 754,623	\$ 1,805,361	\$ 1,992,133
Receivables	304,500	144,420	448,920	482,790
Internal balances	(50,117)	50,117		
Due from other governmental units	7,326		7,326	9,623
Inventory		30,540	30,540	31,913
Loans receivable	168,990		168,990	174,642
Prepaid expenses	7,349	9,706	17,055	16,201
Capital assets:				
Nondepreciable	293,893	172,558	466,451	500,380
Depreciable, net	2,764,714	5,834,438	8,599,152	8,427,506
<b>Total Assets</b>	<b>4,547,393</b>	<b>6,996,402</b>	<b>11,543,795</b>	<b>11,635,188</b>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Accounts payable	71,899	101,517	173,416	150,286
Deposits payable		24,745	24,745	23,695
Compensated absences	47,481	29,846	77,327	68,927
Accrued liabilities	3,730	20,341	24,071	36,322
Accrued interest payable	8,402	19,802	28,204	35,035
Deferred revenue	4,035		4,035	
Noncurrent liabilities:				
Due within one year	232,279	247,773	480,052	452,195
Due in more than one year	511,896	3,366,138	3,878,034	4,332,555
<b>Total Liabilities</b>	<b>879,722</b>	<b>3,810,162</b>	<b>4,689,884</b>	<b>5,099,015</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	2,314,432	2,393,085	4,707,517	4,143,136
Restricted for:				
Small city grant	(4,145)		(4,145)	(5,208)
Debt Service	176,103		176,103	163,875
Unrestricted	1,181,281	793,155	1,974,436	2,234,370
<b>Total Net Assets</b>	<b>3,667,671</b>	<b>3,186,240</b>	<b>6,853,911</b>	<b>6,536,173</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,547,393</b>	<b>\$ 6,996,402</b>	<b>\$ 11,543,795</b>	<b>\$ 11,635,188</b>

**See Notes to Financial Statements**

**CITY OF HARMONY, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2008  
With Comparative Totals for December 31, 2007

<u>Functions/Programs</u>	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 131,589	\$ 11,840	\$ 14,047	\$ 3,600
Public safety	299,938	211,945	14,047	11,246
Streets and highways	210,446	1,692		
Library	90,820	1,512	27,253	
Government buildings	153,665	30,466		
Park and recreation	56,507	729	2,763	
Economic development	171,438			
Interest on long-term debt	8,467			
Unallocated	26,454	5,890		
Total governmental activities	<u>1,149,324</u>	<u>264,074</u>	<u>44,063</u>	<u>14,846</u>
Business-Type activities:				
Water	153,900	152,948		
Sewer	258,007	282,416		
Electric	782,422	799,335		
Heritage Grove	836,984	774,832		
Garbage	42,810	52,562		
Total business-type activities	<u>2,074,123</u>	<u>2,062,093</u>		
Total	<u>\$ 3,223,447</u>	<u>\$ 2,326,167</u>	<u>\$ 44,063</u>	<u>\$ 14,846</u>

General revenues:  
General property taxes  
Tax increments  
Intergovernmental revenue  
Interest earnings  
Miscellaneous  
Transfers, net  
Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending



FORM A-2

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Totals	
		2008	2007
\$ (116,149)	\$	\$ (116,149)	\$ (86,543)
(62,700)		(62,700)	(71,972)
(208,754)		(208,754)	(128,867)
(62,055)		(62,055)	(59,202)
(123,199)		(123,199)	(108,904)
(53,015)		(53,015)	(45,983)
(171,438)		(171,438)	(151,370)
(8,467)		(8,467)	(36,587)
(20,564)		(20,564)	(9,942)
<u>(826,341)</u>		<u>(826,341)</u>	<u>(699,370)</u>
	(952)	(952)	51,742
	24,409	24,409	42,388
	16,913	16,913	74,955
	(62,152)	(62,152)	(99,543)
	9,752	9,752	12,680
	<u>(12,030)</u>	<u>(12,030)</u>	<u>82,222</u>
<u>(826,341)</u>	<u>(12,030)</u>	<u>(838,371)</u>	<u>(617,148)</u>
478,176		478,176	397,579
102,908		102,908	83,786
406,975		406,975	440,715
46,922	31,988	78,910	73,719
50,881	38,259	89,140	33,374
114,060	(114,060)		
<u>1,199,922</u>	<u>(43,813)</u>	<u>1,156,109</u>	<u>1,029,173</u>
373,581	(55,843)	317,738	412,025
<u>3,294,090</u>	<u>3,242,083</u>	<u>6,536,173</u>	<u>6,124,148</u>
<u>\$ 3,667,671</u>	<u>\$ 3,186,240</u>	<u>\$ 6,853,911</u>	<u>\$ 6,536,173</u>

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**CITY OF HARMONY, MINNESOTA**  
**FUND FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

**CITY OF HARMONY, MINNESOTA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
December 31, 2008  
*With Comparative Totals for December 31, 2007*

	General	Ambulance	Community Center Building Improvement	Other Governmental Funds	Total Governmental Funds	
					2008	2007
<b>ASSETS</b>						
Cash and investments	\$ 174,838	\$ 175,345	\$	\$ 700,555	\$ 1,050,738	\$ 1,233,188
Accounts receivable	8,841	26,869		6,170	41,880	41,989
Taxes receivable - delinquent	14,500			10,187	24,687	
Note receivable	3,588			165,402	168,990	174,642
Special assessments receivable:						
Deferred	17,257			214,627	231,884	288,142
Delinquent				6,049	6,049	
Due from other funds	306,603			15,098	321,701	58,996
Due from other governmental units	4,879			2,447	7,326	9,623
Prepaid items	4,605	672		2,072	7,349	7,165
<b>TOTAL ASSETS</b>	<b>\$ 535,111</b>	<b>\$ 202,886</b>	<b>\$</b>	<b>\$ 1,122,607</b>	<b>\$ 1,860,604</b>	<b>\$ 1,813,745</b>
<b>LIABILITIES AND FUND BALANCE</b>						
<b>Liabilities</b>						
Accounts payable	\$ 60,869	\$ 1,195	\$	\$ 9,835	\$ 71,899	\$ 61,966
Accrued liabilities	2,666	139		925	3,730	5,683
Due to other funds			236,658	135,160	371,818	123,711
Deferred revenue	39,380			396,265	435,645	462,784
<b>Total Liabilities</b>	<b>102,915</b>	<b>1,334</b>	<b>236,658</b>	<b>542,185</b>	<b>883,092</b>	<b>654,144</b>
<b>Fund Balance</b>						
Reserved for:						
Small cities grant				(4,145)	(4,145)	(5,208)
Debt service	19,220			156,883	176,103	163,875
Unreserved, designated	300,000		(236,658)	174,735	238,077	556,265
Unreserved, undesignated, reported in:						
General fund	112,976				112,976	116,298
Special revenue fund		201,552		252,949	454,501	328,371
<b>Total Fund Balance</b>	<b>432,196</b>	<b>201,552</b>	<b>(236,658)</b>	<b>580,422</b>	<b>977,512</b>	<b>1,159,601</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 535,111</b>	<b>\$ 202,886</b>	<b>\$</b>	<b>\$ 1,122,607</b>	<b>\$ 1,860,604</b>	<b>\$ 1,813,745</b>

**See Notes to Financial Statements**

**CITY OF HARMONY, MINNESOTA  
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2008

*With Comparative Totals for The Year Ended December 31, 2007*

	General	Ambulance	Community Center Building Improvement	Other Governmental Funds	Total Governmental Funds	
					2008	2007
<b>REVENUES</b>						
General property taxes	\$ 327,880	\$	\$	\$ 125,609	\$ 453,489	\$ 397,579
Tax increments				102,908	102,908	83,786
Special assessments	3,326			57,211	60,537	89,424
Licenses and permits	7,797				7,797	10,740
Fines and forfeits	1,692				1,692	1,244
Intergovernmental revenues	387,511	19,130		94,979	501,620	531,884
Charges for services	30,466	139,245		15,479	185,190	177,696
Investment income	9,101	6,122		31,699	46,922	46,166
Refunds and reimbursements	4,043				4,043	7,066
Miscellaneous revenues	56,766	4,784		82,276	143,826	99,890
<b>Total Revenues</b>	<b>828,582</b>	<b>169,281</b>		<b>510,161</b>	<b>1,508,024</b>	<b>1,445,475</b>
<b>EXPENDITURES</b>						
General government	126,905				126,905	108,116
Public safety	88,270	101,712		54,005	243,987	362,452
Street and highways	264,585				264,585	238,400
Library				90,820	90,820	84,668
Government buildings	291,976		286,658		578,634	177,699
Park and recreation				42,849	42,849	40,469
Economic development				201,070	201,070	151,370
Debt service				228,869	228,869	242,333
Unallocated	26,204			250	26,454	58,950
<b>Total Expenditures</b>	<b>797,940</b>	<b>101,712</b>	<b>286,658</b>	<b>617,863</b>	<b>1,804,173</b>	<b>1,464,457</b>
Excess (deficiency) of revenues over (under) expenditures	30,642	67,569	(286,658)	(107,702)	(296,149)	(18,982)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	302,750		50,000	406,770	759,520	557,995
Transfers out	(336,714)	(24,996)		(283,750)	(645,460)	(541,435)
<b>Total Other Financing Sources (Uses)</b>	<b>(33,964)</b>	<b>(24,996)</b>	<b>50,000</b>	<b>123,020</b>	<b>114,060</b>	<b>16,560</b>
<b>Net change in fund balances</b>	<b>(3,322)</b>	<b>42,573</b>	<b>(236,658)</b>	<b>15,318</b>	<b>(182,089)</b>	<b>(2,422)</b>
<b>Fund Balance - Beginning</b>	<b>435,518</b>	<b>158,979</b>		<b>565,104</b>	<b>1,159,601</b>	<b>1,162,023</b>
<b>Fund Balance - Ending</b>	<b>\$ 432,196</b>	<b>\$ 201,552</b>	<b>\$ (236,658)</b>	<b>\$ 580,422</b>	<b>\$ 977,512</b>	<b>\$ 1,159,601</b>

