

**AGENDA
HARMONY CITY COUNCIL
REGULAR MEETING**

April 14, 2020
7:00 P.M.

Gymnasium
Community Center

1. Call to Order
2. Roll Call
3. Public Forum
4. Public Hearing
5. Board of Appeals
6. 2019 Audit Report
7. 2020 Street Project
8. Consent Agenda
 - a. Minutes
 - b. Claims
 - c. Administrator's Report
 - d. Financial Report
 - e. CD
 - f. Audit
9. Old Business
10. New Business
11. Reports
 - a. Utility Committee
 - b. Building & Maintenance Report
 - c. EDA Report
 - d. Park Board
 - e. Library Board
 - f. Arts Board
12. Adjourn

**BACKGROUND INFORMATION
HARMONY CITY COUNCIL
REGULAR MEETING**

**April 14, 2020
7:00 P.M.**

**Gymnasium
Community Center**

1. Call to Order
2. Roll Call
3. Public Forum
4. Public Hearing
 - a. To apply for a USDA Rural Development Grant to purchase a motorized Lift and Cot for the Harmony Ambulance
5. Board of Appeals
6. 2019 Audit Report-Zoom Presentation by Tom Olinger, Abdo, Eick, & Meyers
7. 2020 Street Project Bonding-Mike Bubany
8. Consent Agenda
 - a. Minutes to March 24, 2020 Special Meeting
 - b. Claims
 - i. Cash in CD #44188
 - i. Purchase approval of fireworks for 125th/4th of July Celebration
 - c. Approve 2020 Ambulance Subsidy Contract with Fillmore County
 - d. Approve Lawful Gambling at Pam's Liquor
 - e. City Administrator's Employment Agreement
 - f. Consider approval of City Audit
9. Old Business
10. New Business
11. Reports
 - a. Utility Committee
 - b. Building & Maintenance
 - c. EDA Board
 - d. Park Board
 - e. Library Board
 - f. Arts Board
12. Adjourn

MARCH 24, 2020

SPECIAL MEETING HARMONY CITY COUNCIL

A Special meeting of the Harmony City Council was called to order by Mayor Steve Donney at 5:00 PM. Present were Mayor Donney, Councilmembers Steve Sagen, Debbie Swenson and Tony Webber; Administrator Joel Dhein, Corey Whalen, Terry Bigalk, Brian Michel, Jerome Illg, Chris Johnson, Melissa VanderPlas and Eileen Schansberg (who arrived at 6:30 p.m.). Absent was Councilor Lynn Mensink.

CONSENT AGENDA:

Motion by Sagen and seconded by Swenson to approve the Consent Agenda which consisted of the Minutes to the 10th meeting. All present voting yes. Absent was Mensink. Motion carried.

WWTP SERVICES:

Mayor Donney presented a revised employment agreement with Chris Johnson for wastewater treatment plant services. Motion by Sagen, second by Swenson to approve agreement as presented. All present voting yes. Absent was Mensink. Motion carried.

2020 STREET AND UTILITY IMPROVEMENTS:

City Engineer Brett Grabau presented information on the bids received for this project. Four bids were received with the low bid of \$1,666,629.00 by Generation X Construction, LLC being the lowest responsible bidder. Motion by Sagen, second by Swenson to adopt resolution 20-09 RESOLUTION ACCEPTING BID. All present voting yes. Absent was Mensink. Motion carried.

FIREFIGHTER STATUE INVOICES:

Two invoices were presented to the city council for payment on the firefighter statue. The first invoice in the amount of \$20,000 to be paid immediately and the second invoice in the amount of \$10,000 to be paid upon satisfactory completion of the installation. Motion by Webber to approve invoices as presented, second by Swenson. All present voting yes. Absent was Mensink. Motion carried.

AMBULANCE GRANT APPLICATION:

Motion by Swenson, second by Sagen to authorize the ambulance service to apply for a grant that would pay up to 75% of the \$42,000 cost of a new cot and lift for the ambulance.

2020-2021 PROSECUTOR AGREEMENT:

An agreement for city prosecutor services in 2020-2021 was presented to the council. Motion by Swenson, second by Webber to approve the agreement with the county attorney for city prosecution services as presented. All present voting yes. Absent was Mensink. Motion carried.

CHAMBER OF COMMERCE REQUEST:

Melissa VanderPlas of the chamber of commerce presented information on the Fourth of July events. Motion by Swenson, second by Sagen to close Center Street for the events as requested. All present voting yes. Absent was Mensink. Motion carried.

COVID-19 DISCUSSION:

A brief discussion was held regarding COVID-19 disease measures. The council will rely on staff to take the necessary measures they feel are in the best interest of community safety.

CITY ADMINISTRATOR INTERVIEW

The city council interviewed Devin Swanberg for the position of city administrator. After the interview the council directed the personnel committee and the interim city administrator to negotiate an employment agreement with Mr. Swanberg and report back to the city council.

Miscellaneous:

Council Member Sagen mentioned selling some obsolete equipment from the public works department.

Council member Sagen mentioned having Stantec perform manhole inspections to prioritize repairs to help eliminate inflow and infiltration into the sanitary sewer system.

Deputy Clerk Schansberg requested permission to pay an invoice to Environmental Dynamics International in the amount of \$3,637.16 for a wastewater membrane. Council had no objection.

Upon no further business, Mayor Donney adjourned the meeting.

Mayor Steve Donney

Eileen Schansberg, Deputy Clerk (JD)

CITY OF HARMONY

City Council Claims for Review

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Fund Descr	Department	Object of Expense	Vendor	Comments	Amount
Fund 101 General Fund					
General Fund		Union Central Pension Fund	CENTRAL PENSION FUND	Union pension contribution	\$261.00
General Fund		Health Insurance	I.U.O.E. LOCAL 49 FRINGE BENEF	Union Health Insurance	\$3,795.00
General Fund		Union Dues	TUOE LOCAL #49	Union Dues	\$105.00
General Fund		NCPERS Insurance	NCPERS GROUP LIFE INS	511800	\$16.00
General Fund		Life Insurance	USABLE LIFE	101421301G	\$58.00
General Fund	Administration	General Operating Supplies	1 SOURCE	copy paper/pens/receipt books/correction	\$120.36
General Fund	Administration	General Operating Supplies	HARMONY FOODS	office supplies	\$12.65
General Fund	Administration	Repair/Maint Office Equipment	METRO SALES	Qtrly copier contract	\$369.10
General Fund	Animal Control	General Operating Supplies	SEACHANGE PRINT INNOVATIONS	2020 animal tags	\$150.09
General Fund	Community Center	Building Repair Materials	KINGSLEY MERCANTILE	keypad dead bolt	\$114.99
General Fund	Community Center	Building Repair Materials	KINGSLEY MERCANTILE	painting materials	\$121.40
General Fund	Community Center	Cleaning Supplies	HARMONY FOODS	cleaning supplies	\$33.00
General Fund	Community Center	Cleaning Supplies	HARMONY SPIRITS	Hand Sanitizer	\$130.05
General Fund	Community Center	Contractual Services	CUSTOM COMMUNICATIONS, INC	Alarm monitoring contract	\$94.50
General Fund	Community Center	Electric Utilities	HARMONY PUBLIC UTILITIES	Elec-Comm Ctr	\$2,527.54
General Fund	Community Center	Gas Utilities	MINNESOTA ENERGY	monthly gas service Comm Ctr	\$439.53
General Fund	Community Center	General Operating Supplies	HAHN LUMBER CO	plywood/screws	\$26.84
General Fund	Community Center	General Operating Supplies	KINGSLEY MERCANTILE	paint thinner-painting materials	\$47.08
General Fund	Community Center	General Operating Supplies	PRESTON AUTO PARTS	clean release tape	\$14.98
General Fund	Community Center	Motor Fuels/Lubricants	KWIK TRIP, INC	gas-Chevy pickup	\$43.07
General Fund	Community Center	Sewer Utilities	HARMONY PUBLIC UTILITIES	sewer-Comm Ctr	\$44.89
General Fund	Community Center	Small Tools and Minor Equip	KINGSLEY MERCANTILE	needle nose pliers/extension cord	\$48.48
General Fund	Community Center	Water Utilities	HARMONY PUBLIC UTILITIES	water-Comm Ctr	\$29.96
General Fund	Community Development	Engineering Fees	STANTEC CONSULTING SERVICES, I	Splash Pad engineering	\$2,936.50
General Fund	Community Development	Engineering Fees	STANTEC CONSULTING SERVICES, I	2020 Street/Utility pit	\$108,567.92
General Fund	Community Development	Legal Notices Publishing	BLUFF COUNTRY NEWSPAPER GROUP	2020 street imp notices	\$133.97
General Fund	Community Events	General Operating Supplies	DISPLAY SALES	MN Flags/4X6 Flags/Streetpole flags	\$619.30
General Fund	Community Events	General Operating Supplies	HAHN LUMBER CO	dowells for fireworks	\$11.00
General Fund	Community Events	Taxes, Licenses & Permits	FILLMORE COUNTY AUDITOR	full tax on Historical Elevator	\$24.00
General Fund	Community Events	Taxes, Licenses & Permits	FILLMORE COUNTY AUDITOR	full tax on Conservation Club land	\$308.00
General Fund	Elections	Wages & Salaries	BAKKEN, BONNIE	Election Judge-Pres Primary	\$112.50
General Fund	Elections	Wages & Salaries	BIGALK, JAN	Election Judge-Pres Primary	\$146.60
General Fund	Elections	Wages & Salaries	HANLON, DJANE	Election Judge Pres Primary	\$172.50
General Fund	Elections	Wages & Salaries	KELLY, CAROLYN	Election Judge-Pres Primary	\$150.00
General Fund	Elections	Wages & Salaries	SILVERS, STEPHANIE	Election Judge Pres Primary	\$142.50
General Fund	Financial Administration	Auditing and Acct g Services	ABDO, EICK & MEYERS, LLP	audit progress 2019	\$705.00

