

**CITY OF HARMONY, MINNESOTA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2024**



# CITY OF HARMONY, MINNESOTA

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**CITY OF HARMONY, MINNESOTA**

**INTRODUCTORY SECTION**

**DECEMBER 31, 2024**

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**CITY OF HARMONY, MINNESOTA**

**CITY OFFICIALS  
DECEMBER 31, 2024**

Steve Donney	Mayor
Domingo Kingsley	Council Member
Kyle Scheevel	Council Member
Michael Himlie	Council Member
Jesse Grabau	Council Member
Alissa Stelpflug	City Administrator/Clerk
Karen Apenhorst	Finance Clerk
Lisa Morken	Deputy Clerk

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**CITY OF HARMONY, MINNESOTA**

**FINANCIAL SECTION**

**DECEMBER 31, 2024**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### ***Opinions***

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 as of and for the year ended December 31, 2024, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2024, and the respective changes in financial position and cash flows thereof and the respective budgetary comparison for the General Fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Harmony, Minnesota and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

### ***Required Supplementary Information***

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

### ***Supplementary Information***

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 combining and individual nonmajor fund statements and schedules 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.

***Supplementary Information (Continued)***

The combining and individual nonmajor fund statements and schedules and the supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund statements and schedules and the supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

Management is responsible for the other information included in the report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

***Report on Summarized Comparative Information***

The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2023, from which such partial information was derived.

The financial statements for the City as of and for the year ended December 31, 2023 were audited by other auditors whose report was dated April 9, 2024, expressed an unmodified opinion on those financial statements.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2025, on our consideration of the City of Harmony, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Harmony, Minnesota's internal control over financial reporting and compliance.

*Smith, Schafu and Associates, Ltd.*

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## CITY OF HARMONY, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Harmony, Minnesota, we offer readers of the City of Harmony's financial statements this narrative overview and analysis of the financial activities of the City of Harmony for the fiscal year ended December 31, 2024.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Harmony exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$14,467,966 (net position) when including all governmental and business type activities. Of this amount \$4,541,002 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net position increased by \$1,234,020 during 2024.
- As of the close of the current fiscal year, the City of Harmony's governmental funds, which include general, special revenue, debt service, and capital projects funds, reported combined ending fund balances of \$4,317,509. Approximately 65 percent of this total amount, or \$2,819,002 is available for use within the City's assignments and policies.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,028,422 or 152 percent of total general fund expenditures for 2024.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Harmony's basic financial statements. The City of Harmony's basic financial statements comprise three components:

1. Government-wide financial statements, providing information for the City as a whole.
2. Fund financial statements, providing detailed information for the City's significant funds.
3. Notes to the financial statements, providing additional information that is essential to understanding the government-wide and fund statements.

This report also contains other supplementary information in addition to the basic financial statements themselves. Additional explanation of these sections of the financial statements follows.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Harmony's finances, in a manner similar to a private-sector business.

The statement of *net position* presents information on all of the City of Harmony's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Preston is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned, but not used, compensated absences).

## CITY OF HARMONY, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

**Government-wide financial statements (continued).** Both of the government-wide financial statements distinguish functions of the City of Harmony that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Harmony include general government, public safety, streets and highways, culture and recreation, economic development, and unallocated. The business-type activities of the City of Harmony include the water utility, sewer utility, electric utility, refuse and recycling fund, and storm water utility. The government-wide financial statements can be found on pages 13-15 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Harmony, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Harmony can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *These funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Harmony maintains twenty individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, small cities grant fund, ambulance fund, economic development authority fund, debt service funds, capital projects fund, and 2024 street project fund which are considered to be major funds. Data from the other nine governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Harmony adopts an annual appropriated budget for its general fund and certain special revenue funds. Budgetary comparison statements have been provided for the general, ambulance, economic development authority, revolving loan, library, fire, park, and arts funds (pages 22-29 and pages 76-80) to demonstrate compliance with the budget. The basic governmental fund financial statements can be found on pages 16-19 of this report.