**CITY OF HARMONY, MINNESOTA  
RECONCILIATION OF NET ASSETS IN THE  
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES  
IN THE FUND BASIS FINANCIAL STATEMENTS  
December 31, 2008**

Amounts reported for governmental activities in the statement of net assets are different because:

Total governmental fund balances (page 17)	\$	977,512	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Governmental funds - capital assets	\$	5,415,428	
Less: Accumulated depreciation		<u>(2,356,821)</u>	
			3,058,607
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
Delinquent property taxes	\$	24,687	
Deferred and delinquent special assessments		237,933	
Notes receivable		<u>168,990</u>	
			431,610
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Bonds payable	\$	(791,656)	
Accrued interest		<u>(8,402)</u>	
			<u>(800,058)</u>
Net assets of governmental activities (page 14)	\$		<u><u>3,667,671</u></u>

**CITY OF HARMONY, MINNESOTA  
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, 2008**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 18)	\$	(182,089)
Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	\$	585,545
Depreciation expense		<u>(176,046)</u>
		409,499
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net assets		
		(38,373)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Deferred revenue, December 31, 2008	\$	431,610
Deferred revenue, December 31, 2007		<u>(462,784)</u>
		(31,174)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Principal retirement on long-term debt	\$	217,728
Change in compensated absences		(4,684)
Change in accrued interest		<u>2,674</u>
		<u>215,718</u>
Change in net assets of governmental activities (pages 15 and 16)	\$	<u><u>373,581</u></u>

**CITY OF HARMONY, MINNESOTA**  
**GENERAL FUND**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2008  
*With Comparative Totals for The Year Ended December 31, 2007*

	Budgeted Amounts		2008 Actual Amounts	Variance with Final Budget - Positive (Negative)	2007 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Property Tax Levy</b>					
Property tax collected	\$ 333,016	\$ 333,016	\$ 327,880	\$ (5,136)	\$ 275,309
<b>Licenses and Permits</b>	5,350	5,350	7,797	2,447	7,179
<b>Intergovernmental Revenues</b>					
Local government aid	363,666	363,666	327,527	(36,139)	370,142
Market value credit	49,573	49,573	49,573		68,113
Fire state aid	10,000	10,000	9,547	(453)	13,002
PERA rate increase aid	864	864	864		864
Total Intergovernmental	424,103	424,103	387,511	(36,592)	452,121
<b>Charges for Services</b>					
Rental income - community center and visitor center	29,425	29,425	30,466	1,041	25,730
<b>Special Assessments</b>			3,326	3,326	38,391
<b>Fines and Forfeits</b>	800	800	1,692	892	1,244
<b>Investment Income</b>	15,428	15,428	9,101	(6,327)	15,151
<b>Refunds and Reimbursements</b>	5,000	5,000	4,043	(957)	7,066
<b>Miscellaneous Revenues</b>					
Lodging tax	5,000	5,000	5,890	890	5,925
Loan principal	19,572	19,572	19,575	3	18,991
Cable TV franchise fee	3,500	3,500	3,800	300	3,561
Other	3,335	3,335	27,501	24,166	4,749
Total Miscellaneous Revenues	31,407	31,407	56,766	25,359	33,226
<b>TOTAL REVENUES</b>	\$ 844,529	\$ 844,529	\$ 828,582	\$ (15,947)	\$ 855,417

**See Notes to Financial Statements**



**CITY OF HARMONY, MINNESOTA**  
**GENERAL FUND**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2008

*With Comparative Totals for The Year Ended December 31, 2007*

	Budgeted Amounts		2008 Actual Amounts	Variance with Final Budget - Positive (Negative)	2007 Actual Amounts
	Original	Final			
<b>EXPENDITURES</b>					
<b>General Government</b>					
<b>Mayor and Council</b>					
Employee services	\$ 7,350	\$ 7,350	\$ 7,321	\$ 29	\$ 7,321
Printing and publication	850	850	451	399	737
Insurance	425	425	372	53	413
Dues	1,000	1,000	1,089	(89)	1,061
Total Mayor and Council	<u>9,625</u>	<u>9,625</u>	<u>9,233</u>	<u>392</u>	<u>9,532</u>
<b>Elections</b>	<u>3,110</u>	<u>3,110</u>	<u>2,115</u>	<u>995</u>	<u>4</u>
<b>Finance and Administration</b>					
Employee services	65,282	65,282	66,551	(1,269)	63,419
Materials and supplies	5,450	5,450	5,911	(461)	3,433
Printing and publication	1,750	1,750	1,865	(115)	1,107
Training	1,400	1,400	117	1,283	376
Repairs and maintenance	750	750	1,420	(670)	821
Professional fees	19,370	19,370	19,717	(347)	19,525
Miscellaneous	3,132	3,132	2,548	584	2,607
Total Finance and Administration	<u>97,134</u>	<u>97,134</u>	<u>98,129</u>	<u>(995)</u>	<u>91,288</u>
<b>Professional Services</b>					
Legal	<u>7,500</u>	<u>7,500</u>	<u>5,501</u>	<u>1,999</u>	<u>5,473</u>
<b>Civil Defense</b>					
Employee services	660	660	646	14	646
Other	1,235	1,235	926	309	1,173
Capital outlay			10,355	(10,355)	
Total Civil Defense	<u>1,895</u>	<u>1,895</u>	<u>11,927</u>	<u>(10,032)</u>	<u>1,819</u>
<b>Total General Government</b>	<u>\$ 119,264</u>	<u>\$ 119,264</u>	<u>\$ 126,905</u>	<u>\$ (7,641)</u>	<u>\$ 108,116</u>

**See Notes to Financial Statements**

**CITY OF HARMONY, MINNESOTA**  
**GENERAL FUND**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**

For the Year Ended December 31, 2008

*With Comparative Totals for The Year Ended December 31, 2007*

EXPENDITURES (Continued)	Budgeted Amounts		2008 Actual Amounts	Variance with Final Budget - Positive (Negative)	2007 Actual Amounts
	Original	Final			
<b>Government Buildings</b>					
<b>Community Center</b>					
Employee services	\$ 35,987	\$ 35,987	\$ 23,092	\$ 12,895	\$ 29,987
Materials and supplies	2,500	2,500	10,562	(8,062)	5,989
Insurance	9,377	9,377	8,720	657	8,528
Repairs and maintenance	6,100	6,100	9,090	(2,990)	4,986
Utilities	49,250	49,250	35,723	13,527	44,876
Miscellaneous	1,600	1,600	2,485	(885)	2,518
Capital outlay	50,000	50,000	157,660	(107,660)	33,223
Debt service	21,175	21,175	21,175		21,175
Total Community Center	<u>175,989</u>	<u>175,989</u>	<u>268,507</u>	<u>(92,518)</u>	<u>151,282</u>
<b>Visitor Center</b>					
Employee services	10,147	10,147	8,271	1,876	8,988
Materials and supplies	1,350	1,350	3,068	(1,718)	2,926
Insurance	2,363	2,363	2,066	297	2,176
Repairs and maintenance	1,250	1,250	956	294	3,435
Utilities	10,200	10,200	9,108	1,092	8,892
Total Visitor Center	<u>25,310</u>	<u>25,310</u>	<u>23,469</u>	<u>1,841</u>	<u>26,417</u>
<b>Total Government Buildings</b>	<u>201,299</u>	<u>201,299</u>	<u>291,976</u>	<u>(90,677)</u>	<u>177,699</u>
<b>Public Safety</b>					
<b>Police Protection</b>					
Contractual services	74,376	74,376	63,097	11,279	76,688
Vehicle expense	3,500	3,500	3,670	(170)	3,004
Materials and supplies	600	600	357	243	56
Insurance	520	520	455	65	480
Repairs and maintenance	1,000	1,000	519	481	659
Capital outlay					28,508
Miscellaneous	1,025	1,025	551	474	693
Total Police Protection	<u>81,021</u>	<u>81,021</u>	<u>68,649</u>	<u>12,372</u>	<u>110,088</u>
<b>Fire Protection</b>					
Firemen's relief	<u>17,000</u>	<u>17,000</u>	<u>14,547</u>	<u>2,453</u>	<u>18,002</u>
<b>Animal Control</b>					
Employee services	3,609	3,609	4,141	(532)	3,555
Miscellaneous	600	600	933	(333)	414
Total Animal Control	<u>4,209</u>	<u>4,209</u>	<u>5,074</u>	<u>(865)</u>	<u>3,969</u>
<b>Total Public Safety</b>	<u>\$ 102,230</u>	<u>\$ 102,230</u>	<u>\$ 88,270</u>	<u>\$ 13,960</u>	<u>\$ 132,059</u>

**See Notes to Financial Statements**

**CITY OF HARMONY, MINNESOTA**  
**GENERAL FUND**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2008  
*With Comparative Totals for The Year Ended December 31, 2007*