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Fund Descr	Department	Object of Expense	Vendor	Comments	Amount
General Fund	Legal Services	Legal Fees	NETHERCUT SCHIEBER ATTORNEYS	Legal services for March	\$768.00
General Fund	Personnel Administration	Employment Advertising	BLUFF COUNTRY NEWSPAPER GROUP	Administrator Ads	\$260.00
General Fund	Personnel Administration	Employment Advertising	JOBSHQ	City Administrator Ads	\$829.50
General Fund	Personnel Administration	Employment Advertising	NETHERCUT SCHIEBER ATTORNEYS	Administrator Ads reimbursed	\$1,089.21
General Fund	Personnel Administration	Employment Advertising	RIVER VALLEY NEWSPAPER GROUP	Administrator Ads	\$2,025.49
General Fund	Personnel Administration	General Operating Supplies	CULLIGAN	Wellness program	\$55.40
General Fund	Personnel Administration	General Operating Supplies	SCHANSBERG, EILEEN	Wellness program	\$92.83
General Fund	Personnel Administration	Taxes, Licenses & Permits	BIGALK, TERRY	reimbursement for CDL license portion	\$17.75
General Fund	Police Department	Motor Fuels/Lubricants	SEVERSON OIL CO.	gas-Squad	\$393.35
General Fund	Police Department	Repair/Maint Vehicles	TORGERSON AUTO	oil change-Squad	\$38.57
General Fund	Public Works Buildings	Electric Utilities	HARMONY PUBLIC UTILITIES	Elec-Shop	\$219.93
General Fund	Public Works Buildings	Gas Utilities	MINNESOTA ENERGY	monthly gas service Shop	\$280.28
General Fund	Public Works Buildings	General Operating Supplies	KINGSLEY MERCANTILE	elec cord/elbows	\$36.07
General Fund	Public Works Buildings	General Operating Supplies	MISSISSIPPI WELDERS SUPPLY CO	O2 cylinder	\$56.73
General Fund	Public Works Buildings	Motor Fuels/Lubricants	KINGSLEY MERCANTILE	map gas/grease	\$14.28
General Fund	Public Works Buildings	Small Tools and Minor Equip	KINGSLEY MERCANTILE	bits/torch	\$44.26
General Fund	Public Works Buildings	Water Utilities	HARMONY PUBLIC UTILITIES	water-Shop	\$18.08
General Fund	Streets	Motor Fuels/Lubricants	KWIK TRIP, INC	gas-1-ton	\$70.86
General Fund	Streets	Sign Materials	FILLMORE CO. PUBLIC HEALTH	Cost share-Solar speed sign	\$1,000.00
General Fund	Streets	Small Tools and Minor Equip	KINGSLEY MERCANTILE	2 shovels/rake	\$35.91
General Fund	Streets	Street Maint Materials	BRUENING ROCK PRODUCTS, INC	road rock	\$278.88
General Fund	Streets	Street Maint Materials	MIDWEST PATCH	street patching	\$772.80
General Fund	Tourism Programs	Lodging Tax	HARMONY CHAMBER OF COMMERCE	1st Qtr Lodging Tax Country Lodge	\$171.95
General Fund	Visitor Center	Cleaning Supplies	DALCO	floor finisher/toilet paper	\$149.07
General Fund	Visitor Center	Electric Utilities	HARMONY PUBLIC UTILITIES	Elec-Vis Ctr	\$105.31
General Fund	Visitor Center	Gas Utilities	MINNESOTA ENERGY	monthly gas service Vis Ctr	\$273.10
General Fund	Visitor Center	General Operating Supplies	KINGSLEY MERCANTILE	traps/supplies	\$32.35
General Fund	Visitor Center	Motor Fuels/Lubricants	KWIK TRIP, INC	gas-Chevy pickup	\$43.07
General Fund	Visitor Center	Repair/Maint Bldg/Structures	VIS PLUMBING	furnace problem repaired	\$182.50
General Fund	Visitor Center	Repair/Maint Bldg/Structures	VIS PLUMBING	furnace repair	\$24.77
General Fund	Visitor Center	Sewer Utilities	HARMONY PUBLIC UTILITIES	sewer-Vis Ctr	\$24.26
General Fund	Visitor Center	Small Tools and Minor Equip	KINGSLEY MERCANTILE	hose	\$19.49
General Fund	Visitor Center	Water Utilities	HARMONY PUBLIC UTILITIES	water-Vis Ctr	\$16.38
Fund 101 General Fund					\$132,073.73
Fund 211 Library Fund					
Library Fund	Library	Media-Audio	INGRAM LIBRARY SERVICES, INC	Audio books	\$173.20
Library Fund	Library	Media-Audio	INGRAM LIBRARY SERVICES, INC	Audio books	\$155.94

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Fund Descr	Department	Object of Expense	Vendor	Comments	Amount
Library Fund	Library	Media-Books	BAKER & TAYLOR	book	\$9.64
Library Fund	Library	Media-Books	BAKER & TAYLOR	books	\$245.34
Library Fund	Library	Media-Books	BAKER & TAYLOR	books	\$11.37
Library Fund	Library	Media-Video	AMAZON CAPITAL SERVICES	DVDs	\$322.05
Library Fund	Library	Media-Video	AMAZON CAPITAL SERVICES	DVDs	\$18.62
Library Fund	Library	Media-Video	AMAZON CAPITAL SERVICES	DVDs	\$42.36
Library Fund	Library	Media-Video	AMAZON CAPITAL SERVICES	DVDs	\$30.98
Library Fund	Library	Office Accessories	DEMCO, INC	book jacket cleaner	\$77.75
Library Fund	Library	Office Equip	SOUTHEASTERN LIBRARIES COOP	desk top/Microsoft Office	\$862.42
Library Fund	Library	Postage	SOUTHEASTERN LIBRARIES COOP	mailers	\$7.70
Library Fund	Library	Printed Forms	SOUTHEASTERN LIBRARIES COOP	Mailers & SMS notices	\$0.00
Library Fund	Library	Repair/Maint Office Equipment	CANON FINANCIAL SERVICES, INC	copier lease	\$44.00
Library Fund	Library	Repair/Maint Office Equipment	LOFFLER COMPANIES, INC	copier contract	\$33.32
Library Fund	Library	Software Service Fees	SOUTHEASTERN LIBRARIES COOP	Basic services & PC Support	\$599.02
Fund 211 Library Fund					\$2,633.71
Fund 222 Fire Fund					
Fire Fund	Fire Department	General Operating Supplies	KINGSLEY MERCANTILE	spray bottles/packing tape	\$11.86
Fire Fund	Fire Department	Motor Fuels/Lubricants	SEVERSON OIL CO.	diesel-Firetruck	\$46.05
Fire Fund	Fire Department	Other Equipment	ANCOM TECHNICAL CENTER	15 paggers	\$5,593.50
Fire Fund	Fire Department	Small Tools and Minor Equip	CLAREY S SAFETY EQUIPMENT, INC	PPE Equipment	\$367.50
Fire Fund	Fire Department	Small Tools and Minor Equip	CLAREY S SAFETY EQUIPMENT, INC	PPE Equipment	\$599.00
Fire Fund	Fire Department	Small Tools and Minor Equip	KINGSLEY MERCANTILE	2 trash cans-Fireworks	\$61.97
Fire Fund	Fire Stations and Bldgs	Building Repair Materials	KINGSLEY MERCANTILE	materials to build air dryer	\$109.76
Fire Fund	Fire Stations and Bldgs	Building Repair Materials	KINGSLEY MERCANTILE	materials to build air dryer	\$506.51
Fire Fund	Fire Stations and Bldgs	Electric Utilities	HARMONY PUBLIC UTILITIES	Elec-Firehall	\$255.94
Fire Fund	Fire Stations and Bldgs	Gas Utilities	MINNESOTA ENERGY	monthly gas service Fire Hall	\$251.66
Fire Fund	Fire Stations and Bldgs	Sewer Utilities	HARMONY PUBLIC UTILITIES	sewer-Firehall	\$23.18
Fire Fund	Fire Stations and Bldgs	Water Utilities	HARMONY PUBLIC UTILITIES	water-Firehall	\$15.66
Fund 222 Fire Fund					\$7,842.59
Fund 223 Ambulance Fund					
Ambulance Fund	Ambulance Service	Financial Services Fees	EXPERT T BILLING	Amb billing service for February	\$252.00
Ambulance Fund	Ambulance Service	General Operating Supplies	SCHANSBERG, EILEEN	EMS storage pan	\$1.26
Ambulance Fund	Ambulance Service	Medical Supplies	EMERGENCY MEDICAL PRODUCTS	medical supplies	\$68.26
Ambulance Fund	Ambulance Service	Medical Supplies	EMERGENCY MEDICAL PRODUCTS	nitrile gloves	\$41.37
Ambulance Fund	Ambulance Service	Medical Supplies	EMERGENCY MEDICAL PRODUCTS	nitrile gloves/medical supplies	\$248.33
Ambulance Fund	Ambulance Service	Medical Supplies	MISSISSIPPI WELDERS SUPPLY CO	oxygen	\$34.38

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Fund Descr	Department	Object of Expense	Vendor	Comments	Amount
Ambulance Fund	Ambulance Service	Medical Supplies	MISSISSIPPI WELDERS SUPPLY CO	oxygen	\$36.16
Ambulance Fund	Ambulance Service	Motor Fuels/Lubricants	KWIK TRIP,INC	Amb-diesel	\$215.61
Ambulance Fund	Ambulance Service	Telephone	VERIZON WIRELESS	monthly cell service-Amb	\$47.44
Ambulance Fund	Ambulance Service	Training Fees	SCHANSBERG, EILEEN	CPR card reimbursed-Soppa	\$5.00
Fund 223 Ambulance Fund					\$949.81
Fund 251 Park Fund					
Park Fund	Parks	Electric Utilities	HARMONY PUBLIC UTILITIES	Elec-Parks	\$94.72
Park Fund	Parks	Equipment Parts	FLAGHOUSE	3 swing seats	\$69.00
Park Fund	Parks	Motor Fuels/Lubricants	SEVERSON OIL CO.	gas-mower	\$15.10
Park Fund	Parks	Repair/Maint Machinery/Equip	RUN RIGHT POWER LLC	Altoz mower oil chg/transaxle Oil service ki	\$376.13
Fund 251 Park Fund					\$554.95
Fund 601 Water Fund					
Water Fund	Water Utility Administratio	Auditing and Acct g Services	ABDO, EICK & MEYERS, LLP	audit progress 2019	\$705.00
Water Fund	Water Utility Administratio	Postage	ELAN FINANCIAL SERVICES	postage-Water sample	\$4.60
Water Fund	Water Utility Operation	Chemicals and Chem Products	HAWKINS WATER TREATMENT GROU	chlorine cylinders	\$5.00
Water Fund	Water Utility Operation	Electric Utilities	HARMONY PUBLIC UTILITIES	Elec-pumphouses	\$1,037.72
Water Fund	Water Utility Operation	Gas Utilities	MINNESOTA ENERGY	monthly gas service-pumphouses	\$88.99
Water Fund	Water Utility Operation	Laboratory & Testing Fees	UTILITY CONSULTANTS, INC	Water Testing Lab Fees	\$40.00
Water Fund	Water Utility Operation	Management Fees	MINN MUNICIPAL UTILITIES ASSOC	2nd Qtr Safety program	\$808.33
Water Fund	Water Utility Operation	Utility Maint Materials	CORE & MAIN, LP	curb boxes/lids water equipment	\$1,365.34
Water Fund	Water Utility Operation	Utility Maint Materials	CORE & MAIN, LP	curb box install equipment	\$193.83
Water Fund	Water Utility Operation	Utility Maint Materials	METERING & TECHNOLOGY Solutio	24 meter couplings	\$246.92
Water Fund	Water Utility Operation	Utility Maint Materials	METERING & TECHNOLOGY Solutio	12 water meters	\$746.76
Fund 601 Water Fund					\$5,242.49
Fund 602 Sewer Fund					
Sewer Fund	Sewer Administration	Auditing and Acct g Services	ABDO, EICK & MEYERS, LLP	audit progress 2019	\$705.00
Sewer Fund	Sewer Operation	Chemicals and Chem Products	HAWKINS WATER TREATMENT GROU	chlorine	\$249.76
Sewer Fund	Sewer Operation	Chemicals and Chem Products	HAWKINS WATER TREATMENT GROU	chlorine cylinders	\$5.00
Sewer Fund	Sewer Operation	Chemicals and Chem Products	USA BLUEBOOK	De chlorinization tabs	\$398.92
Sewer Fund	Sewer Operation	Cleaning Supplies	HARMONY SPIRITS	Hand Sanitizer	\$43.35
Sewer Fund	Sewer Operation	Electric Utilities	HARMONY PUBLIC UTILITIES	Elec-WWTP/Lifts	\$1,445.13
Sewer Fund	Sewer Operation	Equipment Parts	DAKOTA SUPPLY GROUP	WW hose extension	\$13.10
Sewer Fund	Sewer Operation	Gas Utilities	MINNESOTA ENERGY	monthly gas service-WWTP	\$571.48
Sewer Fund	Sewer Operation	General Operating Supplies	EMERGENCY MEDICAL PRODUCTS	nitrile gloves	\$137.90
Sewer Fund	Sewer Operation	General Operating Supplies	HARMONY FOODS	Vege oil for WW plant	\$142.68