**Proprietary funds.** The City of Harmony maintains one type of proprietary fund — enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Harmony uses enterprise funds to account for its water, sewer, electric, refuse and recycling, and storm water.



## CITY OF HARMONY, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, electric, refuse and recycling, and storm water, all of which are considered to be major funds of the City of Harmony. The basic proprietary fund financial statements can be found on pages 30-37 of this report.

**Fiduciary Funds.** The City of Harmony maintains on fiduciary fund, the Sanderson Memorial Trust fund. The fiduciary fund financial statements can be found on page 38 of this report.

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 39-68 of this report.

**Other information.** The combining statements referred to earlier in connection with major governmental funds can be found on pages 72-82 of this report.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

In the case of the City of Harmony, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$14,467,966 at the close of the most recent fiscal year.

By far the largest portion of the City of Harmony's net position (59 percent) reflects its investment in capital assets (e.g. land, buildings, infrastructure, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Harmony uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Harmony's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current assets	\$ 5,702,433	\$ 4,161,552	\$ 1,493,872	\$ 1,744,347	\$ 7,196,305	\$ 5,905,899
Capital assets	6,541,851	5,319,178	6,128,800	5,785,340	12,670,651	11,104,518
Total assets	12,244,284	9,480,730	7,622,672	7,529,687	19,866,956	17,010,417
Deferred outflow s of resources	42,692	44,427	25,064	23,578	67,756	68,005
Long-term liabilities outstanding	4,243,335	2,650,305	679,771	771,353	4,923,106	3,421,658
Other liabilities	179,591	218,836	243,193	114,580	422,784	333,416
Total liabilities	4,422,926	2,869,141	922,964	885,933	5,345,890	3,755,074
Deferred inflow s of resources	92,692	58,405	28,164	30,997	120,856	89,402
Net position:						
Net investment in capital assets	2,952,432	3,206,578	5,518,350	5,111,940	8,470,782	8,318,518
Restricted	1,449,931	1,041,978			1,449,931	1,041,978
Unrestricted	3,368,995	2,349,055	1,178,258	1,524,395	4,547,253	3,873,450
Total net position	\$ 7,771,358	\$ 6,597,611	\$ 6,696,608	\$ 6,636,335	\$ 14,467,966	\$ 13,233,946

A portion of the City of Harmony's net position (10 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$4,541,002) may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City of Harmony is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its business-type activities.

# CITY OF HARMONY, MINNESOTA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Governmental activities.** Governmental activities increased the City of Harmony's net position \$1,173,747.