	Budgeted Amounts		2008 Actual Amounts	Variance with Final Budget - Positive (Negative)	2007 Actual Amounts
	Original	Final			
<b>EXPENDITURES (Continued)</b>					
<b>Streets and Highway</b>					
Employee services	\$ 24,420	\$ 24,420	\$ 21,149	\$ 3,271	\$ 20,204
Vehicle expense	3,750	3,750	6,734	(2,984)	3,693
Materials and supplies	10,725	10,725	10,765	(40)	10,906
Insurance	3,191	3,191	2,601	590	2,847
Repairs and maintenance	44,750	44,750	47,915	(3,165)	38,781
Snow and ice	26,821	26,821	27,241	(420)	31,790
Building maintenance	19,768	19,768	21,143	(1,375)	20,051
Capital outlay			127,037	(127,037)	110,128
<b>Total Streets and Highway</b>	<b>133,425</b>	<b>133,425</b>	<b>264,585</b>	<b>(131,160)</b>	<b>238,400</b>
<b>Unallocated</b>					
Insurance	5,000	5,000	6,089	(1,089)	7,133
Lodging tax	6,871	6,871	5,596	1,275	5,627
Community events	5,000	5,000	5,638	(638)	4,741
Community development	13,000	13,000	8,881	4,119	6,423
<b>Total Unallocated</b>	<b>29,871</b>	<b>29,871</b>	<b>26,204</b>	<b>3,667</b>	<b>23,924</b>
<b>TOTAL EXPENDITURES</b>	<b>586,089</b>	<b>586,089</b>	<b>797,940</b>	<b>(211,851)</b>	<b>680,198</b>
Excess of revenues over expenditures	258,440	258,440	30,642	227,798	175,219
<b>Other Financing Sources (Uses)</b>					
Transfers in	85,000	85,000	302,750	(217,750)	105,947
Transfers out	(343,440)	(343,440)	(336,714)	(6,726)	(329,492)
Total Other Financing Sources (Uses)	(258,440)	(258,440)	(33,964)	(224,476)	(223,545)
Net change in fund balance			(3,322)	3,322	(48,326)
<b>FUND BALANCE - Beginning</b>	<b>435,518</b>	<b>435,518</b>	<b>435,518</b>		<b>483,844</b>
<b>FUND BALANCE - Ending</b>	<b>\$ 435,518</b>	<b>\$ 435,518</b>	<b>\$ 432,196</b>	<b>\$ 3,322</b>	<b>\$ 435,518</b>



**CITY OF HARMONY, MINNESOTA**  
**AMBULANCE FUND**  
**Schedule of Revenues, Expenditures**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2008  
With Comparative Totals for The Year Ended December 31, 2007

REVENUES	Budgeted Amounts		2008 Actual Amounts	Variance with Final Budget Positive (Negative)	2007 Actual Amounts
	Original	Final			
<b>Charges for Services</b>					
Service fees	\$ 92,000	\$ 92,000	\$ 139,245	\$ 47,245	\$ 134,619
<b>Intergovernmental Revenues</b>	19,130	19,130	19,130		19,130
<b>Miscellaneous</b>					
Investment income	1,500	1,500	6,122	4,622	2,459
Contributions					11,500
Other	4,500	4,500	4,784	284	8,850
Total Miscellaneous	6,000	6,000	10,906	4,906	22,809
<b>TOTAL REVENUES</b>	117,130	117,130	169,281	52,151	176,558
<b>EXPENDITURES</b>					
<b>Public Safety</b>					
Salaries and wages	40,682	40,682	47,087	(6,405)	43,753
Insurance	2,963	2,963	2,591	372	2,693
Repair and maintenance	9,100	9,100	8,925	175	8,511
Travel, schools, conferences	2,750	2,750	2,448	302	4,475
Miscellaneous	8,550	8,550	7,717	833	8,137
Medicare write-offs	30,000	30,000	30,181	(181)	27,863
Capital outlay	1,500	1,500	2,763	(1,263)	76,890
<b>TOTAL EXPENDITURES</b>	95,545	95,545	101,712	(6,167)	172,322
<b>EXCESS (DEFICIT) REVENUES OVER (UNDER) EXPENDITURES</b>	21,585	21,585	67,569	58,318	4,236
<b>Other Financing Sources</b>					
Transfers in					60,000
Transfers out	(25,000)	(25,000)	(24,996)	4	(24,996)
Total Other Financing Sources	(25,000)	(25,000)	(24,996)	4	35,004
<b>NET CHANGE IN FUND BALANCE</b>	(3,415)	(3,415)	42,573	58,322	39,240
<b>FUND BALANCE, JANUARY 1</b>	158,979	158,979	158,979		119,739
<b>FUND BALANCE, DECEMBER 31</b>	\$ 155,564	\$ 155,564	\$ 201,552	\$ 58,322	\$ 158,979

**See Notes to Financial Statements**

**CITY OF HARMONY, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Statement of Net Assets**  
December 31, 2008  
*With Comparative Totals for December 31, 2007*

	Business-Type Activities - Enterprise Funds		
	Water	Sewer	Electric
	Fund	Fund	Fund
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 98,965	\$ 112,437	\$ 509,213
Accounts receivable	13,431	26,163	82,237
Special assessments			
Due from other funds			65,215
Inventory	7,362		23,178
Prepaid expense	633	312	1,301
Total Current Assets	120,391	138,912	681,144
Noncurrent Assets:			
Capital assets:			
Nondepreciable	1,150	14,400	9,444
Depreciable	717,026	3,312,278	1,338,933
Less: Accumulated depreciation	(149,476)	(793,016)	(775,282)
Net capital assets	568,700	2,533,662	573,095
<b>TOTAL ASSETS</b>	<b>689,091</b>	<b>2,672,574</b>	<b>1,254,239</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Current maturities of bonds payable		147,773	
Accounts payable	1,845	5,409	69,735
Capital lease payable			
Accrued liabilities	621	714	4,232
Accrued interest payable		10,650	
Customer deposits			7,945
Due to other funds			
Accrued compensated absences	9,220	11,726	6,292
Total Current Liabilities	11,686	176,272	88,204
Noncurrent Liabilities:			
Bonds payable, net of current maturities, discount, and issuance costs		994,196	
Total Liabilities	11,686	1,170,468	88,204
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	568,700	1,391,693	573,095
Unrestricted	108,705	110,413	592,940
Total Net Assets	<b>\$ 677,405</b>	<b>\$ 1,502,106</b>	<b>\$ 1,166,035</b>

**See Notes to Financial Statements**

FORM C-1

Business-Type Activities - Enterprise Funds			
Heritage Grove	Garbage Fund	TOTALS	
		2008	2007
\$ 20,335	\$ 13,673	\$ 754,623	\$ 758,945
17,493	5,096	144,420	152,659
		65,215	82,191
		30,540	31,913
7,431	29	9,706	9,036
<u>45,259</u>	<u>18,798</u>	<u>1,004,504</u>	<u>1,034,744</u>
147,564		172,558	168,114
2,909,405		8,277,642	8,251,810
<u>(725,430)</u>		<u>(2,443,204)</u>	<u>(2,179,519)</u>
<u>2,331,539</u>		<u>6,006,996</u>	<u>6,240,405</u>
<u>2,376,798</u>	<u>18,798</u>	<u>7,011,500</u>	<u>7,275,149</u>
100,000		247,773	234,467
24,416	112	101,517	88,320
14,444	330	20,341	30,639
9,152		19,802	23,959
16,800		24,745	23,695
15,098		15,098	17,476
	2,608	29,846	26,130
<u>179,910</u>	<u>3,050</u>	<u>459,122</u>	<u>444,686</u>
<u>2,371,942</u>		<u>3,366,138</u>	<u>3,588,380</u>
<u>2,551,852</u>	<u>3,050</u>	<u>3,825,260</u>	<u>4,033,066</u>
(140,403)		2,393,085	2,417,558
<u>(34,651)</u>	<u>15,748</u>	<u>793,155</u>	<u>824,525</u>
<u>\$ (175,054)</u>	<u>\$ 15,748</u>	<u>\$ 3,186,240</u>	<u>\$ 3,242,083</u>

**CITY OF HARMONY, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Statement of Revenues, Expenses and**  
**Changes in Fund Net Assets**

For the Year Ended December 31, 2008  
*With Comparative Totals for The Year Ended December 31, 2007*

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Electric Fund
<b>Operating Revenues</b>			
Sales and rentals	\$ 152,948	\$ 282,416	\$ 799,335
<b>Operating Expenses</b>			
Salaries and wages	40,544	45,420	27,618
Service contracts	750	2,721	
Purchased power			663,449
Materials and supplies	13,683	7,784	3,497
Utilities	15,676	50,870	12,732
Repairs and maintenance	64,070	11,531	15,392
Travel and training		135	
Professional fees		8,673	
Miscellaneous	1,734	1,618	15,679
Insurance	2,192	455	6,030
Depreciation/amortization	15,251	99,221	38,025
Total Operating Expenses	153,900	228,428	782,422
Operating Income (Loss)	(952)	53,988	16,913
<b>Nonoperating Revenues (Expenses)</b>			
Investment income	2,892	2,089	24,177
Special assessments		522	
Other revenue (expense)	11,946	2,114	21,811
Interest expense and fiscal charges		(29,579)	
Total Nonoperating Revenues (Expenses)	14,838	(24,854)	45,988
Income (Loss) Before Transfers	13,886	29,134	62,901
Transfers in	60,000	66,936	
Transfers out	(62,496)	(2,496)	(176,004)
Change in net assets	11,390	93,574	(113,103)
<b>Total Net Assets - Beginning of Year</b>	666,015	1,408,532	1,279,138
<b>Total Net Assets - End of Year</b>	\$ 677,405	\$ 1,502,106	\$ 1,166,035