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Fund Descr	Department	Object of Expense	Vendor	Comments	Amount
Sewer Fund	Sewer Operation	General Operating Supplies	HARMONY VET CLINIC	numbered tags	\$30.50
Sewer Fund	Sewer Operation	General Operating Supplies	KINGSLEY MERCANTILE	WW small stuff	\$53.91
Sewer Fund	Sewer Operation	General Operating Supplies	KINGSLEY MERCANTILE	painting materials/hooks/gloves/stencils	\$64.28
Sewer Fund	Sewer Operation	Laboratory & Testing Fees	UTILITY CONSULTANTS, INC	Wastewater Testing Lab Fees	\$975.20
Sewer Fund	Sewer Operation	Management Fees	MINN MUNICIPAL UTILITIES ASSOC	2nd Qtr Safety program	\$808.33
Sewer Fund	Sewer Operation	Motor Fuels/Lubricants	KWIK TRIP, INC	gas-1-ton	\$70.86
Sewer Fund	Sewer Operation	Repair/Maint Bldg/Structures	SOLBERG WELDING	repair floor grate at WW plant	\$55.61
Sewer Fund	Sewer Operation	Repair/Maint Other Equipment	FIRST SYSTEMS TECHNOLOGY, INC	verification of Influent Flow Meter	\$550.00
Sewer Fund	Sewer Operation	Repair/Maint Other Equipment	SOLBERG WELDING	stainless steel tub & hopper for screen sep	\$3,700.00
Sewer Fund	Sewer Operation	Repair/Maint Other Improve	MOREM ELECTRIC, INC	repair screener bucket	\$67.00
Sewer Fund	Sewer Operation	Sewer Utilities	HARMONY PUBLIC UTILITIES	sewer-WWTP	\$1,932.57
Sewer Fund	Sewer Operation	Small Tools and Minor Equip	USA BLUEBOOK	feed tube	\$159.83
Sewer Fund	Sewer Operation	Small Tools and Minor Equip	USA BLUEBOOK	replacemnt feed tube	\$38.50
Sewer Fund	Sewer Operation	Utility Maint Materials	DAKOTA SUPPLY GROUP	WW parts	\$71.31
Sewer Fund	Sewer Operation	Utility Maint Materials	USA BLUEBOOK	buffer solution	\$87.17
Sewer Fund	Sewer Operation	Water Utilities	HARMONY PUBLIC UTILITIES	water-WWTP	\$1,273.35
Fund 602 Sewer Fund					\$13,650.74
Fund 603 Solid Waste Fund					
Solid Waste Fund					
Fund 603 Solid Waste Fund	Solid Waste Administration	Auditing and Acct g Services	ABDO, EICK & MEYERS, LLP	audit progress 2019	\$705.00
Fund 604 Electric Fund					
Electric Fund					
Electric Fund	Electric Utility Operation	Utility Deposits	UTILITY DEPOSIT REFUND	Refund deposit Luke Bergery	\$150.00
Electric Fund	Electric Utility Operation	Electric Power for Resale	MI ENERGY COOPERATIVE	Power for Resale	\$61,757.58
Electric Fund	Electric Utility Operation	Electric Utilities	HARMONY PUBLIC UTILITIES	Elec-TownClock	\$13.31
Electric Fund	Electric Utility Operation	Electric Utilities	HARMONY PUBLIC UTILITIES	Elec-Streetlights	\$1,183.01
Electric Fund	Electric Utility Operation	General Operating Supplies	PRESTON AUTO PARTS	steering wheel cover-Ford	\$23.99
Electric Fund	Electric Utility Operation	Management Fees	MINN MUNICIPAL UTILITIES ASSOC	2nd Qtr Safety program	\$808.34
Electric Fund	Electric Utility Operation	Motor Fuels/Lubricants	KWIK TRIP, INC	gas-Ford pickup	\$57.82
Electric Fund	Electric Utility Operation	Repair/Maint Other Improve	GOPHER STATE ONE CALL, INC	locates/no locates	\$14.85
Electric Fund	Electric Utility Operation	Repair/Maint Other Improve	MI ENERGY COOPERATIVE	replace cutout/266 1st Av NW open servic	\$271.87
Electric Fund	Electric Utility Operation	Repair/Maint Other Improve	MI ENERGY COOPERATIVE	retired old triplex-new secondary NE remo	\$382.50
Electric Fund	Electric Utility Operation	Repair/Maint Other Improve	MI ENERGY COOPERATIVE	change streetlight 2nd Av NE	\$288.31
Electric Fund	Electric Utility Operation	Repair/Maint Other Improve	MOREM ELECTRIC, INC	level streetlight control box 3rd St SE	\$134.00
Electric Fund	Electric Utility Operation	Repair/Maint Other Improve	MOREM ELECTRIC, INC	Streetlight repair 3rd/Main South	\$170.49
Electric Fund	Electric Utility Operation	Repair/Maint Other Improve	MOREM ELECTRIC, INC	repair 3 streetlights/replace 2 streetlights	\$1,421.48
Electric Fund	Electric Utility Operation	Repair/Maint Other Improve	MOREM ELECTRIC, INC	replace 10 light poles (no poles)	\$8,565.54

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City Council Claims for Review

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Fund Descr	Department	Object of Expense	Vendor	Comments	Amount
Electric Fund	Electric Utility	Administratio	ABDO, EICK & MEYERS, LLP	audit progress 2019	\$705.00
Electric Fund	Electric Utility	Administratio	UTILITY DEPOSIT REFUND	Int on deposit Luke Bergery	\$5.41
Fund 604 Electric Fund					\$75,953.50
Fund 605 Storm Water Fund					
Storm Water Fund	Storm Water Operation	Equipment Parts	PRESTON EQUIPMENT CO.	oil/fuel filter for sweeper	\$56.72
Storm Water Fund	Storm Water Operation	Motor Fuels/Lubricants	KWIK TRIP, INC	diesel-sweeper	\$73.34
Storm Water Fund	Storm Water Operation	Motor Fuels/Lubricants	PRESTON EQUIPMENT CO.	oil for sweeper 10w30	\$66.17
Storm Water Fund	Storm Water Operation	Repair/Maint Other Improve	MACQUEEN EMERGENCY GROUP	sweeper parts	\$388.13
Fund 605 Storm Water Fund					\$584.36
Fund 620 Economic Development Authority					
Economic Development	Economic Development	Miscellaneous	ONE TIME VENDOR	refund EDA Application Fee Aaron/Amy Bis	\$300.00
Economic Development	Economic Development	Planning & Development Fees	CEDA	2nd Qtr EDA Contract	\$7,800.50
Economic Development	Economic Development	Taxes, Licenses & Permits	FILLMORE COUNTY AUDITOR	bike trail real estate tax	\$2.00
Economic Development	Economic Development	Taxes, Licenses & Permits	FILLMORE COUNTY AUDITOR	bike trail real estate tax	\$100.00
Economic Development	Economic Development	Taxes, Licenses & Permits	FILLMORE COUNTY AUDITOR	bike trail real estate tax	\$84.00
Economic Development	Economic Development	Taxes, Licenses & Permits	FILLMORE COUNTY AUDITOR	bike trail real estate tax	\$104.00
Economic Development	Economic Development	Taxes, Licenses & Permits	FILLMORE COUNTY AUDITOR	bike trail real estate tax	\$172.00
Economic Development	Economic Development	Taxes, Licenses & Permits	FILLMORE COUNTY AUDITOR	bike trail real estate tax	\$152.00
Economic Development	Economic Development	Taxes, Licenses & Permits	FILLMORE COUNTY AUDITOR	bike trail real estate tax	\$30.00
Economic Development	Economic Development	Taxes, Licenses & Permits	FILLMORE COUNTY AUDITOR	bike trail real estate tax	\$64.00
Fund 620 Economic Development Authority					\$8,808.50
					\$248,999.38

OFFER OF EMPLOYMENT

To Devin Swanberg

For the position of city administrator

On behalf of the Harmony City Council I am pleased to offer you employment as the city administrator for the City of Harmony under the following terms:

Start date:..... Wednesday, April 1, 2020

Supervisor:..... Mayor Steve Donney

Status/Hours: this is a full-time, FLSA exempt position; work hours are generally from 8:00 a.m. to 4:30 p.m. with some evening and out-of-town meetings

Compensation: \$65,543 annual salary paid monthly; increase to \$68,165 upon satisfactory probationary review after six months

Holidays:..... eleven paid holidays (two of which are half days)

PTO: 11.33 hours earned per month (17 days per year); increase to 14.67 hours per month (22 days per year) after one year of service. Cannot take PTO during probationary period.

Life Insurance: \$10,000 policy paid by city; supplemental life insurance available

Health Insurance: City/Employee contributions towards single coverage premiums 60%/40% (currently \$299.10/\$199.40)

VEBA/HSA..... City contribution of \$132.50 per month for employees with single health insurance coverage; Employee may contribute additional funds to an HSA

Cell Phone Allowance:.. \$50 per month

Other terms and conditions are described in the city's personnel policy which is attached.

If you have any questions please let me know. Please respond with your acceptance by 2:00 p.m. on Friday, March 26, 2020. A formal employment agreement will be prepared after you acceptance.

CITY OF HARMONY

Joel Dhein

Interim City administrator

**CITY OF HARMONY
CITY COUNCIL**

**AGENDA ITEM
COVER SHEET**

Originating Staff: Joel Dhein, Interim Administrator	Meeting Date: April 14, 2020	Agenda Item No. 6a
Agenda Section: New Business	Item: Board of Appeals	
<p>BACKGROUND: This year's board of appeals meeting will be conducted by telephone. Information on joining the meeting will be provided to the public so they may call in if they desire.</p> <p>The meeting is scheduled to begin at 7:00 p.m.</p>		
<p>ATTACHMENTS: None.</p>		
<p>COUNCIL ACTION REQUESTED: Hold meeting as required.</p>		

**CITY OF HARMONY
CITY COUNCIL**

**AGENDA ITEM
COVER SHEET**

Originating Staff: Joel Dhein, Interim Administrator	Meeting Date: April 14, 2020	Agenda Item No. 6b
Agenda Section: New Business	Item: 2019 Audit Presentation	
<p>BACKGROUND: This year's audit presentation will be conducted by the Zoom app on your tablets. Tom Olinger of Abdo, Eick & Meyers, LLP will make the presentation.</p> <p>To download the Zoom app for I-Pads go to the Apple app store and download the app. For other devices go to the Google Play Store and download the app. We will have the invite codes to join the meeting sent to us at the meeting. If you need assistance, please let me know.</p> <p>The presentation is scheduled to begin at 7:30 p.m.</p>		
<p>ATTACHMENTS: None. Due to COVID-19 situation no hardcopies of the audit have been produced at this time. Hard copies will be available in the future.</p>		
<p>COUNCIL ACTION REQUESTED: View presentation. Accept the 2019 audit as presented.</p>		



Management Letter

City of Harmony

Harmony, Minnesota

For the Year Ended
December 31, 2019

**ABDO
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Certified Public Accountants & Consultants

People
+ Process.
Going
Beyond the
Numbers

March 30, 2020

Management, Honorable Mayor and City Council
City of Harmony, Minnesota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Harmony, Minnesota, Minnesota (the City), for the year ended December 31, 2019 and have issued our report thereon dated March 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 23, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of financial statements does not relieve you or your management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Significant Audit Findings

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described on the following pages as item 2019-001 that we consider to be a significant deficiency.

2019-001 Segregation of Duties

Condition: During our audit we reviewed internal control procedures over payroll, disbursements, cash receipts, utility billing and investments and found the City to have limited segregation of duties in these areas as noted below.

Criteria: There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.

Effect: The existence of this limited segregation of duties increases the risk of fraud and misstatement.

Internal Control Over Payroll

Cause: The Administrator controls and maintains the control over the ACH, sets up employee records, posts activity to the general ledger, prepares payroll tax returns, and maintains the payroll records as well as reconciling the bank statements.

Recommendation: While we recognize the number of staff is not large enough to eliminate this deficiency it is important that the Council is aware of this condition and monitor all financial information. We recommend that in addition to approving payroll disbursements and wage rates, the Council review amounts earned and accrued for compensated absences on an annual basis to compensate for control deficiencies with respect to payroll accruals. Also bank reconciliations should be reviewed by clerk with emphasis on reviewing approved ACH payments and confirm proper payment amount.

Management Response:

The Council will continue to review the ACH payments along with compensated absences reports and the Deputy Clerk will compare approved payments to the bank reconciliation upon review. It is important that these procedures are document that these procedures are completed.

Updated Progress from Prior Year:

No progress has been made in addressing this finding in the current year.

Internal Control Over Cash Disbursements

Cause: The Deputy Clerk has control over the check stock, sets up and maintains vendors, prepares checks and enters transactions into the accounting system.