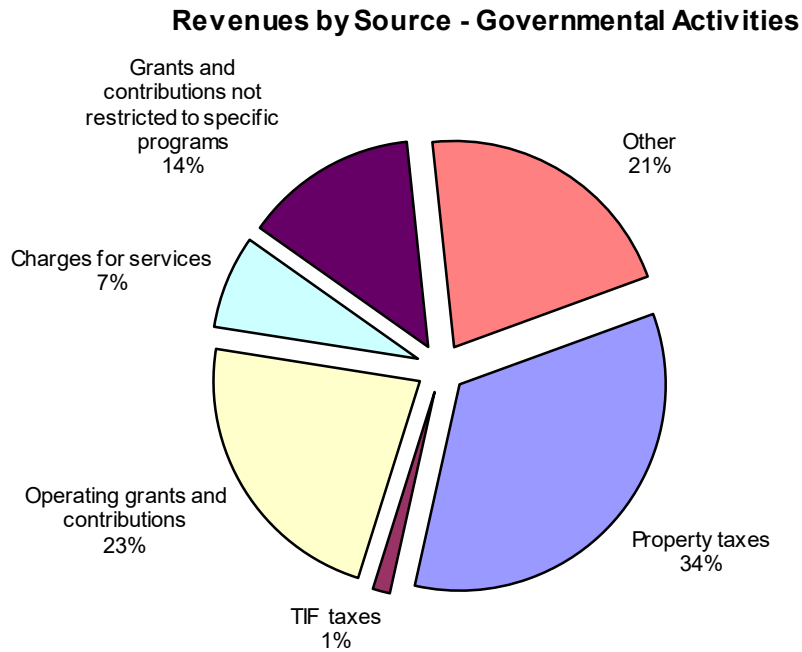
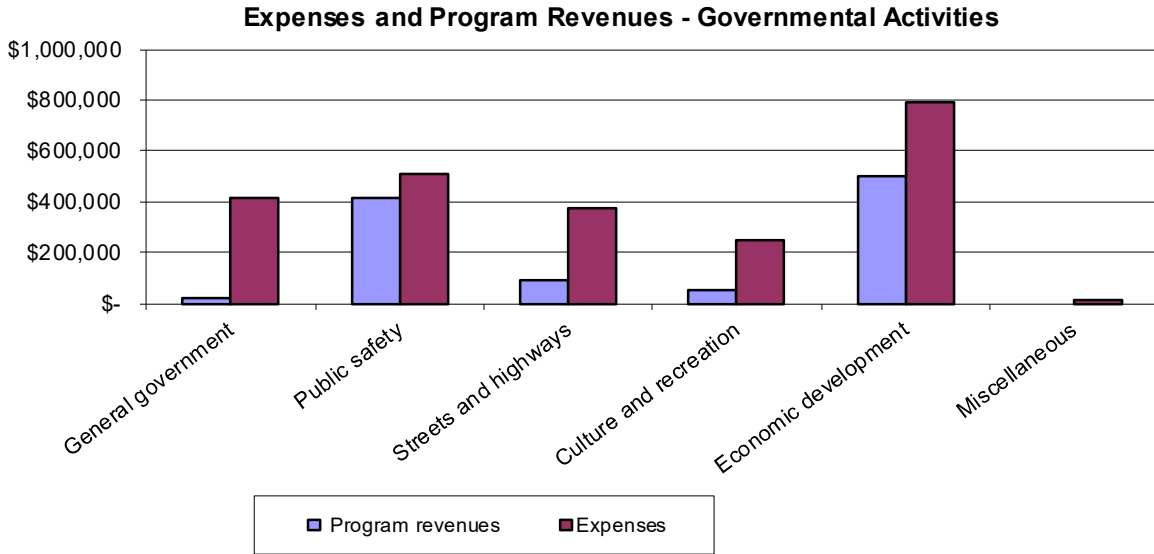
**Business-type activities.** Business-type activities increased the City of Harmony's net position by \$60,273.

A condensed version of the Statement of Activities follows:

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenue:						
Program revenues:						
Charges for services	\$ 263,293	\$ 437,800	\$ 1,805,552	\$ 1,821,328	\$ 2,068,845	\$ 2,259,128
Operating grants and contributions	817,643	143,901		9,343	817,643	153,244
Capital grants and contributions		89,605	8,049	2,882	8,049	92,487
General revenues:						
Property taxes	1,228,145	880,141			1,228,145	880,141
TIF taxes	49,497	3,317			49,497	3,317
Grants and contributions not restricted to specific programs	488,492	359,790			488,492	359,790
Other	762,169	69,003	56,579	21,399	818,748	90,402
Total revenues	3,609,239	1,983,557	1,870,180	1,854,952	5,479,419	3,838,509
Expenses:						
General government	413,989	378,453			413,989	378,453
Public safety	506,086	552,176			506,086	552,176
Streets and highways	374,404	397,766			374,404	397,766
Culture and recreation	250,054	306,810			250,054	306,810
Economic development	791,533	231,362			791,533	231,362
Miscellaneous	8,696	8,823			8,696	8,823
Interest on long-term debt	79,569	46,459			79,569	46,459
Water			238,738	206,337	238,738	206,337
Sewer			459,818	413,538	459,818	413,538
Electric			946,705	1,029,618	946,705	1,029,618
Refuse and recycling			133,470	118,065	133,470	118,065
Stormwater			42,337	54,621	42,337	54,621
Total expenses	2,424,331	1,921,849	1,821,068	1,822,179	4,245,399	3,744,028
Increase in net position before transfers	1,184,908	61,708	49,112	32,773	1,234,020	94,481
Transfers	(11,161)	171,772	11,161	(171,772)		
Change in net position	1,173,747	233,480	60,273	(138,999)	1,234,020	94,481
Net position, beginning of year as restated	6,597,611	6,364,131	6,636,335	6,775,334	13,233,946	13,139,465
Net position, end of year	\$ 7,771,358	\$ 6,597,611	\$ 6,696,608	\$ 6,636,335	\$ 14,467,966	\$ 13,233,946