FORM C-2

Business-Type Activities - Enterprise Funds			
Heritage Grove	Garbage Fund	TOTALS	
		2008	2007
\$ 774,832	\$ 52,562	\$ 2,062,093	\$ 2,013,041
295,718	10,755	420,055	405,031
38,322	29,102	70,895	64,904
		663,449	632,199
54,592	1,116	80,672	72,569
46,648		125,926	116,399
18,913		109,906	74,858
765		900	1,631
2,454		11,127	10,005
62,154	1,837	83,022	34,564
58,208		66,885	76,031
115,741		268,238	264,301
693,515	42,810	1,901,075	1,752,492
81,317	9,752	161,018	260,549
2,525	305	31,988	27,553
		522	1,337
	1,866	37,737	14,082
(143,469)		(173,048)	(178,327)
(140,944)	2,171	(102,801)	(135,355)
(59,627)	11,923	58,217	125,194
		126,936	74,436
		(240,996)	(90,996)
(59,627)	11,923	(55,843)	108,634
(115,427)	3,825	3,242,083	3,133,449
\$ (175,054)	\$ 15,748	\$ 3,186,240	\$ 3,242,083

**CITY OF HARMONY, MINNESOTA**  
**PROPRIETARY FUNDS**  
**Statement of Cash Flows**  
For the Year Ended December 31, 2008  
With Comparative Totals for The Year Ended December 31, 2007

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Electric Fund
<b>Cash Flows From Operating Activities</b>			
Cash received from customers	\$ 154,480	\$ 285,324	\$ 828,113
Cash payments to suppliers	(96,974)	(85,455)	(707,118)
Cash payments to employees or on their behalf	(40,032)	(46,493)	(26,713)
Other cash payments			1,650
Net Cash Provided By Operating Activities	<u>17,474</u>	<u>153,376</u>	<u>95,932</u>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Acquisition and construction of capital assets	(16,379)	(3,343)	(9,245)
Bond proceeds			
Principal payments on bonds		(144,467)	
Interest paid on bonds		(29,579)	
Issuance costs			
Special assessments received		522	
Net Cash Used In Capital and Related Financing Activities	<u>(16,379)</u>	<u>(176,867)</u>	<u>(9,245)</u>
<b>Cash Flows From Non-Capital Financing Activities</b>			
Transfers in (out) to other funds	(2,496)	64,440	(176,004)
Other income (expense)	11,946	2,115	21,808
Net Cash Used In Non-Capital Financing Activities	<u>9,450</u>	<u>66,555</u>	<u>(154,196)</u>
<b>Cash Flows From Investing Activities</b>			
Investment earnings received	2,892	2,089	24,177
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	13,437	45,153	(43,332)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>85,528</u>	<u>67,284</u>	<u>552,545</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 98,965</u>	<u>\$ 112,437</u>	<u>\$ 509,213</u>

**Reconciliation of Operating Income to Net Cash  
Provided by Operating Activities**

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Electric Fund
Operating Income	\$ (952)	\$ 53,988	\$ 16,913
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	15,251	99,221	38,025
(Increase) Decrease In:			
Accounts receivable	335	2,953	11,797
Prepaid expenses	(43)	(45)	(128)
Inventory	1,240		133
Due from other funds			16,976
Increase (Decrease) In:			
Accounts payable	381	(2,740)	9,661
Accrued interest payable		(1,649)	
Accrued liabilities	1,262	1,648	905
Customer deposits			1,650
Due to other funds			
Net Cash Provided By Operating Activities	<u>\$ 17,474</u>	<u>\$ 153,376</u>	<u>\$ 95,932</u>

**See Notes to Financial Statements**

FORM C-3

Business-Type Activities - Enterprise Funds			
Heritage Grove	Garbage Fund	TOTALS	
		2008	2007
\$ 767,569	\$ 52,525	\$ 2,088,011	\$ 2,026,992
(241,059)	(2,841)	(1,133,447)	(1,035,467)
(344,710)	(39,584)	(497,532)	(453,929)
(2,378)		(728)	(1,115)
<u>179,422</u>	<u>10,100</u>	<u>456,304</u>	<u>536,481</u>
(1,309)		(30,276)	(118,037)
2,580,000		2,580,000	
(2,600,000)		(2,744,467)	(227,236)
(143,469)		(173,048)	(178,327)
(49,020)		(49,020)	
		522	1,337
<u>(213,798)</u>		<u>(416,289)</u>	<u>(522,263)</u>
		(114,060)	(16,560)
	1,866	37,735	14,082
	<u>1,866</u>	<u>(76,325)</u>	<u>(2,478)</u>
2,525	305	31,988	27,553
(31,851)	12,271	(4,322)	39,293
52,186	1,402	758,945	719,652
<u>\$ 20,335</u>	<u>\$ 13,673</u>	<u>\$ 754,623</u>	<u>\$ 758,945</u>

Business-Type Activities - Enterprise Funds			
Heritage Grove	Garbage Fund	TOTALS	
		2008	2007
\$ 81,317	\$ 9,752	\$ 161,018	\$ 260,549
115,741		268,238	264,301
(6,814)	(32)	8,239	6,891
(449)	(5)	(670)	(812)
		1,373	(5,237)
		16,976	13,109
5,783	112	13,197	3,522
(2,508)		(4,157)	(3,633)
(10,670)	273	(6,582)	16,006
(600)		1,050	(15,930)
(2,378)		(2,378)	(2,285)
<u>\$ 179,422</u>	<u>\$ 10,100</u>	<u>\$ 456,304</u>	<u>\$ 536,481</u>

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**CITY OF HARMONY, MINNESOTA**  
**Statement of Fiduciary Net Assets**  
**December 31, 2008**  
*With Comparative Totals for December 31, 2007*

	2008	2007
<b>Assets</b>		
Cash and cash equivalents	\$ 13,554	\$ 12,162
<b>Net Assets</b>		
Unrestricted	\$ 13,554	\$ 12,162

**CITY OF HARMONY, MINNESOTA**  
**Statement of Changes in Fiduciary Net Assets**  
**For the Year Ended December 31, 2008**  
*With Comparative Totals for The Year Ended December 31, 2007*

	2008	2007
<b>Additions to</b>		
Investment income	\$ 478	\$ 954
Donations	914	
Total Additions to	1,392	954
<b>Deductions from</b>		
Miscellaneous		1,033
<b>Increase (Decrease) in Net Assets</b>	1,392	(79)
<b>Net Assets - Beginning of Year</b>	12,162	12,241
<b>Net Assets - End of Year</b>	\$ 13,554	\$ 12,162

**See Notes to Financial Statements**

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**CITY OF HARMONY, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

# CITY OF HARMONY, MINNESOTA

## NOTES TO FINANCIAL STATEMENTS

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### 1. Summary of Significant Accounting Policies

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The City's major operations include police and fire protection, parks, library, recreation, public works, economic development and general administrative services. In addition, the City owns and operates a water and sewer system and a regional ambulance department.

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issues after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

#### Reporting Entity

In accordance with GASB Statement No. 14 the City's financial statements include the primary government and the component units of the City of Harmony, defined as follows:

*Primary Government* - Includes all funds, account groups, organizations, institutions, agencies, departments, or offices which are not legally separate from the City of Harmony.

*Component Units* - Component units are legally separate organizations for which the elected officials of the City of Harmony are financially accountable or for which the nature or significance of their relationship with the City of Harmony would cause the general purpose financial statements to be misleading or incomplete. Because its sole purpose is to encourage future development within the City, the Harmony Economic Development Authority (EDA), has been reported as a blended component unit in the financial statements of the City of Harmony.



# CITY OF HARMONY, MINNESOTA

## NOTES TO FINANCIAL STATEMENTS

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### 1. Summary of Significant Accounting Policies (Continued)

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#### Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

# CITY OF HARMONY, MINNESOTA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 1. Summary of Significant Accounting Policies (Continued)

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#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Property taxes, licenses and permits, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

The *Ambulance fund* accounts for the activities for the ambulance service.

The *Community Center Building Improvement fund* accounts for the funds used for the 2008 community center building improvement project.

The City reports the following major proprietary funds:

The *Water fund* accounts for the provisions of water services to the residents of the City.

The *Sewer fund* accounts for the provisions of sewer services to the residents of the City.

The *Electric fund* accounts for the provisions of electric services to the residents of the City.

The *Heritage Grove fund* accounts for the provisions of the Assisted Living Center of the City.

The *Garbage fund* accounts for the provisions of garbage service to the residents of the City.

The City reports the following fiduciary fund:

The *Sanderson Memorial Trust fund* is a non-expendable trust fund for assets held by the city in a trustee capacity of as an agent for individuals, private organizations, other governments and/or other funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

# CITY OF HARMONY, MINNESOTA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 1. Summary of Significant Accounting Policies (Continued)

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

#### Assets, Liabilities, and Net Assets or Equity

#### Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Formal budgetary accounting is employed as a management control for funds of the City. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and may be amended by formal council action. All budget appropriations lapse at the end of the fiscal year.

#### Cash and Investments

Except where otherwise required, the City maintains all deposits in bank accounts in the name of the City. These deposits are invested on a short-term basis with interest income allocated to each fund based upon their relative account balance. The balances shown in each fund represents an equity interest in the commingled pool of cash and temporary cash investments which is under the management of the City. Temporary cash investments are stated at cost, which approximates market.

The City has designated cash and cash equivalents as demand deposits and all investments with an original maturity of twelve months or less.

# CITY OF HARMONY, MINNESOTA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 1. Summary of Significant Accounting Policies (Continued)

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#### Property Taxes

Property tax levies are set by the City Council in December of each year and are certified to Fillmore County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes.

Taxes which remain unpaid at December 31 are classified as delinquent taxes receivable. Delinquent taxes receivable are fully offset by deferred revenue in the governmental funds of the fund financial statements because they are not known to be available to finance current expenditures.