Recommendation: While we recognize staff is not large enough to eliminate this deficiency, we recommend that an individual separate from the Administrator review cancelled checks received with bank statement and investigate items such as: voided checks, inconsistencies in check sequence, possible alterations, and unusual payees. It is important that the Council is aware of this condition and monitor all financial information. The Deputy Clerk should enter disbursements and mail disbursements. The Administrator will sign checks.

Management Response:

The Administrator will review the cancelled checks that are received with the bank statements and look for any inconsistencies in check numbers along with mail disbursements.

Internal Control Over Cash Receipts

Cause: The Deputy Clerk sets up and maintains customers, generates billing statements, maintains receipts journal, posts to the general ledger, prepares deposits and delivers to the bank.

Recommendation: We recommend that an individual separate from the Administrator, such as the Deputy Clerk, review bank reconciliations for accuracy and timeliness of preparation. The City could also look at a point of sale software to assist with documenting receipts. It is important that the Council is aware of this condition and monitor all financial information.

Management Response:

The Council has already taken measures to attempt to comply even though the City is relatively small and the number of clerical/bookkeeping staff they can employ is limited. The Council has addressed this circumstance by active participation in the City's affairs. This includes review of deposits, regular review of financial statements, regular review of bank reconciliations and budget comparisons.

Updated Progress from Prior Year:

No progress has been made in addressing this finding in the current year.

Internal Control Over Utility Billing

Cause: The Deputy Clerk approves new accounts, sets up customers and rates in the billing systems, generates statements, enters readings, prepares the deposit and makes adjustments to accounts.

Recommendation: We recommend that an individual, separate from the Administrator such as the Deputy Clerk, review bank reconciliations for accuracy and timeliness of preparation. The utility billing adjustment reports should be reviewed and documented any adjustments made to the utility billing system. It is important that the Council is aware of this condition and monitor all financial information.

Management Response:

The City Administrator will review the utility adjustment report and the Deputy Clerk with review the bank reconciliation.

Updated Progress from Prior Year:

No progress has been made in addressing this finding in the current year.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City's compliance with those requirements. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* or Minnesota statutes.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. The City changed accounting policies during 2019 relating to accounting and financial reporting for pensions (GASB 68). We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

- Management's estimate of capital asset basis is based on estimated historical cost of the capital assets and depreciation is based on the estimated useful lives of capital assets.
- Management's estimate of allowance for doubtful accounts is based on past collection and write-off experience.
- Allocations of gross wages and payroll benefits are derived from each employee's estimated time to be spent servicing the respective functions of the City. These allocations are also used in allocating accrued compensated absences payable.
- Management's estimate of compensated absences and the differentiation between long term and current is based on past usage and experience.
- Management's estimate of its pension liability is based on several factors including, but not limited to, anticipated investment return rate, retirement age for active employees, life expectancy, salary increases and form of annuity payment upon retirement.

We evaluated the key factors and assumptions used to develop these accounting estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We proposed no journal entries that we consider to be material audit adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

People
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Going
Beyond the
Numbers

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 30, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the required supplementary information (RSI) (Management's Discussion and Analysis), the Schedules of Employer's Share of the Net Pension Liability, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios and the Schedules of Employer's Contributions which is information that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information (combining and individual fund financial statements and schedules), which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory section, which accompanies the financial statements but is not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Future Accounting Standard Changes

The following Governmental Accounting Standards Board (GASB) Statements have been issued and may have an impact on future City financial statements: ⁽¹⁾

GASB Statement No. 87 - Leases

Summary

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

Effective Date and Transition

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or, if applied to earlier periods, the beginning of the earliest period restated). However, lessors should not restate the assets underlying their existing sales-type or direct financing leases. Any residual assets for those leases become the carrying values of the underlying assets.

How the Changes in This Statement Will Improve Accounting and Financial Reporting

This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements.

GASB Statement No. 89 - Accounting for Interest Cost Incurred before the End of a Construction Period

Summary

The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

Effective Date and Transition

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

Future Accounting Standard Changes (Continued)

How the Changes in This Statement Will Improve Accounting and Financial Reporting

The requirements of this Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities.

GASB Statement No. 91 - Conduit Debt Obligations

Summary

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

Effective Date and Transition

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

How the Changes in This Statement Will Improve Accounting and Financial Reporting

The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations.

Future Accounting Standard Changes (Continued)

⁽¹⁾ Note. From GASB Pronouncements Summaries. Copyright 2019 by the Financial Accounting Foundation, 401 Merritt 7, Norwalk, CT 06856, USA, and is reproduced with permission.

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Restriction on Use

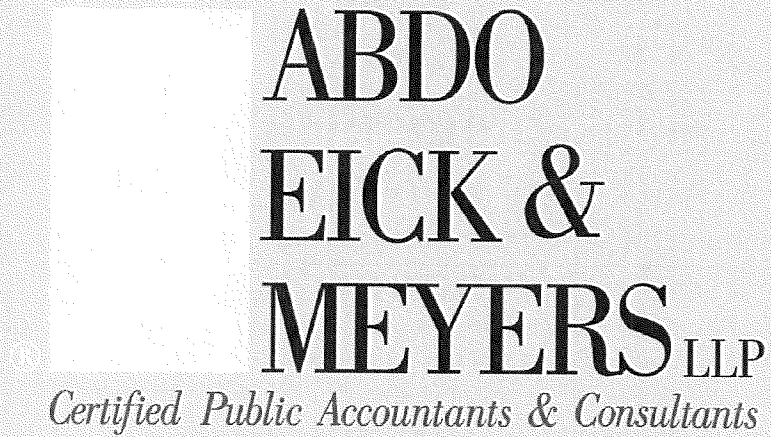
This purpose of this communication is solely for the information and use of the City Council and management of the City and is not intended to be, and should not be used by anyone other than those specified parties.

Our audit would not necessarily disclose all weaknesses in the system because it was based on selected tests of the accounting records and related data. The comments and recommendations in the report are purely constructive in nature, and should be read in this context.

If you have any questions or wish to discuss any of the items contained in this letter, please feel free to contact us at your convenience. We wish to thank you for the continued opportunity to be of service and for the courtesy and cooperation extended to us by your staff.



ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
March 30, 2020



**City of
Harmony
2019
Financial
Statement
Audit**

Introduction

**ABDO
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Audit Opinion and Responsibility

General Fund Results

Other Governmental Funds

Enterprise Funds

Ratios

Audit Results

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Auditor's Responsibility



Minnesota Legal Compliance



Audit Results

2019 Audit Findings

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Limited Segregation of duties

- Internal Control Finding

Auditor Recommendations

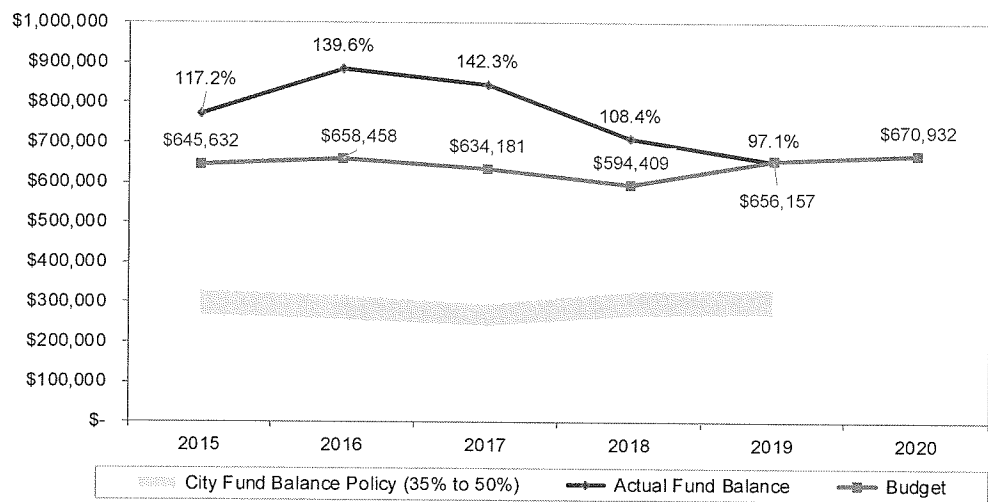


Recommendation

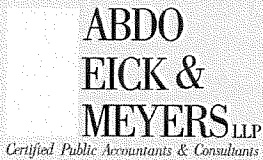
We recommend that an individual separate from the Administrator, such as the Deputy Clerk, review bank reconciliations for accuracy and timeliness of preparation. The City could also look at a point of sale software to assist with documenting receipts. It is important that the Council is aware of this condition and monitor all financial information.

General Fund – Fund Balances

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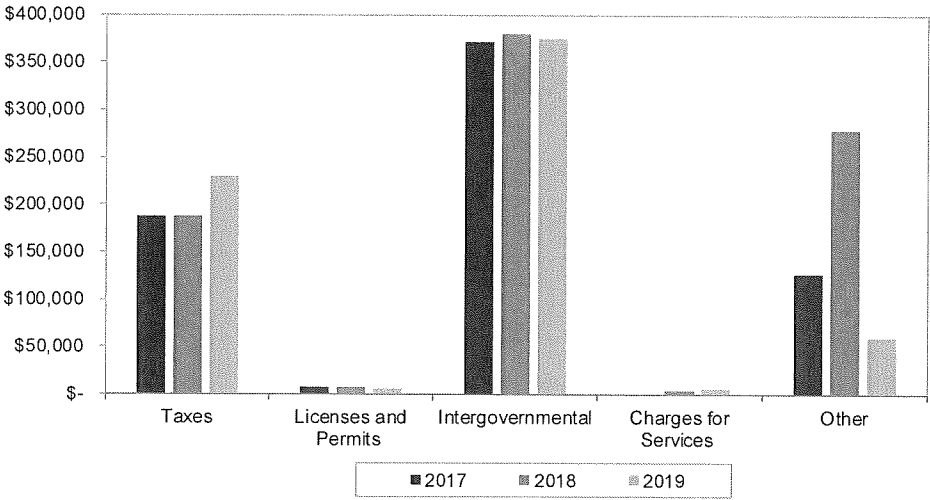
General Fund Budget to Actual



	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	\$ 621,384	\$ 652,817	\$ 31,433
Expenditures	572,657	636,062	(63,405)
Excess of Revenues Over Expenditures	48,727	16,755	(31,972)
Other Financing Sources (Uses)			
Capital lease issued	-	-	-
Sale of assets	55,000	24,000	(31,000)
Transfers out	(83,500)	(100,250)	(16,750)
Total Other Financing Sources (Uses)	(28,500)	(76,250)	(47,750)
Net Change in Fund Balances	20,227	(59,495)	(79,722)
Fund Balances, January 1	711,169	711,169	-
Fund Balances, December 31	\$ 731,396	\$ 651,674	\$ (79,722)

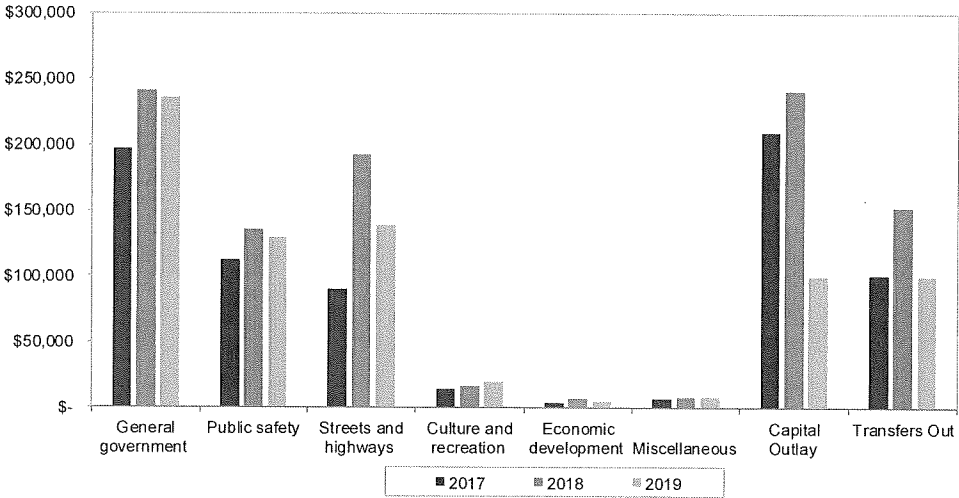
General Fund Revenues by Type

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General Fund Expenditures by Type