## CITY OF HARMONY, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

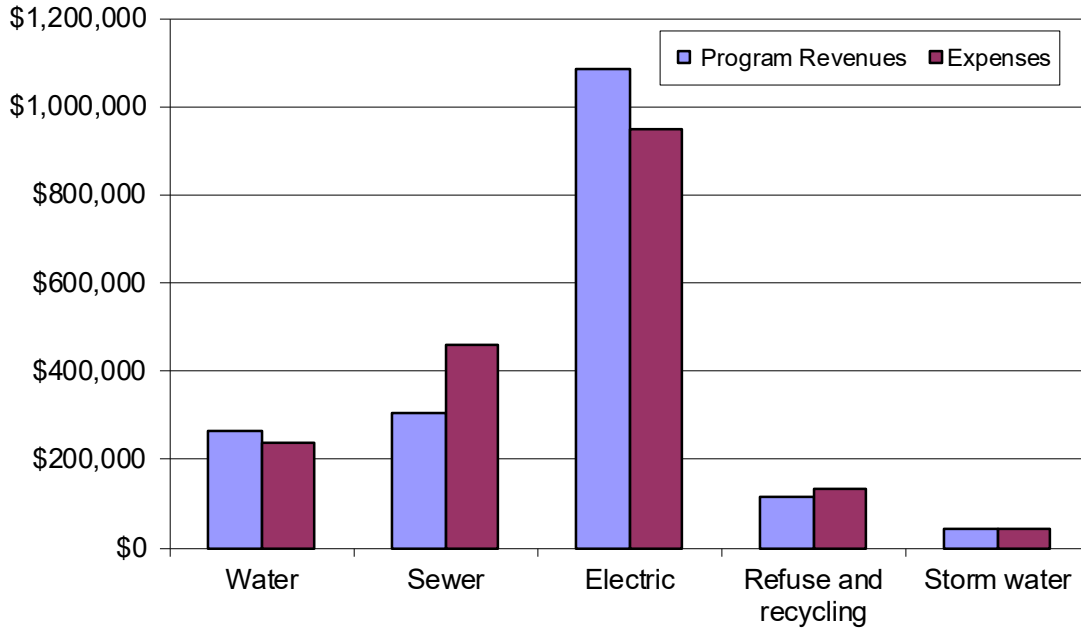
**Government Wide Financial Statements (Continued)** – Below are specific graphs that provide comparisons of the governmental activities direct program revenues with their expenses. Any shortfalls in direct revenues are primarily supported by property tax levy or general state aid.