The County spreads all levies over taxable property. Such taxes become a lien on January 1, following, and are recorded as receivables by the City at that date. Revenues from property taxes are accrued and recognized in the year collectable, net of delinquencies.

Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to cities and other taxing districts normally during the months of July and December.

#### Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market. The cost of inventories are recorded as expense when consumed rather than when purchased.

#### Special Assessments

Assessments are levied at various times by City resolution for property owner improvements made by the City. Generally, assessment collections are deferred over periods ranging from one to ten years with interest charges of 5.0% to 7.5%. Revenue from these assessments is recognized when the City certifies the assessment in the government wide financial statements and as the annual installments become collectible in the fund financial statements. Annual installments not collected as of each December 31 are classified as delinquent assessments receivable. Delinquent assessments receivable are fully offset by deferred revenue in the governmental funds of the fund financial statements because they are not known to be available to finance current expenditures.

#### Tax Increment Districts

Property tax revenues received on tax increment districts are recorded in the Capital Projects Fund.

**CITY OF HARMONY, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**1. Summary of Significant Accounting Policies (Continued)**

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Assets, Liabilities, and Net Assets or Equity (continued)

Short-Term Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "advances from other funds" or "advances to other funds".

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested debt proceeds over the same period.

Property, plant and equipment are capitalized when acquired, and depreciation is provided using the straight-line method applied over the following estimated useful lives of the assets.

	Useful Life <u>in Years</u>
Buildings and improvements	10 - 50
Improvements other than buildings	20 - 50
Production and distribution systems	10 - 50
Furniture and fixtures	5 - 10
Machinery and equipment	5 - 25

# CITY OF HARMONY, MINNESOTA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 1. Summary of Significant Accounting Policies (Continued)

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#### Assets, Liabilities, and Net Assets or Equity (continued)

##### Capital Assets (continued)

Infrastructure assets include roads, streets, water, sewer and electric lines, etc. These infrastructure assets are likely to be the largest asset class of the City. Neither their historical cost nor related depreciation has historically been reported in the financial statements. Historical cost, accumulated depreciation and depreciation expense related to infrastructure assets constructed prior to January 1, 2004 are not included in the City's financial statements as allowed by GASB Statement No. 34.

##### Market Value Credit (MVC)

Property taxes on homestead property (as defined by State Statutes) are partially reduced by MVC. This credit is paid to the City by the State in lieu of taxes levied against homestead property. The State remits this credit through installments each year. The intergovernmental revenue is recognized as revenue by the City at the time of reclassification.

##### Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused paid time off which is paid to the employees upon separation. PTO is accrued when incurred in the government-wide and proprietary fund financial statements. A liability is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirement.

##### Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs may be reported separately and amortized over the term of the related debt.

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

##### Fund Equity

In the fund financial statements, governmental fund types report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**CITY OF HARMONY, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**1. Summary of Significant Accounting Policies (Continued)**

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Assets, Liabilities, and Net Assets or Equity (continued)

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses or revenues/income initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses or revenues/income in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Concentration of Credit Risk

Financial instruments which expose the City to a concentration of credit risk consist primarily of cash investments and accounts receivable. Credit risk associated with cash and investments are discussed in Note 2.

The City's accounts receivable are concentrated geographically, as for the most part, amounts are due from individuals residing in and businesses located in the City of Harmony.

Reclassifications

Certain amounts in the 2007 financial statements have been reclassified to conform with the 2008 presentation.

**CITY OF HARMONY, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**2. Cash and Investments**

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Summary of Cash and Investments

As of December 31, 2008, the City's cash and investments consisted of the following items, all of which are held in an internal cash and investment pool:

<u>Cash and Investments</u>	<u>Maturities</u>	<u>Ratings</u>	<u>Fair Value</u>
Cash on hand	None	N/A	\$ 365
Cash	None	N/A	227,952
Money Market Mutual Funds	None	N/A	277,044
Non-Negotiable CD's	January - December 2009	Unrated	<u>1,300,000</u>
Cash and Investments per Statement of Net Assets			<u>\$ 1,805,361</u>

Investments Authorized by Minnesota Statutes

The City is authorized by Minnesota Statutes to invest idle funds as follows:

- a) Direct obligations or obligations guaranteed by the United States or its agencies.
- b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- c) General obligations of the State of Minnesota or its municipalities.
- d) Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
- e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- f) Repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a reporting dealer in to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- g) Money market funds with institutions that have portfolios consisting exclusively of United States Treasury obligations and Federal Agency issues.



**CITY OF HARMONY, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**2. Cash and Investments (Continued)**

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Collateralization of Cash Deposits

The City's deposits are entirely covered by federal depository insurance or by collateral held by the City's custodial banks in the City's name.

Minnesota Statutes require that all City deposits be insured, secured by surety bonds or be collateralized. Except for notes secured by first mortgages of future maturity, the market value of collateral pledged by the custodial bank must equal 110% of the deposits not covered by insurance or surety bonds.

Authorized collateral includes certain state or local government obligations and legal investments. Minnesota Statutes also require that securities pledged as collateral be held in safekeeping by the Treasurer, or in a financial institution other than the institution furnishing the collateral.

Interest Rate Risk

The City does not have a formal investment policy that limits its investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The City has no investment policy that would limit its investment choices.

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer.

**CITY OF HARMONY, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**3. Loans Receivable**

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On November 21, 1988, the City entered into a lease agreement (superseding a June 28, 1985 agreement) with the Harmony Community Hospital Association, Inc. for the hospital and nursing home building and the land on which it resides. On August 1, 1994, the City sold the hospital and nursing home building and the land on which it resides for \$229,000 to the Harmony Community Hospital Association, Inc. (the Hospital). The City has a mortgage deed and promissory note with the Hospital in the original amount of \$229,000 dated August 1, 1994. The promissory note calls for payments of \$1,667 per month, due on the first day of each month commencing September 1, 1994, including interest at 3%. The mortgage deed and promissory note supersede the lease agreement dated November 21, 1988.

The following is a schedule by years of the required remaining payments as of December 31, 2008:

2009	\$	3,163
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The City of Harmony has made several loans through its revolving loan program. These loans are payable over 3 to 10 years, with interest rates ranging from 4.0% to 7.0% over the term of the loan. These loans are offset by deferred revenue until the repayments are made. The remaining balance at December 31, 2008 is \$155,043.

In addition to these loans, a \$40,000 loan was given to Heritage Grove (an enterprise fund of the City). The terms are 4.0% for 12 years. This is recorded in due to / due from on the balance sheet. The remaining balance at December 31, 2008 is \$15,098.

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**4. Due From Other Governmental Units**

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Amounts due from other governmental units at December 31, 2008 are as follows:

<u>Fund</u>	<u>Fillmore County</u>
General	\$ 4,879
Debt Service	1,977
Capital Projects	470
	<u>\$ 7,326</u>

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**CITY OF HARMONY, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**5. Capital Assets**

Capital asset activity for the year ended December 31, 2008 was as follows:

<b>Governmental Activities</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 332,266	\$	\$ 38,373	\$ 293,893
Total capital assets, not being depreciated	332,266		38,373	293,893
Capital assets, being depreciated:				
Buildings and improvements	923,825	284,034		1,207,859
Vehicles	810,028	127,037	32,832	904,233
Machinery and other equipment	355,042	13,117		368,159
Infrastructure (e.g. streets)	2,479,927	161,357		2,641,284
Total capital assets, being depreciated	4,568,822	585,545	32,832	5,121,535
Less accumulated depreciation for:				
Buildings and improvements	431,546	53,889		485,435
Vehicles	319,146	55,652	32,832	341,966
Machinery and other equipment	179,446	32,726		212,172
Infrastructure (e.g. streets)	1,283,469	33,779		1,317,248
Total accumulated depreciation	2,213,607	176,046	32,832	2,356,821
Total capital assets, being depreciated, net	2,355,215	409,499		2,764,714
Governmental activities capital assets, net	\$ 2,687,481	\$ 409,499	\$ 38,373	\$ 3,058,607

**Governmental Activities:**

Government buildings	\$ 19,351
Public safety	69,069
Streets and highways	72,898
Culture and recreation	14,728
	176,046
Total depreciation expense - governmental activities	\$ 176,046

**CITY OF HARMONY, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**5. Capital Assets (Continued)**

<b>Business-Type Activities</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 168,114			\$ 168,114
Construction in progress		4,444		4,444
Total capital assets, not being depreciated	<u>168,114</u>	<u>4,444</u>		<u>172,558</u>
Capital assets, being depreciated:				
Buildings and improvements	4,808,534			4,808,534
Machinery and other equipment	286,537	10,023		296,560
Vehicles	52,807			52,807
Infrastructure (e.g. utilities)	3,103,932	15,809		3,119,741
Total capital assets, being depreciated	<u>8,251,810</u>	<u>25,832</u>		<u>8,277,642</u>
Less accumulated depreciation for:				
Buildings and improvements	1,170,671	179,196		1,349,867
Machinery and other equipment	60,985	5,536		66,521
Vehicles	50,396	2,411		52,807
Infrastructure (e.g. utilities)	897,467	76,542		974,009
Total accumulated depreciation	<u>2,179,519</u>	<u>263,685</u>		<u>2,443,204</u>
Total capital assets, being depreciated, net	<u>6,072,291</u>	<u>(237,853)</u>		<u>5,834,438</u>
Business-type activities capital assets, net	<u>\$ 6,240,405</u>	<u>\$ (233,409)</u>	<u>\$</u>	<u>\$ 6,002,552</u>

Depreciation expense was charged to functions/programs as follows:

<b>Business-Type Activities:</b>	
Water	\$ 15,251
Sewer	99,221
Electric	38,025
Heritage Grove	<u>111,188</u>
Total depreciation expense - business-type activities	<u>\$ 263,685</u>

**CITY OF HARMONY, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**6. Long-Term Debt**

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The long-term debt obligations outstanding and related maturities and interest rates are summarized in the schedule of bonds payable and compensated absences.