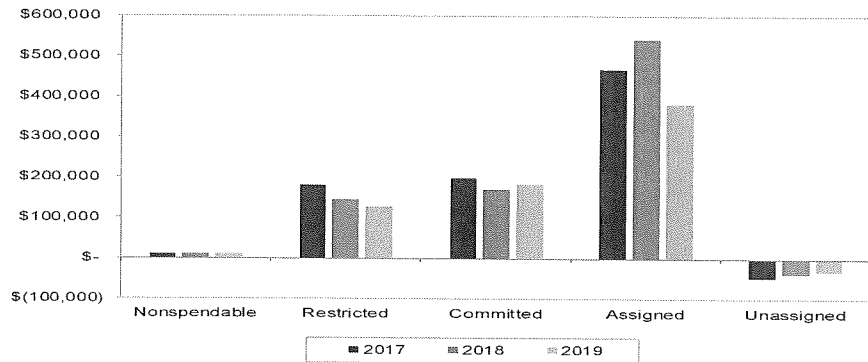
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Special Revenue Fund Balances

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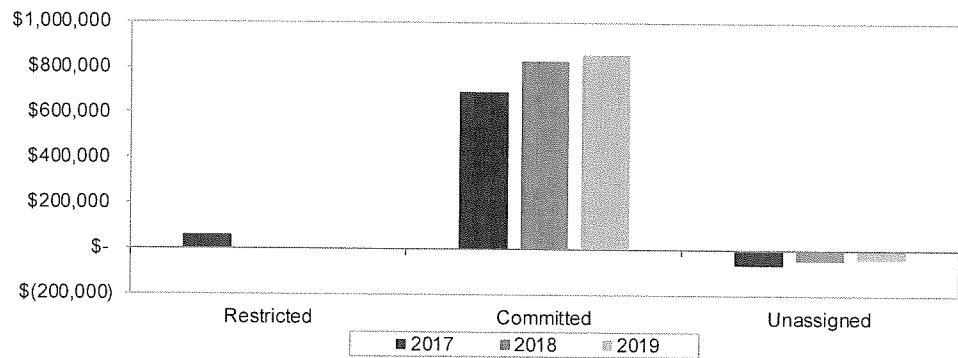
Fund	Fund Balances December 31,		Increase (Decrease)
	2019	2018	
Major			
Ambulance	\$ 160,443	137,185	\$ 23,258
Economic Development Authority	92,135	162,626	(70,491)
Total Major	252,578	299,811	(47,233)
Nonmajor			
Revolving Loan	342,281	332,632	9,649
Small Cities Grant	140,876	158,665	(17,789)
Library Fund	12,415	2,576	9,839
Fire	(27,333)	(35,338)	8,005
Park Fund	40,074	72,609	(32,535)
Arts Fund	4,741	4,030	711
Total Nonmajor	513,054	535,174	(22,120)
Total Fund Balances	\$ 765,632	\$ 834,985	\$ (69,353)



Capital Project Fund Balances

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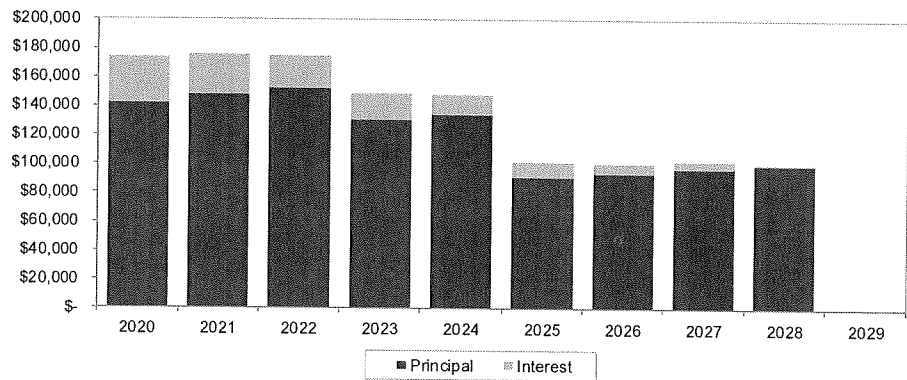
Fund	Fund Balances December 31,		Increase (Decrease)
	2019	2018	
Major			
Capital Projects	\$ 859,621	831,804	\$ 27,817
Nonmajor			
TIF District #6	(37,523)	(51,008)	13,485
Total Fund Balances	\$ 822,098	\$ 780,796	\$ 41,302



Debt Service

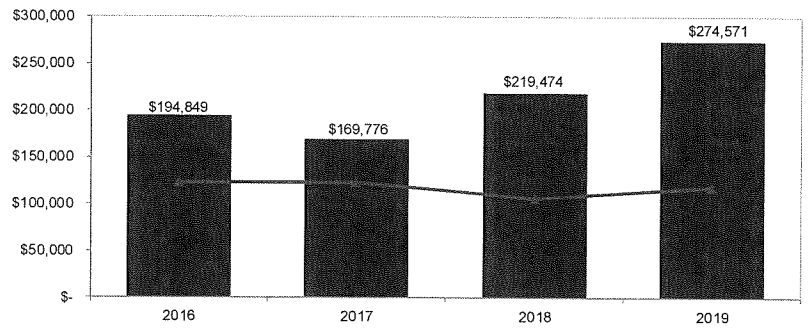
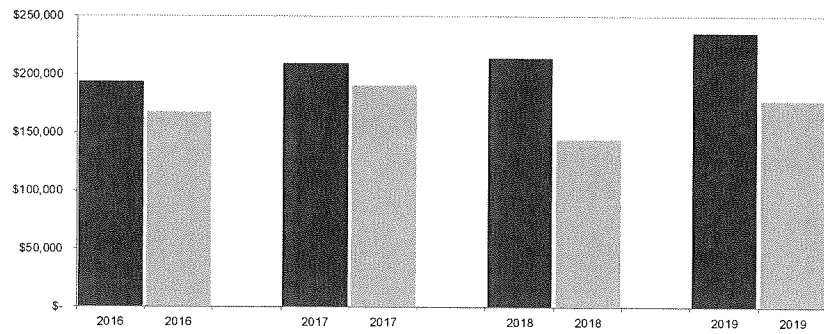
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Debt Description	Total Cash and Temporary Investments	Total Assets	Outstanding Debt	Maturity Date
G.O. Special Assessment Bonds				
G.O. Improvement Bonds of 2010	\$ 46,341	\$ 52,331	\$ -	Matured
G.O. Improvement Bonds of 2014	41,407	130,233	75,000	2022
G.O. Improvement Notes of 2017A	129,322	289,366	796,500	2028
G.O. Tax Abatement Bonds				
G.O. Tax Abatement Refunding Bonds of 2013A	8,270	10,754	79,000	2024
G.O. Tax Abatement of 2013B	26,102	28,151	140,000	2024
Total All Debt Service Funds	\$ 251,442	\$ 510,835	\$ 1,090,500	
Future Interest on Debt			\$ 138,447	



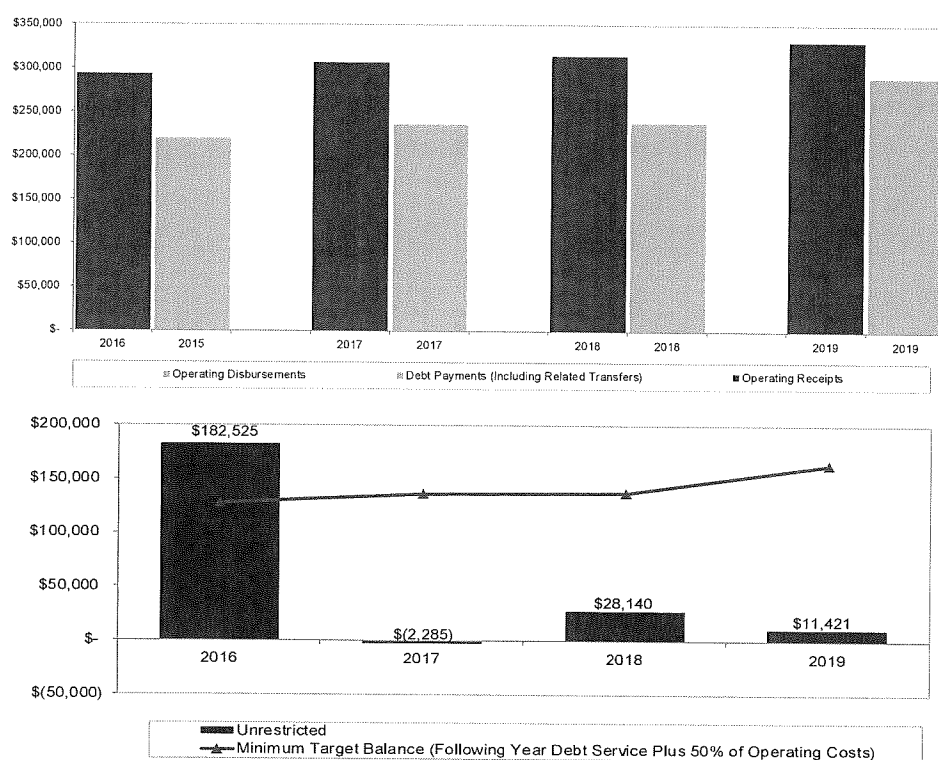
Water Fund

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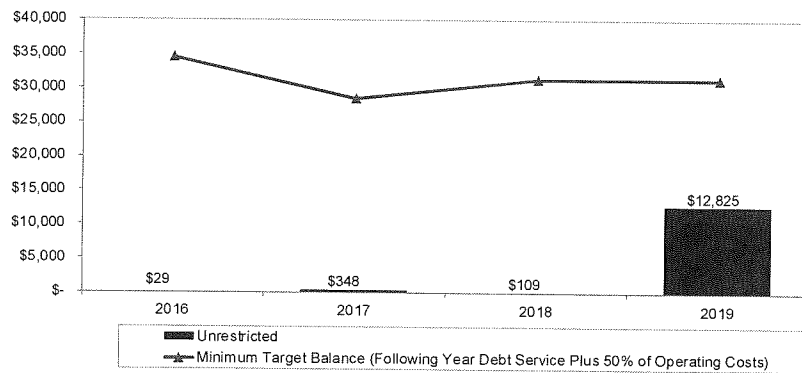
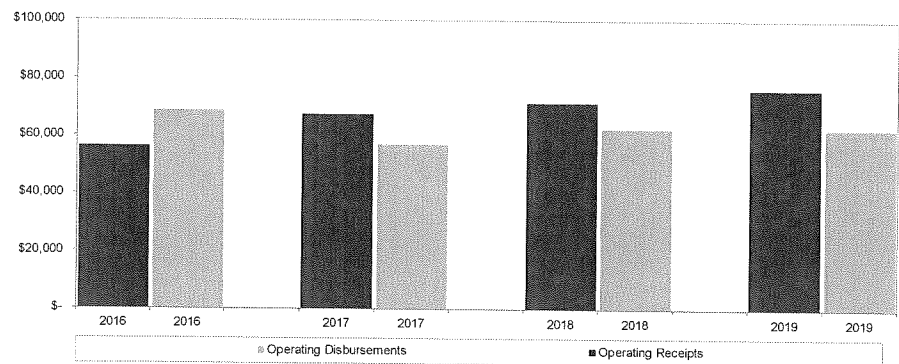
Sewer Fund

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MEYERS LLP**
Certified Public Accountants & Consultants