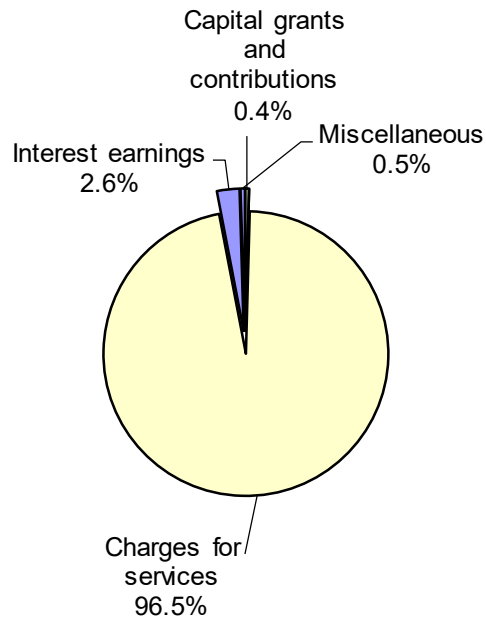
**CITY OF HARMONY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Government Wide Financial Statements (Continued)** – The following graphs relate the various business-type activities' program revenues with their expenses. Since all of these activities require significant physical assets to operate, any excess revenues are held for planned capital expenditures to keep pace with growing demand for services.

**Expenses and Program Revenues - Business-Type Activities**



**Revenues by Source - Business-Type Activities**



## CITY OF HARMONY, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

### FUND BASIS FINANCIAL ANALYSIS

#### Financial Analysis of the Government's Funds

As noted earlier, the City of Harmony uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City of Harmony's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Harmony's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Harmony's governmental funds reported combined ending fund balances of \$4,317,509. Approximately 65 percent of this total amount, or \$2,819,002 constitutes *unassigned, committed, or assigned fund balance*, which is available for spending at the government's discretion. The remainder of this fund balance is *restricted or nonspendable* to indicate that it is not available for new spending because it has already been committed to repay outstanding debt, issue grants, to fund the revolving loan program, or has already been spent on prepaid items.

The general fund is the chief operating fund of the City of Harmony. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,028,422. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 152 percent of total general fund expenditures.

The general fund's total fund balance increased by \$101,191 during the current fiscal year.

**Proprietary funds.** The City of Harmony's proprietary funds statements found on pages 30-37 provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net position in the respective proprietary funds are Water – \$219,960, Sewer - \$(42,953), Electric - \$868,988, Refuse and Recycling – \$19,383, and Storm Water – \$112,880.

**Fiduciary fund.** The City of Harmony's fiduciary fund statements found on page 38 provide details of the Sanderson Memorial Trust fund.

The net position of the Sanderson Memorial Trust fund is \$52,074.

# CITY OF HARMONY, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

## OTHER INFORMATION INCLUDED IN THE FINANCIAL STATEMENTS

### Capital Asset and Debt Administration

**Capital assets.** The City of Harmony's investment in capital assets for its governmental and business-type activities as of December 31, 2024, amounts to \$12,670,651 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City of Harmony's reported investment in capital assets for the current fiscal year was \$1,566,133.

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 445,464	\$ 420,168	\$ 36,415	\$ 36,415	\$ 481,879	\$ 456,583
Buildings and improvements	1,816,089	1,802,089	2,538,356	2,538,356	4,354,445	4,340,445
Machinery and equipment	1,439,119	1,332,119	2,068,722	1,832,706	3,507,841	3,164,825
Vehicles	1,822,634	1,822,634	28,700	28,700	1,851,334	1,851,334
Infrastructure	5,630,188	5,630,188	6,490,134	6,243,300	12,120,322	11,873,488
Total	12,599,708	11,007,198	11,316,892	10,679,477	23,916,600	21,686,675
Less accumulated depreciation	6,057,857	5,688,020	5,188,092	4,894,137	11,245,949	10,582,157
Net	\$ 6,541,851	\$ 5,319,178	\$ 6,128,800	\$ 5,785,340	\$ 12,670,651	\$ 11,104,518

Additional information on the City of Harmony's capital assets can be found in Note 5 on pages 51-52 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Harmony had \$4,655,859 in bond obligations outstanding. The general obligation bonds, as listed below, are backed by the full faith and credit of the government.