**General Obligation Improvement Bonds:**

The 2002B G.O. Refunding and Improvement bonds were issued to refund the 1994B G.O. Improvement Bonds and to finance construction of various improvements. The 2003 G.O. Refunding Bonds were issued to refund the 1994A G.O. Fire Station Bonds. The 2004A G.O. Tax Increment and Improvement Refunding Bonds were issued to refund the 1995A G.O. Tax Increment Bonds, the 1998 G.O. Improvement Bonds, the 2000A G.O. Improvement Bonds. These bonds are payable primarily from ad valorem tax levies and special assessments and are backed by the full faith and credit of the City.

**General Obligation Revenue Notes:**

The 1993 G.O. Sewer Note and the 2004 G.O. Sewer Note were issued to finance construction of the wastewater treatment facility. The funds to repay this debt will come from user fees and are backed by the full faith and credit of the City.

**General Obligation Water and Sewer Revenue Bonds:**

The 2002A G.O. Water and Sewer Revenue Bonds were issued to finance various improvements to the water and sewer system. The funds to repay this debt will come from user fees and are backed by the full faith and credit of the City.

**General Obligation EDA Housing Bonds:**

The 2008 Economic Development Authority Housing Refunding Bonds were issued to refund the 2001 EDA Housing Bonds. These bonds are payable solely from revenues generated from rental income from the senior living facility and are backed by the full faith and credit of the City.

**General Obligation Tax Increment Bonds:**

The 2004A G.O. Tax Increment and Improvement Refunding Bonds were issued to refund the 1995A G.O. Tax Increment Bonds, the 1998 G.O. Improvement Bonds, the 2000A G.O. Improvement Bonds and to provide funding for improvements of the industrial park. These bonds are payable primarily from tax increments and are backed by the full faith and credit of the City.

**USDA Promissory Notes:**

Proceeds from these USDA Promissory Notes were used to finance the Community Center Roof Project. These notes are payable solely from revenues generated from a long-term lease agreement between the blended component unit (EDA) and the primary government.

**CITY OF HARMONY, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**6. Long-Term Debt (Continued)**

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A summary of interest rates, maturities and December 31, 2008 balances is as follows:

	Range of Interest Rates	Final Maturity	Balance December 31, 2008
General Obligation Improvement Bonds			
Series 2002B Refunding and Improvement	2.00 - 4.30%	2013	\$ 250,000
Series 2003 Refunding	1.55 - 3.50%	2010	77,000
Series 2004A Refunding and Improvement	3.15%	2011	115,000
General Obligation Revenue Notes			
Series 1993 - PFA	3.34%	2014	409,969
Series 2004 - PFA	1.00%	2023	507,000
General Obligation Revenue Bonds			
Series 2002A Water and Sewer	2.00 - 4.30%	2013	225,000
2008 EDA Housing Refunding Bonds	4.10 - 4.60%	2026	2,580,000
General Obligation Tax Increment Bonds			
Series 2004A Refunding and Improvement	3.15%	2010	120,000
Other			
Promissory Note - USDA	4.375%	2019	122,850
Promissory Note - USDA	4.25%	2019	59,325
Total			<u>\$ 4,466,144</u>

**CITY OF HARMONY, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**6. Long-Term Debt (Continued)**

The changes in the Long-Term Debt of the City during the year ended December 31, 2008 are as follows:

	Beginning Balance	Additions	Debt Reductions	Other Reductions	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>						
General Obligation Improvement Bonds:						
Series 2002B Refunding and Improvement	\$ 295,000	\$	\$ 45,000	\$	\$ 250,000	\$ 50,000
Series 2003 Refunding	112,000		35,000		77,000	39,000
Series 2004A Refunding	185,000		70,000		115,000	70,000
General Obligation Tax Increment Bonds:						
Series 2004A	175,000		55,000		120,000	60,000
Other:						
Promissory Note - USDA	131,411		8,561		122,850	8,935
Promissory Note - USDA	63,492		4,167		59,325	4,344
Compensated Absences	42,797	4,684			47,481	
Governmental Activities Long-term Liabilities	<u>1,004,700</u>	<u>4,684</u>	<u>217,728</u>		<u>791,656</u>	<u>232,279</u>
<b>BUSINESS-TYPE ACTIVITIES</b>						
General Obligation Revenue Notes:						
Series 1993 - PFA	478,437		68,467		409,970	70,773
Series 2004 - PFA	538,000		31,000		507,000	32,000
General Obligation Revenue Bonds:						
Series 2002A Water and Sewer	270,000		45,000		225,000	45,000
2001 EDA Housing Bonds	2,600,000		2,600,000			
2008 EDA Housing Refunding Bonds		2,580,000			2,580,000	100,000
Compensated Absences	26,130	3,716			29,846	
Unamortized Discount and Issue Costs	(63,589)	(49,020)		(4,551)	(108,058)	
Business-type Activities Long-term Liabilities	<u>3,848,978</u>	<u>2,534,696</u>	<u>2,744,467</u>	<u>(4,551)</u>	<u>3,643,758</u>	<u>247,773</u>
Total	<u>\$ 4,853,678</u>	<u>\$ 2,539,380</u>	<u>\$ 2,962,195</u>	<u>\$ (4,551)</u>	<u>\$ 4,435,414</u>	<u>\$ 480,052</u>

**CITY OF HARMONY, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**6. Long-Term Debt (Continued)**

The annual requirements to amortize all long-term debt outstanding as of December 31, 2008 are summarized below.

Years	General Obligation Improvement Bonds		General Obligation Tax Increment Bonds		General Obligation Revenue Bonds / Notes		Other	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
<u>Governmental Activities</u>								
2009	159,000	11,745	60,000	2,835			13,279	7,896
2010	128,000	8,013	60,000	945			13,854	7,321
2011	55,000	5,304					14,455	6,720
2012	50,000	3,188					15,081	6,094
2013	50,000	1,075					15,736	5,440
2014-2018							89,518	16,359
2019-2023							20,252	878
Totals	<u>\$ 442,000</u>	<u>\$ 29,325</u>	<u>\$ 120,000</u>	<u>\$ 3,780</u>			<u>\$ 182,175</u>	<u>\$ 50,706</u>
<u>Business-Type Activities</u>								
2009					247,773	136,317		
2010					255,157	127,769		
2011					257,620	118,880		
2012					265,167	109,841		
2013					273,800	100,444		
2014-2018					849,453	402,698		
2019-2023					988,000	245,920		
2024-2028					585,000	54,166		
Totals					<u>\$ 3,721,970</u>	<u>\$ 1,296,035</u>		

The City is subject to a statutory limitation by the State of Minnesota for bonded indebtedness payable principally from property taxes, net of debt service cash and investments available to pay these bonds. The limitation is two percent of the City's estimated market valuation. At December 31, 2008 the City did not exceed the statutory limitation.

Conduit Debt Obligations

To provide for the acquisition and construction of various multi-family housing projects by a non-profit corporation, the City of Harmony issued \$12,000,000 of Housing Revenue Bonds during 1996. It has also entered into a joint-posers agreement with other participating cities in Minnesota. During 1997, the 1996 Bonds were refunded by three series of Housing Revenue Refunding Bonds. These bonds are special limited obligations of the City, payable solely from rental income sources of the non-profit corporation. The bonds do not constitute a debt of pledge of the faith and credit of the City, and accordingly have not been reported in the accompanying financial statements.

At December 31, 2008, the Housing Revenue Refunding Bonds outstanding aggregated \$9,085,000.



**CITY OF HARMONY, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**7. Individual Fund Disclosures**

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Transfers during the year ended December 31, 2008 were as follows:

Funds	Transfers In	Transfers Out
General Fund:	\$ 302,750	\$ 336,714
Special Revenue:		
Ambulance		24,996
Park	33,266	6,000
Library	61,500	
Fire	23,000	15,000
Arts	2,000	
EDA	119,004	
Capital Projects:		
Capital Projects	168,000	262,750
Community Center	50,000	
Enterprise:		
Water	60,000	62,496
Sewer	66,936	2,496
Electric		176,004
Total Transfers	\$ 886,456	\$ 886,456

**CITY OF HARMONY, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**7. Individual Fund Disclosures (Continued)**

The amounts due to and from and advanced to and from other funds at December 31, 2008, at the individual fund level are summarized below:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 306,603	\$
Special Revenue:		
Fire		93,417
Revolving Loan	15,098	
Small Cities Grant		4,145
Capital Projects:		
TIF #5		37,598
Community Center		236,658
Enterprise Fund:		
Electric	65,215	
Heritage Grove		15,098
	\$ 386,916	\$ 386,916

At December 31, 2008 the following funds have deficit fund equity:

Special Revenue:		
Fire	\$	90,478
Small Cities Grant		4,145
Capital Projects:		
TIF #5		37,598
Community Center		236,658
Enterprise Fund:		
Heritage Grove		175,054

The City intends to fund accumulated deficits through additional revenue sources.

Excess of expenditures over appropriations at the individual fund level during 2008 are as follows:

General Fund	\$	211,851
Special Revenue:		
Ambulance Fund		6,167

All excess expenditures were the result of planned processes.