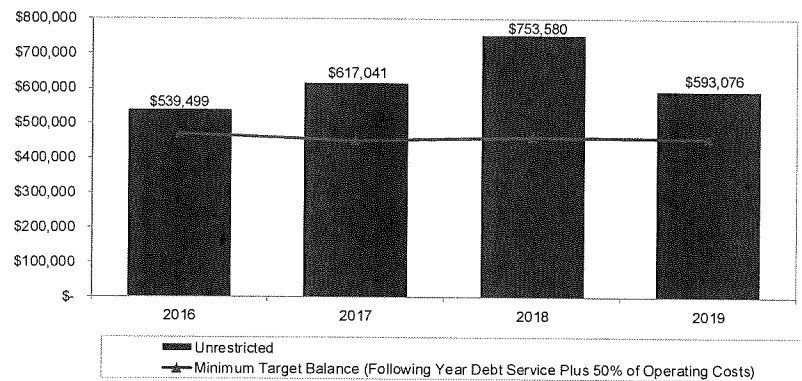
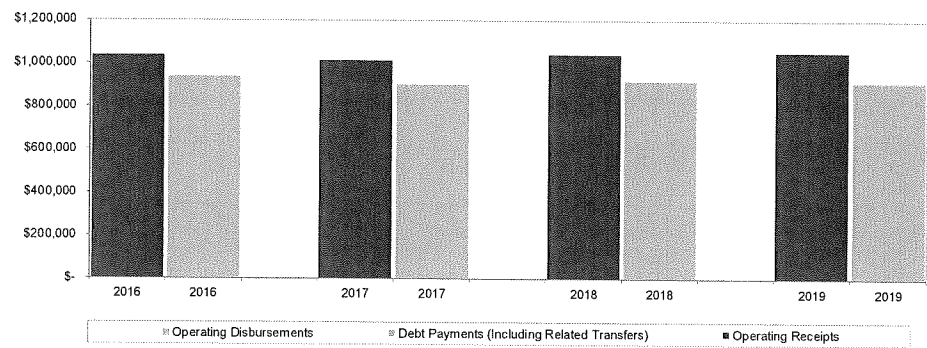
Refuse Fund

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MEYERS LLP**
Certified Public Accountants & Consultants



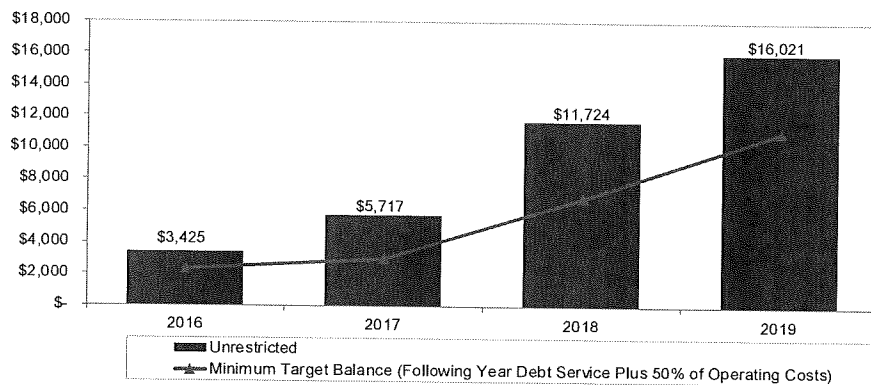
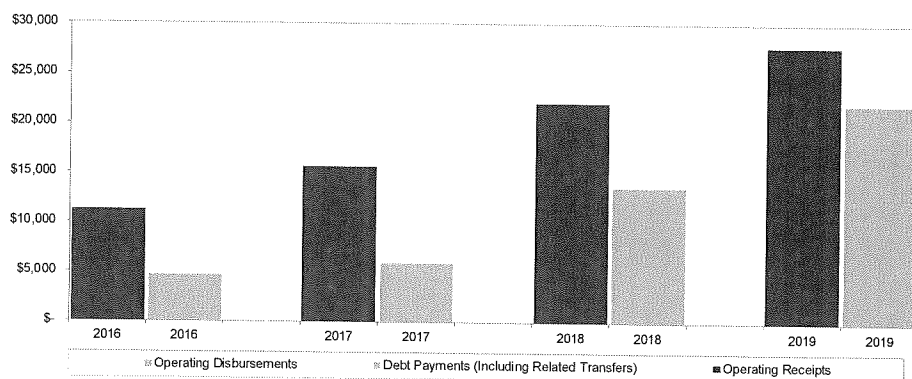
Electric Fund

**ABDO
EICK &
MEYERS_{LLP}**
Certified Public Accountants & Consultants



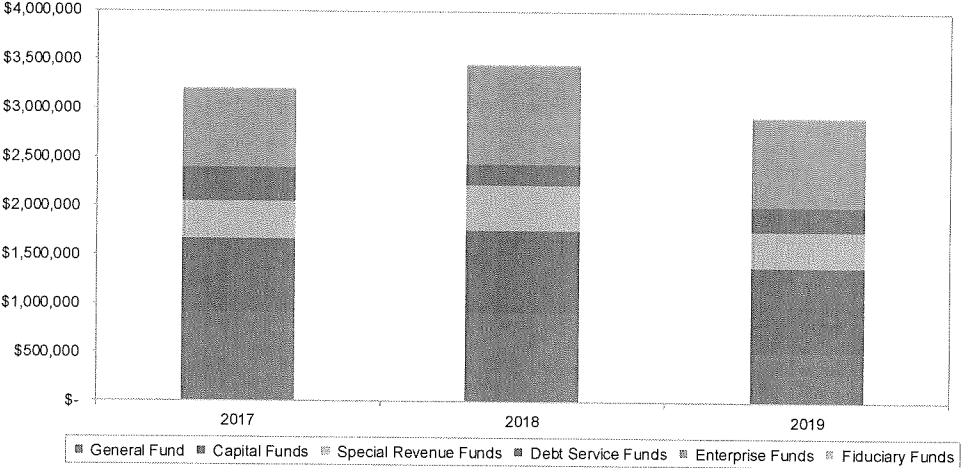
Storm Water Fund

**ABDO
EICK &
MEYERS LLP**
Certified Public Accountants & Consultants



City Cash and Investments Balances by Fund Type

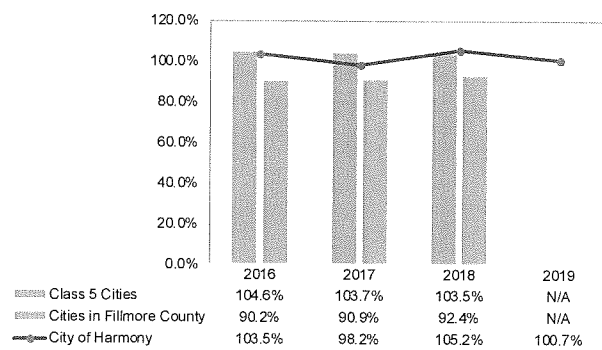
**ABDO
EICK &
MEYERS^{LLP}**
Certified Public Accountants & Consultants



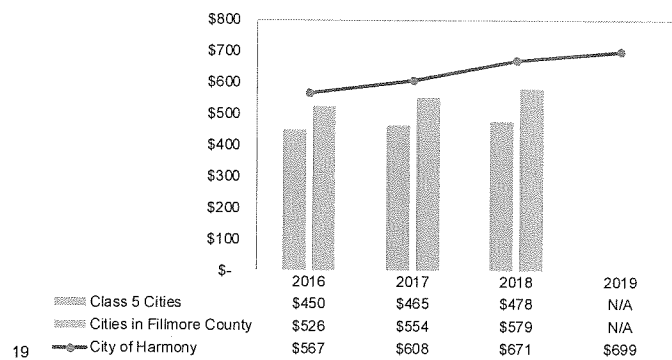
Key City Ratios

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MEYERS** LLP
Certified Public Accountants & Consultants

Tax Rate



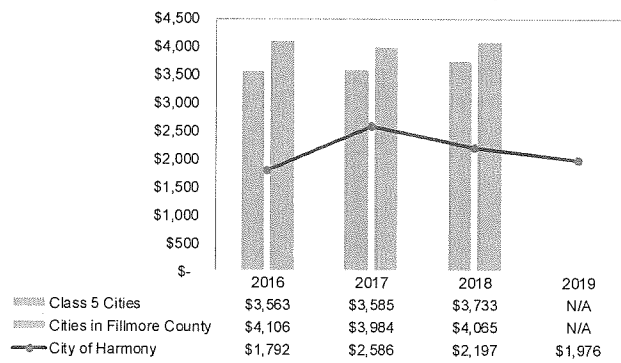
Taxes - Per Capita



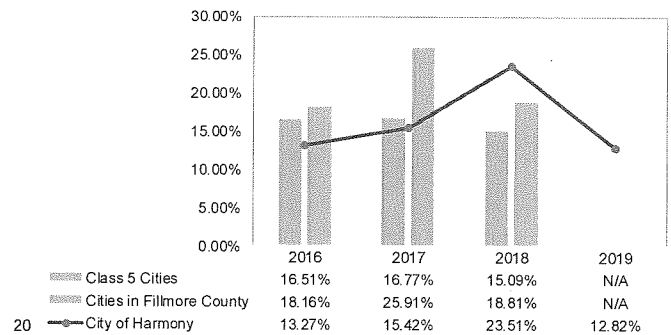
Key City Ratios

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Long Term Debt - Per Capita



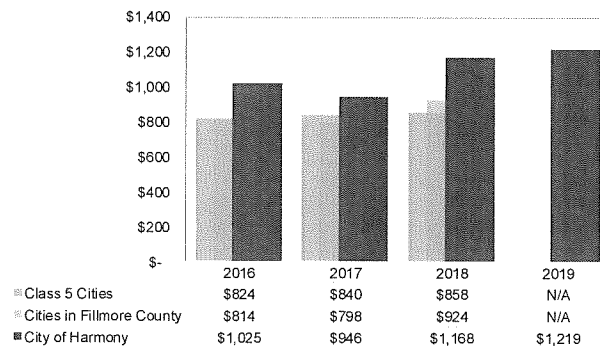
Debt Service Expenditures as a Percent of Current Expenditures



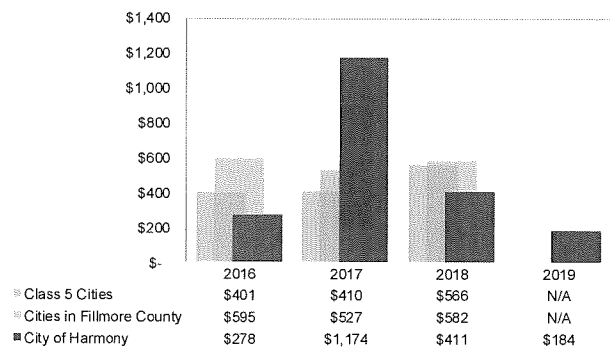
Key City Ratios

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Current Expenditures - Per Capita



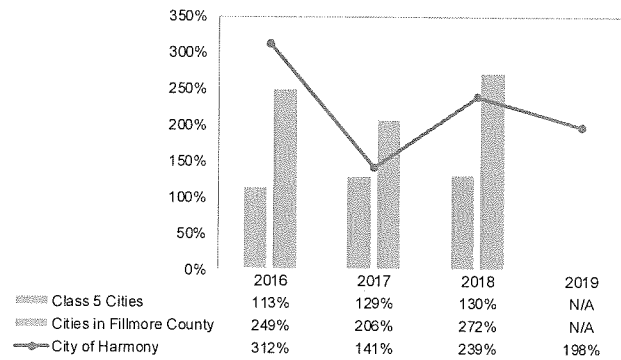
Capital Expenditures - Per Capita



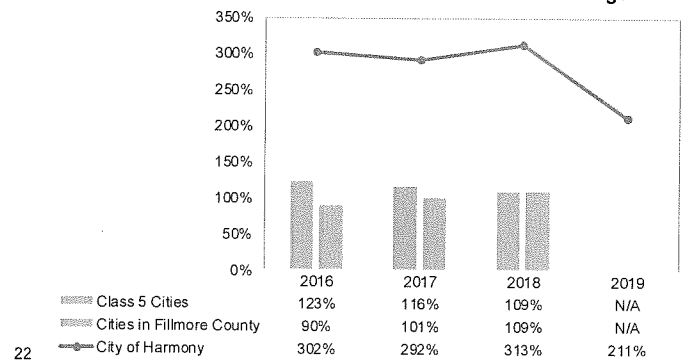
Key City Ratios

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Water Fund Debt Service Coverage



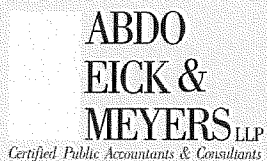
Sewer Fund Debt Service Coverage



Questions?