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
General obligation bonds	\$ 4,045,409	\$ 2,442,867	\$	\$	\$ 4,045,409	\$ 2,442,867
G.O. Revenue bonds			610,450	673,400	610,450	673,400
Total	\$ 4,045,409	\$ 2,442,867	\$ 610,450	\$ 673,400	\$ 4,655,859	\$ 3,116,267

The City of Harmony's total debt increased by \$1,539,592 during the current fiscal year. The City issued the 2024A Improvement Bonds for \$1,935,000 during the year. These proceeds were used to finance the 2024 street project. A more detailed breakdown of these obligations can be found in Note 6, beginning on page 53.

## **CITY OF HARMONY, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Economic Factors and Next Year's Budgets and Rates**

- State aid levels have remained largely unchanged over the last 10 years other than in 2024 where local government aid increased 6%. A 0.05% increase in LGA is expected in 2025.
- The City of Harmony will review and prioritize future capital improvement projects while remaining focused on city projects to improve the City's infrastructure in 2025.
- The City's wholesale power provider, MiEnergy, did not increase rates for 2025. The City will be installing a new UV disinfection process to improve disinfection consistency, reduce operating costs, and improve safety by eliminating chemical usage at the sewer plant in 2025. The City adopted the following rate increases for 2025: Water 2%, Sewer 11%, Solid Waste 3%, and Storm Sewer 20%. Maintaining adequate rates is a critical requirement to obtain bonding for future facility improvements.

All of these factors were considered in preparing the City of Harmony's budget for the 2025 fiscal year. To deal with both cycles in the economy and to plan for future capital expansion, the City routinely puts aside resources.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Harmony's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to City Hall, 225 3<sup>rd</sup> Avenue SW, Harmony, MN 55939.

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**CITY OF HARMONY, MINNESOTA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2024**

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**CITY OF HARMONY, MINNESOTA**  
**STATEMENT OF NET POSITION**  
December 31, 2024  
*With Comparative Totals for December 31, 2023*

	Governmental Activities	Business-Type Activities	Totals	
			2024	2023
<b>Assets</b>				
Cash and investments	\$ 3,660,149	\$ 1,069,354	\$ 4,729,503	\$ 4,339,053
Receivables	1,637,567	272,991	1,910,558	1,191,536
Internal balances				
Due from other governments	32,657	252	32,909	36,597
Prepaid items	292,135	18,713	310,848	312,527
Inventory		132,562	132,562	26,186
Fire pension asset	79,925		79,925	
Capital assets:				
Nondepreciable	1,891,678	190,980	2,082,658	456,583
Depreciable, net	4,650,173	5,937,820	10,587,993	10,647,935
<b>Total Assets</b>	<b>12,244,284</b>	<b>7,622,672</b>	<b>19,866,956</b>	<b>17,010,417</b>
<b>Deferred Outflows of Resources</b>				
Deferred outflows from pension activity	42,692	25,064	67,756	68,005
<b>Liabilities</b>				
Accounts payable	52,528	180,790	233,318	129,731
Salaries and wages payable	9,623	2,770	12,393	9,553
Deposits payable		15,182	15,182	14,159
Due to other governments	8,349	15,568	23,917	51,541
Accrued interest payable	59,908	2,888	62,796	20,571
Sales tax payable		4,993	4,993	
Unearned revenue				107,861
Accrued compensated absences	49,183	21,002	70,185	59,348
Noncurrent liabilities:				
Due within one year	324,113	65,150	389,263	395,408
Due in more than one year	3,801,005	545,300	4,346,305	2,720,859
Net pension liability	118,217	69,321	187,538	246,043
<b>Total Liabilities</b>	<b>4,422,926</b>	<b>922,964</b>	<b>5,345,890</b>	<b>3,755,074</b>
<b>Deferred Inflows of Resources</b>				
Deferred inflows from pension activity	92,692	28,164	120,856	89,402
<b>Net Position</b>				
Net investment in capital assets	2,952,432	5,518,350	8,470,782	8,318,518
Restricted for:				
Public safety aid				45,598
Economic development	205,397		205,397	81,042
Debt service	1,164,609		1,164,609	915,338
Fire pension asset	79,925		79,925	
Unrestricted	3,368,995	1,178,258	4,547,253	3,873,450
<b>Total Net Position</b>	<b>\$ 7,771,358</b>	<b>\$ 6,696,608</b>	<b>\$ 14,467,966</b>	<b>\$ 13,233,946</b>