**CITY OF HARMONY, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**8. Deferred Revenue**

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Deferred revenue recorded in the fund financial statements at December 31, 2008 consists of the following:

- Special assessments and loans receivable that are not available for current year expenditures

Revenue	General Fund	Special Revenue	Debt Service Funds	Capital Projects Funds	Totals
Special assessments	\$ 17,257	\$	\$ 47,284	\$ 173,392	\$ 237,933
Taxes receivable	14,500		3,976	6,211	24,687
Loans receivable	3,588	165,402			168,990
Total	<u>\$ 35,345</u>	<u>\$ 165,402</u>	<u>\$ 51,260</u>	<u>\$ 179,603</u>	<u>\$ 431,610</u>

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**9. Fund Equity**

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Reserved fund equity represents the portion not available for expenditures or legally segregated for specific future use. Designated fund equity represents the portion which is based on tentative future spending plans. Fund equity has been reserved or designated at December 31, 2008 as follows:

Reserved for Debt Service

Debt Service Funds	
1994 G.O. Fire Station Bonds	\$ 35,184
2002 G.O. Improvement Bonds	55,721
2004 G.O. Increment and Improvement Refund	65,978

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**10. Commitments and Contingencies**

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The City participates in a number of federal and state agency assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The City does not anticipate any audit adjustments or disallowed program expenditures that would be material in relation to the general purpose financial statements taken as a whole.

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## CITY OF HARMONY, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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#### 11. Defined Benefit Pension Plans - Statewide

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##### Plan Description

All full-time and certain part-time employees of the City of Harmony are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF) which is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356.

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement benefit is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree -- no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will reduce the monthly normal annuity amount, because the annuity is payable over joint lives. Members may also leave their contributions in the fund upon termination of public service, in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF. That report may be obtained on the web at [www.mnpera.com](http://www.mnpera.com), by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

## CITY OF HARMONY, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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#### 11. Defined Benefit Pension Plans - Statewide (Continued)

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##### Funding Policy

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members are required to contribute 9.1% and 6.0%, respectively, of their annual covered salary in 2008. PEPFF members were required to contribute 8.6% of their annual covered salary in 2008. That rate will increase to 9.4% in 2009. The City is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members and 6.5% for Coordinated Plan PERF Members, and 12.9% for PEPFF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.75% and 14.1% respectively, effective January 1, 2009. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2008, 2007, and 2006 were \$24,539, \$20,599, and \$18,482, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

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#### 12. Risk Management

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The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries insurance for employee health, liability, property, and automotive insurance through the League of Minnesota Cities Insurance Trust (LMCIT). Settled claims resulting from these risks have not exceeded the insurance coverage in any of the past three years. There were no reductions in insurance coverage in 2008.

The City participates in a group workers' compensation plan of the LMCIT, which is a public entity risk pool currently operating as a common risk management and insurance program for member Minnesota Cities. All cities participating in the plan are jointly and severally liable for all claims and expenses of the plan. The LMCIT workers' compensation plan is self-sustaining based on the premiums charged, total contributions plus compounded earnings on those contributions will be sufficient to satisfy claims liabilities and other expenses of the plan. The LMCIT plan participates in the Workers' Compensation Reinsurance Association with coverage of \$1,000,000 per claim for plan year 2008. The amount of any liability in excess of plan assets may be assessed to participating Cities in a method and amount determined by the LMCIT.

**CITY OF HARMONY, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**13. Pronouncements Issued Not Yet Implemented**

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The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have future effective dates that may impact financial presentations. Management has not currently determined what, if any, impact implementation of the following statement may have on the financial statements of the City.

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pensions, issued in July 2004, will be effective for the City beginning with its year ending December 31, 2009. This Statement establishes standards for the measurement, recognition, and display of other post employment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. OPEB are part of an exchange of salaries and benefits for employee services rendered. From an accrual accounting perspective, the cost of OPEB, like the cost of pensions benefits, generally should be associated with the periods in which the exchange occurs, rather than with the periods (often many years later) when benefits are paid or provided.

**CITY OF HARMONY, MINNESOTA**  
**COMBINING AND INDIVIDUAL FUND STATEMENTS**  
**DECEMBER 31, 2008**

**CITY OF HARMONY, MINNESOTA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
December 31, 2008  
*With Comparative Totals for December 31, 2007*

	Special Revenue						
	Park	Library	Fire	Small Cities Grant	Revolving Loan	Arts	EDA
<b>ASSETS</b>							
Cash and investments	\$ 25,260	\$ 12,319	\$	\$	\$ 128,257	\$ 9,866	\$ 37,136
Accounts receivable	670		3,400				2,100
Taxes receivable - delinquent							
Special assessments receivable							
Deferred							
Delinquent							
Loan receivable				10,359	155,043		
Due from other funds					15,098		
Due from other governmental units							
Prepaid items	548	120	1,388				16
<b>TOTAL ASSETS</b>	<b>\$ 26,478</b>	<b>\$ 12,439</b>	<b>\$ 4,788</b>	<b>\$ 10,359</b>	<b>\$ 298,398</b>	<b>\$ 9,866</b>	<b>\$ 39,252</b>
<b>LIABILITIES AND FUND BALANCE</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 1,422	\$ 849	\$ 1,849	\$	\$	\$	\$ 5,715
Accrued liabilities	18	763					144
Due to other funds			93,417	4,145			
Due to other governments							
Deferred revenue				10,359	155,043		
<b>Total Liabilities</b>	<b>1,440</b>	<b>1,612</b>	<b>95,266</b>	<b>14,504</b>	<b>155,043</b>		<b>5,859</b>
<b>Fund Balance:</b>							
Reserved for small cities grant				(4,145)			
Reserved for debt service							
Unreserved:							
Designated							
Undesignated	25,038	10,827	(90,478)		143,355	9,866	33,393
<b>Total Fund Balance</b>	<b>25,038</b>	<b>10,827</b>	<b>(90,478)</b>	<b>(4,145)</b>	<b>143,355</b>	<b>9,866</b>	<b>33,393</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 26,478</b>	<b>\$ 12,439</b>	<b>\$ 4,788</b>	<b>\$ 10,359</b>	<b>\$ 298,398</b>	<b>\$ 9,866</b>	<b>\$ 39,252</b>



Capital Project			Debt Service			Total Nonmajor Governmental Funds	
Capital Projects	TIF #1	TIF #5	2003 G.O. Refunding Bonds	2002 G.O. Improvement Bonds	2004 G.O. Tax Increment and Improvement Refunding	2008	2007
\$ 174,735	\$ 158,076	\$	\$ 34,579	\$ 55,054	\$ 65,273	\$ 700,555	\$ 665,472
	6,211			1,835	2,141	6,170	11,531
	168,031			39,364	7,232	10,187	
	5,361			688		214,627	268,802
						6,049	
						165,402	151,479
						15,098	17,476
	470		605	667	705	2,447	5,169
						2,072	2,053
<u>\$ 174,735</u>	<u>\$ 338,149</u>	<u>\$</u>	<u>\$ 35,184</u>	<u>\$ 97,608</u>	<u>\$ 75,351</u>	<u>\$ 1,122,607</u>	<u>\$ 1,121,982</u>
\$	\$	\$	\$	\$	\$	\$ 9,835	\$ 11,821
						925	1,065
		37,598				135,160	123,711
	179,603			41,887	9,373	396,265	420,281
	179,603	37,598		41,887	9,373	542,185	556,878
						(4,145)	(5,208)
			35,184	55,721	65,978	156,883	144,655
174,735						174,735	256,265
	158,546	(37,598)				252,949	169,392
<u>174,735</u>	<u>158,546</u>	<u>(37,598)</u>	<u>35,184</u>	<u>55,721</u>	<u>65,978</u>	<u>580,422</u>	<u>565,104</u>
<u>\$ 174,735</u>	<u>\$ 338,149</u>	<u>\$</u>	<u>\$ 35,184</u>	<u>\$ 97,608</u>	<u>\$ 75,351</u>	<u>\$ 1,122,607</u>	<u>\$ 1,121,982</u>

**CITY OF HARMONY, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2008  
*With Comparative Totals for The Year Ended December 31, 2007*

	Special Revenue						
	Park	Library	Fire	Small Cities Grant	Revolving Loan	Arts	EDA
<b>REVENUES</b>							
General property taxes	\$	\$	\$	\$	\$	\$	
Tax increment							
Special assessments							
Intergovernmental revenues		25,515	40,453			8,589	
Charges for services	729	1,512	13,238				
Investment income	1,255	538			11,207	316	742
Miscellaneous revenues	3,105	1,738	13,908	1,249	28,947	543	12,786
<b>TOTAL REVENUES</b>	<b>5,089</b>	<b>29,303</b>	<b>67,599</b>	<b>1,249</b>	<b>40,154</b>	<b>9,448</b>	<b>13,528</b>
<b>EXPENDITURES</b>							
Public safety			54,005				
Library		90,820					
Culture and recreation	35,610					7,239	
Economic development				186	40,399		120,621
Debt service							
Unallocated							
<b>TOTAL EXPENDITURES</b>	<b>35,610</b>	<b>90,820</b>	<b>54,005</b>	<b>186</b>	<b>40,399</b>	<b>7,239</b>	<b>120,621</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(30,521)</b>	<b>(61,517)</b>	<b>13,594</b>	<b>1,063</b>	<b>(245)</b>	<b>2,209</b>	<b>(107,093)</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers In	33,266	61,500	23,000			2,000	119,004
Transfers out	(6,000)		(15,000)				
Total other financing sources (uses)	27,266	61,500	8,000			2,000	119,004
Net change in fund balances	(3,255)	(17)	21,594	1,063	(245)	4,209	11,911
<b>Fund Balance - Beginning</b>	<b>28,293</b>	<b>10,844</b>	<b>(112,072)</b>	<b>(5,208)</b>	<b>143,600</b>	<b>5,657</b>	<b>21,482</b>
<b>Fund Balance - Ending</b>	<b>\$ 25,038</b>	<b>\$ 10,827</b>	<b>\$ (90,478)</b>	<b>\$ (4,145)</b>	<b>\$ 143,355</b>	<b>\$ 9,866</b>	<b>\$ 33,393</b>