Audit Team

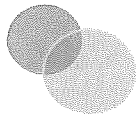
Tom Olinger, CPA
Layne Kockelman, CPA
Chad Hess, CPA
Kelsey Larson
Ryan Wesselmann
Lindsay Munguia- Admin
Kirsten Elliott- Admin



**CITY OF HARMONY
CITY COUNCIL**

**AGENDA ITEM
COVER SHEET**

Originating Staff: Joel Dhein, Interim Administrator	Meeting Date: April 14, 2020	Agenda Item No. 6c
Agenda Section: New Business	Item: 2020 Bond Issue	
<p>BACKGROUND: Mike Bubany of David Drown Associates will be present to provide information on a bond issue to pay for the 2020 Street and Utilities Improvement Project.</p> <p>The presentation is scheduled to begin at 8:00 p.m.</p>		
<p>ATTACHMENTS:</p> <ul style="list-style-type: none">• Cover Letter• Conventional vs. MN Rural Water Financing• Loan Application• Exhibits		
<p>COUNCIL ACTION REQUESTED: Select financing options from those presented.</p>		

**DDA****David Drown Associates, Inc.
Public Finance Advisors**

Spring Valley Office:
29359 County 38
Spring Valley, MN 55975
Phone 507-346-7895 | Cell 507-273-2443
Fax 612-605-2375
www.daviddrown.com

April 7, 2020

RECOMMENDATIONS

VIA EMAIL

Steve Donney Mayor
Devin Swanberg, City Administrator
City of Harmony
PO Box 488
225 3rd Avenue SW
Harmony, MN 55939

RE: General Obligation Improvement Note, Series 2020A

Honorable Mayor Donney, Members of the City Council, and Mr. Swanberg:

This letter outlines my recommendations for the structure and sale of General Obligation Bonds associated with the City's 2020 street and utility improvement project.

Statutory Authority

The first step a City takes in the issuance of debt is to identify the statutory authority it intends to utilize. There are many "pockets" of authority scattered across statutes, each with its own rules, regulations, and procedures. In this case, I recommend the City issue bonds under authority granted in Minnesota Statutes Chapter 429.

This requires a public hearing process and certification of special assessments against benefitting property equal to at least 20% of the costs. Typically, tax levies are pledged to the bond payments to the extent assessment revenue falls short. However, the City can pledge any revenue stream it desires. This debt does not count against any statutory net debt limits either.

Overview of Project and Component Costs

The major component costs and sources of funds are detailed below:

Construction/Engineering/Contingency	\$2,046,674
Plus, Issuance Expenses	24,475
Plus, Capitalized Interest	27,973
Less Construction Fund Earnings/Rounding	<u>(1,122)</u>

RECOMMENDED SIZE OF BOND ISSUE: \$2,098,000

Payment and Revenue Requirements

At the time of preparing these recommendations, I estimate the annual revenue requirement to be just over \$245,000 (this includes the statutory required 5% coverage). Other than the first interest payment (which will be paid utilizing capitalized interest), the City will collect special assessment revenue and tax levies for the payments. However, the City reserves the right to reduce tax levies if other sources of revenue are identified during annual budgeting (i.e. sewer and water revenues, etc.).

If interest rates were to jump by ½ of a percentage point, we'd see the annual revenue requirements jump by about \$6,500. Please refer to attached exhibits for bond details.

\$2,098,000 General Obligation Improvement Note:

If the Council chooses to finance this project, David Drown Associates, Inc. recommends the project costs be financed through the issuance of a \$2,098,000 General Obligation Improvement Note utilizing the MEGA Loan Program offered via MN Rural Water Association. This is a direct bank placement program that has low issuance costs and efficient processing. I've attached a copy of their loan application.

Prior to the coronavirus situation, I would have likely advised a competitive, rated sale. However, the public markets are currently volatile and I'm seeing direct placements do better (based on overall payments). I have attached a comparison of a hypothetical MEGA Loan versus a competitive, rated sale.

Key elements of this financing would be:

- Approximate 10-year term. This is consistent with prior planning.
- Callable any time after 2/1/2030 @ par plus accrued interest. A 10-year call is required by the MEGA Loan Program. However, based on the very low rates prepayment becomes less likely.
- Sale of bonds utilizing MRWA's MEGA Loan Program.

Other Options Considered

In putting together these recommendations, I considered other financing alternatives which were disregarded for various reasons. Intergovernmental loan programs (PFA, USDA, etc.) were rejected due to uncertainty of funding and timing. A competitive, rated sale was rejected for the reasons described earlier. The MEGA Loan Program is the most suitable option in my opinion.

Schedule and Issuance:

The proposed schedule for putting the project financing in place is as follows:

April 14, 2020	Discuss recommendations / Council authorizes MRWA application
May 12, 2020	Award Sale of Bond Issue
June 1, 2020	Closing

I am available on April 14th to answer questions regarding these recommendations. Thank you and we look forward to working with the City of Harmony on this project.

Yours truly,



Mike Bubany, Associate
David Drown Associates, Inc.

Enc.

City of Harmony, Minnesota

Preliminary

\$2,098,000

General Obligation Improvement Note, Series 2020A



MINNESOTA RURAL WATER MEGA LOAN

Uses of Funds

Construction	1,666,296
Engineering	297,063
Contingency	83,315
Total Project Costs	2,046,674
Underwriter's Discount Allowance	0.00%
Unused Discount to D/S Fund	-
Fiscal Fee	16,250
Bond Counsel	5,735
Printing & Misc	1,240
Rating Agency	-
Sponsor Fee	1,250
Bid Premium	-
Rounding	-
Capitalized Interest (to D/S Fund)	27,973
	2,099,122

Sources of Funds

Bond Issue	2,098,000
Bid Premium	-
Construction Fund Earnings	1,122
	2,099,122

Cashflow Schedule

Cashflow Schedule

12-Month Period ending	Principal	Coupon	Interest	Payment Total	PLUS 5%
6/1/2020 <i>Dated Date</i>					
2/1/2021	-	2.00%	27,973	27,973	27,973
2/1/2022	192,000	2.00%	41,960	233,960	245,658
2/1/2023	196,000	2.00%	38,120	234,120	245,826
2/1/2024	199,000	2.00%	34,200	233,200	244,860
2/1/2025	203,000	2.00%	30,220	233,220	244,881
2/1/2026	207,000	2.00%	26,160	233,160	244,818
2/1/2027	212,000	2.00%	22,020	234,020	245,721
2/1/2028	216,000	2.00%	17,780	233,780	245,469
2/1/2029	220,000	2.00%	13,460	233,460	245,133
2/1/2030	224,000	2.00%	9,060	233,060	244,713
2/1/2031	229,000	2.00%	4,580	233,580	245,259
	2,098,000		265,533	2,363,533	2,480,311

Bond Details

Set Sale Date	4/14/2020
Award Date	5/12/2020
Dated Date	6/1/2020
Closing Date	6/1/2020
1st Interest Payment	2/1/2021
Proceeds spent by:	12/31/2021
Purchase Price	2,098,000.00
Net Interest Cost	265,533.33
Net Effective Rate	2.000000%
Average Coupon	2.000000%
Call Option	@ par
Weighted Avg. Maturity	6.328
Average Life	6.328
Bond Yield for Arbitrage	1.99963%
Purchaser	proposed for MRWA MEGA Loan Program
Bond Counsel	Taft Law
Rating Agency	Non Rated
Pay Agent	City Clerk
Tax Status	Tax Exempt, Bank Qualified
Continuing Disclosure	None, Audits upon Request
Rebate	Small Issuer - Exempt from Rebate
Statutory Authority	MS, Chapters 429, 475

Pledged Revenues

Account Balances

Collection Year	Special Assmts*	Tax Levies	Surplus (deficit)	Account Balance
			Initial Deposit to D/S Fund >	27,973
2020	-	-	(27,973)	-
2021	73,594	172,064	-	-
2022	73,594	172,232	-	-
2023	73,594	171,266	-	-
2024	73,594	171,287	-	-
2025	73,594	171,224	-	-
2026	73,594	172,127	-	-
2027	73,594	171,875	-	-
2028	73,594	171,539	-	-
2029	73,594	171,119	-	-
2030	73,594	171,665	-	-
	735,941	1,716,397	(27,973)	

* \$627,773 certified Fall 2020 for collection 2021 over 10 years at 1% higher than bond rate

David Drown Associates, Inc.

Cash Flow ~ Preliminary



Minnesota Rural Water Association Loan Application Form v.5.7.2019

PROGRAM CRITERIA

	<u>Micro-Loan</u>	<u>Midi-Loan</u>	<u>Mega-Loan</u>
Loan Amount	up to \$250,000	up to \$1,000,000	up to \$3,000,000
Repayment Term	up to 7 years	up to 15 years	up to 20 years
Security	General Obligation	General Obligation	General Obligation
Borrower Population	200 persons	400 (200 if not declining)	600 Persons
Borrower Debt Levels	< \$5,000 per capita <10% debt/market value	< \$5,000 per capita <10% debt/market value	< \$5,000 per capita <10% debt/market value

Additional Terms for Mega-Loans:

Maximum Average Life of 12 years

General Fund unassigned balance at least 35% of current year expenditures

PROGRAM FEES (all inclusive*)

<u>Loan Amount</u>	<u>Micro-Loan</u>	<u>Midi-Loan</u>	<u>Mega-Loan</u>
Under \$50,000	\$3,350	-	-
\$50,001 to \$100,000	\$4,550	-	-
\$101,001 to \$250,000	\$5,050	\$9,290	-
\$250,001 - \$500,000	-	12,690	-
\$500,001 - 750,000	-	14,840	-
\$750,001 - \$1 million	-	16,590	-
\$500,000 - \$1 million	-	-	17,575
\$1 million - \$2 million	-	-	21,475
\$2 million - \$3 million	-	-	24,475

* Additional fees may apply if applicant elects to use non-program lenders / bond counsels or for special exemptions. Loans may be subject to annual pay agent fees. All loans may be subject to additional fees if special statutory authority process is required. Contact David Drown Associates for exact fees at 612-920-3320, ext. 102.

APPLICATION INFORMATION

(or simply apply on-line at www.daviddrown.com or www.mrwa.com)

TYPE OF LOAN: Micro-Loan _____ Midi-Loan _____ Mega-Loan X

PROJECT: Please provide a brief description of the project:

2020 Street & Utility Improvement Project

Project cost: \$2,046,674

Requested Repayment term: 10 years

Loan Amount Request: Cost plus issuance & cap int

Date Funds are Needed: 6/1/2020

BORROWER: City of Harmony

Primary Contact: Devin Swanberg

Phone Number: 507 886 8122

Contact email: administrator@harmony.mn.us

Mailing Address: PO Box 488, 225 Third Ave SW, 55939

Office Hours: M - F 8 to 4 30

Federal Tax ID Number: _____

APPROVAL: When will Council/Board meet to approve final loan documents? (allow 1 week to process)

Date: 5/12/2020 Time: 7 PM

Documents for agenda packets are needed by: 5/8/2020

Regular Council/Board meetings are held (day of the week/time): 2nd Tuesday 7 PM

OFFICIALS

<u>Name</u>	<u>Office</u>	<u>Year Term Began</u>	<u>Year Term Ends</u>
Steve Donney	Mayor/ Chair		
	Member		
	Member		
	Member		
	Member		
	Clerk/Treasurer		
Devin Swanberg	Administrator		

REQUIRED ATTACHMENTS

- ☐ *Electronic* copy of the borrower's most recent audited financial statement (3 years for Mega.)
- ☐ Provide a payment schedule for any debt obligations not shown in last audit. (None: X)
- ☐ Provide a list of any capital projects/debt to be issued during the next 12 months. (None: X)
- ☐ Mega borrowers will be required to provide additional information – we will advise what is needed.