**See Notes to Financial Statements**

**CITY OF HARMONY, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2024  
*With Comparative Totals for December 31, 2023*

<b>Functions/Programs</b>	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 413,989	\$ 14,091	\$ 4,530	\$
Public safety	506,086	239,119	177,267	
Streets and highways	374,404	3,407	91,045	
Culture and recreation	250,054	6,676	42,112	
Economic development	791,533		502,689	
Unallocated	8,696			
Interest on long-term debt	79,569			
Total governmental activities	<u>2,424,331</u>	<u>263,293</u>	<u>817,643</u>	
Business-Type activities:				
Water	238,738	259,019		6,600
Sewer	459,818	305,623		1,449
Electric	946,705	1,082,300		
Refuse and recycling	133,470	117,240		
Storm water	42,337	41,370		
Total business-type activities	<u>1,821,068</u>	<u>1,805,552</u>		<u>8,049</u>
Total	<u>\$ 4,245,399</u>	<u>\$ 2,068,845</u>	<u>\$ 817,643</u>	<u>\$ 8,049</u>

General revenues:  
    Property taxes  
    Tax increments  
    Grants and contributions not restricted to specific programs  
    Investment earnings  
    Gain on sale of capital assets  
    Miscellaneous  
Transfers, net  
    Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

**See Notes to Financial Statements**

Net (Expense) Revenue  
and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals	
		2024	2023
\$ (395,368)	\$	\$ (395,368)	\$ (335,393)
(89,700)		(89,700)	(43,880)
(279,952)		(279,952)	(379,788)
(201,266)		(201,266)	(244,552)
(288,844)		(288,844)	(191,648)
(8,696)		(8,696)	(8,823)
(79,569)		(79,569)	(46,459)
<u>(1,343,395)</u>		<u>(1,343,395)</u>	<u>(1,250,543)</u>
	26,881	26,881	66,539
	(152,746)	(152,746)	(60,941)
	135,595	135,595	32,453
	(16,230)	(16,230)	(5,868)
	(967)	(967)	(20,809)
	<u>(7,467)</u>	<u>(7,467)</u>	<u>11,374</u>
<u>(1,343,395)</u>	<u>(7,467)</u>	<u>(1,350,862)</u>	<u>(1,239,169)</u>
1,228,145		1,228,145	833,061
49,497		49,497	47,080
488,492		488,492	359,790
70,951	47,778	118,729	87,876
50,000		50,000	2,526
641,218	8,801	650,019	3,317
(11,161)	11,161		
<u>2,517,142</u>	<u>67,740</u>	<u>2,584,882</u>	<u>1,333,650</u>
1,173,747	60,273	1,234,020	94,481
<u>6,597,611</u>	<u>6,636,335</u>	<u>13,233,946</u>	<u>13,139,465</u>
<u>\$ 7,771,358</u>	<u>\$ 6,696,608</u>	<u>\$ 14,467,966</u>	<u>\$ 13,233,946</u>

**CITY OF HARMONY, MINNESOTA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
December 31, 2024  
*With Comparative Totals for December 31, 2023*