Capital Projects			Debt Service			Total Nonmajor Governmental Funds	
Capital Projects	TIF #1	TIF #5	2003 G.O. Refunding Bonds	2002 G.O. Improvement Bonds	2004 G.O. Tax Increment and Improvement Refunding	2008	2007
\$	\$	\$	\$ 39,548	\$ 39,972	\$ 46,089	\$ 125,609	\$ 122,270
	102,908					102,908	83,786
	22,624			13,999	20,588	57,211	51,033
	1,095		6,083	6,161	7,083	94,979	60,633
						15,479	17,347
13,220	2,493		312	708	908	31,699	28,556
	20,000					82,276	49,875
<u>13,220</u>	<u>149,120</u>		<u>45,943</u>	<u>60,840</u>	<u>74,668</u>	<u>510,161</u>	<u>413,500</u>
						54,005	58,071
						90,820	84,668
						42,849	40,469
	2,385	37,479				201,070	151,370
	59,646		38,077	56,421	74,725	228,869	242,333
	131	119				250	35,026
	<u>62,162</u>	<u>37,598</u>	<u>38,077</u>	<u>56,421</u>	<u>74,725</u>	<u>617,863</u>	<u>611,937</u>
<u>13,220</u>	<u>86,958</u>	<u>(37,598)</u>	<u>7,866</u>	<u>4,419</u>	<u>(57)</u>	<u>(107,702)</u>	<u>(198,437)</u>
168,000						406,770	392,048
(262,750)						(283,750)	(186,947)
<u>(94,750)</u>						<u>123,020</u>	<u>205,101</u>
(81,530)	86,958	(37,598)	7,866	4,419	(57)	15,318	6,664
256,265	71,588		27,318	51,302	66,035	565,104	558,440
<u>\$ 174,735</u>	<u>\$ 158,546</u>	<u>\$ (37,598)</u>	<u>\$ 35,184</u>	<u>\$ 55,721</u>	<u>\$ 65,978</u>	<u>\$ 580,422</u>	<u>\$ 565,104</u>

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**CITY OF HARMONY, MINNESOTA**

**SUPPLEMENTAL INFORMATION**

**DECEMBER 31, 2008**

## SCHEDULE 1

**CITY OF HARMONY, MINNESOTA  
WATER FUND  
Statement of Revenues, Expenses  
and Changes in Fund Net Assets  
For the Year Ended December 31, 2008  
With Comparative Totals for The Year Ended December 31, 2007**

	2008	2007
<b>Operating Revenue</b>		
Sales and rentals	\$ 152,948	\$ 158,958
<b>Operating Expenses</b>		
Salaries and wages	40,544	36,890
Service contracts	750	805
Materials and supplies	13,683	11,947
Utilities	15,676	15,067
Repairs and maintenance	64,070	25,678
Travel and training		125
Miscellaneous	1,734	1,009
Insurance	2,192	1,640
Depreciation/amortization	15,251	14,055
Total Operating Expenses	153,900	107,216
Operating Income (Loss)	(952)	51,742
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	2,892	4,799
Other revenue	11,946	
Total Nonoperating Revenues (Expenses)	14,838	4,799
<b>INCOME BEFORE TRANSFERS</b>	13,886	56,541
Transfers in	60,000	
Transfers out	(62,496)	(62,496)
<b>Change in net assets</b>	11,390	(5,955)
<b>Net Assets - Beginning of Year</b>	666,015	671,970
<b>Net Assets - End of Year</b>	\$ 677,405	\$ 666,015

SCHEDULE 2

**CITY OF HARMONY, MINNESOTA  
SEWER FUND  
Statement of Revenues, Expenses  
and Changes in Fund Net Assets  
For the Year Ended December 31, 2008  
With Comparative Totals for The Year Ended December 31, 2007**

	2008	2007
<b>Operating Revenue</b>		
Sales and rentals	\$ 282,416	\$ 292,234
<b>Operating Expenses</b>		
Salaries and wages	45,420	39,591
Service contracts	2,721	274
Materials and supplies	7,784	8,376
Utilities	50,870	45,903
Repairs and maintenance	11,531	11,440
Travel and training	135	633
Professional fees	8,673	8,472
Miscellaneous	1,618	1,867
Insurance	455	415
Depreciation/amortization	99,221	98,864
Total Operating Expenses	<u>228,428</u>	<u>215,835</u>
Operating Income	<u>53,988</u>	<u>76,399</u>
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	2,089	301
Special assessments	522	317
Other revenue	2,114	
Interest expense and fiscal charges	(29,579)	(34,011)
Total Nonoperating Revenues (Expenses)	<u>(24,854)</u>	<u>(33,393)</u>
<b>INCOME BEFORE TRANSFERS</b>	29,134	43,006
Transfers in	66,936	74,436
Transfers out	<u>(2,496)</u>	<u>(2,496)</u>
<b>Change in net assets</b>	93,574	114,946
<b>Net Assets - Beginning of Year</b>	<u>1,408,532</u>	<u>1,293,586</u>
<b>Net Assets - End of Year</b>	<u>\$ 1,502,106</u>	<u>\$ 1,408,532</u>

**CITY OF HARMONY, MINNESOTA  
ELECTRIC FUND  
Statement of Revenues, Expenses  
and Changes in Fund Net Assets  
For the Year Ended December 31, 2008  
With Comparative Totals for The Year Ended December 31, 2007**

	2008	2007
<b>Operating Revenue</b>		
Sales and rentals	\$ 799,335	\$ 814,409
<b>Operating Expenses</b>		
Salaries and wages	27,618	27,722
Service contracts		205
Purchased power	663,449	632,199
Materials and supplies	3,497	4,507
Utilities	12,732	12,575
Repairs and maintenance	15,392	17,186
Professional fees		50
Miscellaneous	15,679	2,260
Insurance	6,030	5,458
Depreciation/amortization	38,025	37,292
Total Operating Expenses	<u>782,422</u>	<u>739,454</u>
Operating Income	<u>16,913</u>	<u>74,955</u>
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	24,177	18,586
Special assessments		1,020
Other revenue	21,811	14,082
Total Nonoperating Revenues (Expenses)	<u>45,988</u>	<u>33,688</u>
<b>INCOME BEFORE TRANSFERS</b>	62,901	108,643
Transfers out	<u>(176,004)</u>	<u>(26,004)</u>
<b>Change in net assets</b>	(113,103)	82,639
<b>Net Assets - Beginning of Year</b>	<u>1,279,138</u>	<u>1,196,499</u>
<b>Net Assets - End of Year</b>	<u>\$ 1,166,035</u>	<u>\$ 1,279,138</u>



**CITY OF HARMONY, MINNESOTA  
HERITAGE GROVE FUND  
Statement of Revenues, Expenses  
and Changes in Fund Net Assets  
For the Year Ended December 31, 2008  
With Comparative Totals for The Year Ended December 31, 2007**

	2008	2007
<b>Operating Revenue</b>		
Sales and rentals	\$ 774,832	\$ 695,055
<b>Operating Expenses</b>		
Salaries and wages	295,718	291,335
Service contracts	38,322	34,743
Materials and supplies	54,592	46,574
Utilities	46,648	42,854
Repairs and maintenance	18,913	20,554
Travel and training	765	873
Professional fees	2,454	1,483
Miscellaneous	62,154	29,258
Insurance	58,208	68,518
Depreciation/amortization	115,741	114,090
Total Operating Expenses	<u>693,515</u>	<u>650,282</u>
Operating Income	<u>81,317</u>	<u>44,773</u>
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	2,525	3,867
Interest expense and fiscal charges	(143,469)	(144,316)
Total Nonoperating Revenues (Expenses)	<u>(140,944)</u>	<u>(140,449)</u>
<b>Change in net assets</b>	(59,627)	(95,676)
<b>Net Assets - Beginning of Year</b>	<u>(115,427)</u>	<u>(19,751)</u>
<b>Net Assets - End of Year</b>	<u>\$ (175,054)</u>	<u>\$ (115,427)</u>

**CITY OF HARMONY, MINNESOTA  
GARBAGE FUND  
Statement of Revenues, Expenses  
and Changes in Fund Net Assets  
For the Year Ended December 31, 2008  
With Comparative Totals for The Year Ended December 31, 2007**

	2008	2007
<b>Operating Revenue</b>		
Sales and rentals	\$ 52,562	\$ 52,385
<b>Operating Expenses</b>		
Salaries and wages	10,755	9,493
Service contracts	29,102	28,877
Materials and supplies	1,116	1,165
Miscellaneous	1,837	170
Total Operating Expenses	42,810	39,705
Operating Income	9,752	12,680
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	305	
Other revenue	1,866	
Total Nonoperating Revenues (Expenses)	2,171	
<b>Change in net assets</b>	11,923	12,680
<b>Net Assets - Beginning of Year</b>	3,825	(8,855)
<b>Net Assets - End of Year</b>	\$ 15,748	\$ 3,825

## AUDITOR'S REPORT ON COMPLIANCE

Honorable Mayor and Members  
of the City Council  
**City of Harmony, Minnesota**

We have audited the financial statements of the City of Harmony, Minnesota as of and for the year ended December 31, 2008 and have issued our report thereon dated March 25, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Governments*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* covers seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, the City of Harmony, Minnesota complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the City Council, management, and the Office of the State Auditor of Minnesota and is not intended to be, and should not be, used by anyone other than those specified parties.



Rochester, Minnesota  
March 25, 2009