CLOSING: Transfer of funds is normally accomplished by cashier or certified check mailed to the borrower on the date of closing. Midi- and Mega-Loan borrowers (not Micro-Loan) have the *option* of receiving funds by wire if wiring instructions are provided below (or attached):

Wiring Instructions: Check

CERTIFICATIONS

- The Borrower is applying for a Micro-, Midi- or Mega-Loan. The final loan terms will be outlined in a resolution to be approved by the governing board at a future date.
- The Program Fees (outlined above) will be added to the requested loan amount and paid automatically at closing. Payment of the program fee is contingent upon Loan closing. Payment of the rating fee, if required, is the Borrower's responsibility if Loan is not closed.
- For all Loans, David Drown Associates, Inc. will be retained as your financial advisor. MSRB rules require municipal advisors to act in the Borrower's best interest. The Borrower does hereby certify it has read and accepted the terms outlined in the attached Standard Agreement and Engagement Letter.
- Fryberger, Buchanan, Smith & Frederick, P.A serves as the Program's standard bond counsel.
 - ☐ We wish to use the Program's bond counsel and hereby certify we have read and accepted the terms outlined in the Standard Bond Counsel Services Agreement. (document on file at www.MRWA.com).
 - ☒ We wish to use another bond counsel firm or lender (additional fees will apply).
Name of firm and/or lender: TAFT LAW FIRM
- When required, Northland Trust Services will be retained as the paying agent, registrar, transfer and fiscal agent for the Loan. The Borrower hereby certifies it has read and accept the terms outlined in the Standard Trust Services Agreement (document on file at www.MRWA.com).
- The Borrower does hereby certify that the project financed by the Loan will be owned, occupied, used and operated entirely/exclusively by the Borrower. No part of the project will be leased to, occupied by, or provide a special benefit to a non-governmental entity (*attach a note describing any exceptions*).
- The Borrower further certifies that there is no litigation threatened or pending that would question the Borrower's right to issue debt or impair the Borrower's ability to make payments on debt outstanding or contemplated (*attach a note describing any exceptions*).
- The Borrower has never defaulted in the payment of any indebtedness (*attach a note if exceptions*).

By our signatures below, the Borrower certifies that all the above information is true and accurate.

Authorized Official

Date

Please submit complete application to either of the following addresses. Allow at least one week for processing.

Lori Blair
Minnesota Rural Water Association
217 12th Avenue SE
Elbow Lake, MN 56531
Phone (218) 685-5197 | Fax (218) 685-5272
mrwa@mrwa.com

David Drown, President
David Drown Associates, Inc.
5029 Upton Avenue South
Minneapolis, MN 55410
Phone (612) 920-3320 | Fax (612)-605-2375
david@daviddrown.com

STANDARD AGREEMENT & ENGAGEMENT LETTER FOR MUNICIPAL ADVISORY SERVICES

David Drown Associates, Inc. ("Municipal Advisor") has been selected to serve as the Municipal Advisor for Issuers participating in the Micro, Midi and Mega Loan programs (the "Program"). By submitting a signed Minnesota Rural Water Association Loan Application Form (the "Application") for a Program Loan and by approving a Resolution providing for the sale of Bonds through the Program, you are designating David Drown Associates, Inc. to serve as the Municipal Advisor for the loan. This document is our written arrangement on the role the Municipal Advisor will serve and responsibilities the Municipal Advisor will assume in connection with the issuance of general obligation bonds by the Issuer (the "Loan") as described in the Application completed by the Issuer and also the fees the Municipal Advisor will charge.

Section 1: Municipal Advisor Role. The Municipal Advisor is engaged as a recognized independent expert whose primary responsibility is to give objective fiscal advice on the structure and issuance of the Loan under state and federal securities law. We will provide some, or all, of the following services to determine suitability of the Loan for the applicant:

- a. Evaluate legal options/alternatives for issuance of debt taking into account borrower's objectives, revenue availability and other factors.
- b. Prepare preliminary financing schedules and options for review and consideration by the Borrower.
- c. Evaluate the suitability of Program loans to meet borrower's objectives and advise the borrower of other suitable alternatives.
- d. Upon receipt of a completed Application, the Municipal Advisor will prepare final payment and cashflow schedules and related offering documents.
- e. For certain Mega loans, prepare application materials and assist the borrower in securing a bond rating.
- f. Secure a binding commitment for the sale/placement of the loan with pre-screened program lenders and/or other underwriters or lenders as necessary.
- g. Work with bond counsel to prepare a Resolution and other documents necessary to finalize and close the loan.
- h. Provide assistance in coordinating closing and transfer of funds.
- i. Draft a closing letter summarizing the transaction and providing guidance in accounting for loan proceeds and budgeting for future payments.

Section 2: Engagement Letter & Disclosure of Conflicts of Interest. Rules established by the Municipal Securities Rulemaking Board ("MSRB") and the Securities Exchange Commission ("SEC") requires the registered Municipal Advisor tasked with administering the various low cost loan programs offered via MN Rural Water Association ("MRWA"), to provide a written description of its advisory relationship and to make certain other disclosures in regards to potential conflicts of interest. The applicant recognizes that by submitting the attached application that it has requested and approved David Drown Associates, Inc. ("DDA") to act as Municipal Advisor to the community on this particular engagement. This means that DDA is to be held to the very highest standard of loyalty and care with an **explicit fiduciary duty** to act in your community's best interests. This means several important things:

- DDA has a duty to exercise due care in performing municipal advisory activities.
- DDA has a duty of loyalty, requiring us to act in your best interest without regard to our own financial or other interests.
- DDA must have the knowledge and expertise needed to provide you with informed advice.
- DDA has a duty understand you and your specific situation and to follow your directions, so our advice is suitable for you.
- DDA is required to make reasonable inquiries and investigations as to the facts supporting our recommendations and work products.
- DDA has a duty to discuss with you material risks, benefits, and alternatives considered that might serve your interests better.

Disclosure of Conflicts of Interest: A municipal advisor may not undertake an engagement without disclosing in writing how *potential* conflicts of interest will be managed and mitigated. There are several potential conflicts of interest that may apply to our engagement with you:

Compensation Conflicts of Interest

- ☐ **Fixed Fees or "Lump Sum".** This form of compensation represents a potential conflict of interest because if the transaction requires more work than originally contemplated, the financial advisor may suffer a loss. Thus, the advisor may recommend less time-consuming alternatives or fail to do a full analysis of alternatives.
- ☐ **Fee Based upon Principal Amount.** This form of compensation presents a conflict of interest because the advisor may have an incentive to advise the client to increase the size of the securities issue for the purpose of increasing the advisor's compensation.
- ☐ **Contingent Fee.** This form of compensation presents a potential conflict of interest because the advisor may have an incentive to recommend unnecessary financings or financings that are disadvantageous to the client. When facts or circumstances arise that could cause the financing to be delayed or fail to close, an advisor may have an incentive to discourage a full consideration of such facts and circumstances.

Our plan to mitigate conflicts of interest regarding compensation is to assure the program standard fee schedule reasonably reflects the expected costs of standard services.

MN Rural Water Association Conflicts of Interest. David Drown Associates, Inc. serves as the financial advisor for MRWA's MEGA, MIDI, MICRO and Interim Funding Programs. In that capacity, we process loan requests and serve as municipal advisor to borrowers seeking to utilize these funding programs. This relationship with MRWA represents a potential conflict of interest in that we have an incentive to recommend the use of these funding programs and to exclude due consideration of other options or alternatives. We have mitigated this conflict of interest by agreement with MRWA that we will not process loans where other financing mechanisms are clearly superior, and we maintain internal procedures that explicitly include a review of other funding options before acting upon a loan request.

Section 3: Term of Engagement. Upon closing and delivery of closing, our responsibilities as Municipal Advisor will be concluded with respect to this financing and we do not undertake (unless separately engaged) to provide continuing advice to you or any other party.

Section 4: Fees & Expenses. The Municipal Advisor's fees will be incorporated into and paid from the Program Fee shown on the Application Form. Our fee shall be contingent upon successful sale and closing of a Loan (see disclosure of conflicts of interest above). In the event we are asked to provide additional services outside the scope of Program activities, we will notify you of these services and costs in advance.

CERTIFICATION OF ENGAGEMENT

By submitting a signed application, the applicant hereby certifies that David Drown Associates, Inc. is hereby engaged to serve as our community's Municipal Advisor associated with the attached loan application. It is further certified that DDA has fully and completely disclosed all potential conflicts of interest and the plans to mitigate such conflicts. We understand that DDA will investigate our financial position to determine the suitability of the loan programs for our project. We understand and accept any findings that determine the loan programs may be unsuitable for our community or if more beneficial financing alternatives may be suggested.

City of Harmony, Minnesota

Comparison of public, rated, competitive sale versus direct bank placement utilizing MN Rural Water Association's MEGA Loan Program

Updated 4/6/2020

COMPETITIVE RATED PUBLIC SALE

1,666,296	Project Cost	
297,063	Engineering	
83,315	Contingency	
2,046,674	Total Capital Cost	
21,250	Discount (1%)	58,000 << Total Issuance Related
16,000	Fiscal	
7,500	Bond Counsel	
11,000	Rating Agency	
750	Pay Agent	
1,500	Misc / POS	
23,962	Capitalized Interest	
(3,635)	Construction Fund Earnings	
2,125,000	BOND AMOUNT	

PMT DATE	PRIN	RATE	INT	P&I	Pay Agent	TOTAL PMTS
6/1/2020 Dated Date						
2/1/2021	-		23,962	23,962	495	24,457
2/1/2022	200,000	1.350%	35,943	235,943	495	236,438
2/1/2023	200,000	1.400%	33,243	233,243	495	233,738
2/1/2024	205,000	1.450%	30,443	235,443	495	235,938
2/1/2025	205,000	1.500%	27,470	232,470	495	232,965
2/1/2026	210,000	1.600%	24,395	234,395	495	234,890
2/1/2027	215,000	1.700%	21,035	236,035	495	236,530
2/1/2028	215,000	1.800%	17,380	232,380	495	232,875
2/1/2029	220,000	1.900%	13,510	233,510	495	234,005
2/1/2030	225,000	2.000%	9,330	234,330	495	234,825
2/1/2031	230,000	2.100%	4,830	234,830	-	234,830
	2,125,000		241,539	2,366,539	4,950	2,371,489
				Less Cap Int & Rounding >>		(20,326)
				TOTAL NET PMTS >>		2,351,163

NOTE: Yields based on 4/6/2020 A+ sale by City of Buffalo

MN RURAL WATER ASSOCIATION MEGA LOAN

1,666,296	Project Cost
297,063	Engineering
83,315	Contingency
2,046,674	Total Capital Cost
24,475	MRWA Issuance Fees

27,973	Capitalized Interest
(1,122)	Construction Fund Earnings

2,098,000 BOND AMOUNT

PMT DATE	PRIN	RATE	INT	P&I	Pay Agent	TOTAL PMTS
6/1/2020 Dated Date						
2/1/2021	-		27,973	27,973	-	27,973
2/1/2022	192,000	2.000%	41,960	233,960	-	233,960
2/1/2023	196,000	2.000%	38,120	234,120	-	234,120
2/1/2024	199,000	2.000%	34,200	233,200	-	233,200
2/1/2025	203,000	2.000%	30,220	233,220	-	233,220
2/1/2026	207,000	2.000%	26,160	233,160	-	233,160
2/1/2027	212,000	2.000%	22,020	234,020	-	234,020
2/1/2028	216,000	2.000%	17,780	233,780	-	233,780
2/1/2029	220,000	2.000%	13,460	233,460	-	233,460
2/1/2030	224,000	2.000%	9,060	233,060	-	233,060
2/1/2031	229,000	2.000%	4,580	233,580	-	233,580
	2,098,000		265,533	2,363,533	-	2,363,533
				Less Cap Int & Rounding >>		(26,851)
				TOTAL NET PMTS >>		2,336,682

NOTE: Interest rate based on indicative rate provided by Program Lender on 4/3/2020