		<i>Special Revenue Funds</i>		
	<u>101</u>	<u>202</u>	<u>223</u>	<u>620</u>
	General	Small Cities	Ambulance	Economic
	Fund	Grant	Fund	Development
		Fund		Authority Fund
<b>Assets</b>				
Cash and investments	\$ 1,027,134	\$ 6,980	\$ 284,479	\$ 197,398
Interest receivable				
Accounts receivable	4,000		88,320	
Delinquent taxes receivable	9,758			
Special assessments receivable	2,768			60,242
Loans receivable		512,318		140,000
Due from other funds	25,296			
Due from other governments	27,444			1,131
Prepaid items	21,599		795	
Advances to other funds				6,251
<b>TOTAL ASSETS</b>	<u>\$ 1,117,999</u>	<u>\$ 519,298</u>	<u>\$ 373,594</u>	<u>\$ 405,022</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balance</b>				
<b>Liabilities</b>				
Accounts payable	\$ 40,632	\$	\$ 2,290	\$
Due to other governments	6,767			
Sales tax payable	36			
Salaries and wages payable	8,017		102	112
Unearned revenues				
Due to other funds				
Advances from other funds				
Total Liabilities	<u>55,452</u>	<u></u>	<u>2,392</u>	<u>112</u>
<b>Deferred Inflows of Resources</b>				
Unavailable:				
Property taxes	9,758			
Special assessments	2,768			60,242
Loans		485,073		40,000
Total Deferred Inflows of Resources	<u>12,526</u>	<u>485,073</u>	<u></u>	<u>100,242</u>
<b>Fund Balance</b>				
Nonspendable:				
Prepaid items	21,599		795	
Economic development loans		27,245		100,000
Advances				6,251
Restricted:				
Economic development		6,980		198,417
Debt service				
Public safety aid				
Committed:				
Capital outlay				
Loans				
Assigned			370,407	
Unassigned	1,028,422			
Total Fund Balance	<u>1,050,021</u>	<u>34,225</u>	<u>371,202</u>	<u>304,668</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<u>\$ 1,117,999</u>	<u>\$ 519,298</u>	<u>\$ 373,594</u>	<u>\$ 405,022</u>

**See Notes to Financial Statements**

<u>300's</u> Debt Service Bond Funds	<u>Capital Projects Funds</u>		Other Governmental Funds	<u>Total Governmental Funds</u>	
	<u>401</u> Capital Projects Fund	<u>427</u> 2024 Street Project Fund		2024	2023
\$ 685,438	\$ 514,961	\$ 535,699	\$ 408,060	\$ 3,660,149	\$ 2,896,955
					11,281
			3,150	95,470	137,935
				9,758	12,062
537,391				600,401	381,746
			279,620	931,938	376,462
				25,296	38,390
1,688			2,394	32,657	36,597
	261,460		8,281	292,135	296,054
				6,251	6,251
<u>\$ 1,224,517</u>	<u>\$ 776,421</u>	<u>\$ 535,699</u>	<u>\$ 701,505</u>	<u>\$ 5,654,055</u>	<u>\$ 4,193,733</u>
\$	\$	\$	\$ 9,606	\$ 52,528	\$ 48,327
			1,546	8,313	38,094
				36	13
			1,392	9,623	6,697
					107,861
			25,296	25,296	
			6,251	6,251	32,181
			44,091	102,047	233,173
537,391				9,758	12,062
				600,401	381,746
			99,267	624,340	
<u>537,391</u>			<u>99,267</u>	<u>1,234,499</u>	<u>393,808</u>
	261,460		8,281	292,135	296,054
			180,353	307,598	112,000
				6,251	6,251
				205,397	239,661
687,126				687,126	672,722
					45,598
	883,566			883,566	439,898
					225,219
		535,699	401,060	1,307,166	655,553
	(368,605)		(31,547)	628,270	873,796
<u>687,126</u>	<u>776,421</u>	<u>535,699</u>	<u>558,147</u>	<u>4,317,509</u>	<u>3,566,752</u>
<u>\$ 1,224,517</u>	<u>\$ 776,421</u>	<u>\$ 535,699</u>	<u>\$ 701,505</u>	<u>\$ 5,654,055</u>	<u>\$ 4,193,733</u>

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

For the Year Ended December 31, 2024  
*With Comparative Totals for December 31, 2023*

	<u>101</u>	<i>Special Revenue Funds</i>		
		<u>202</u>	<u>223</u>	<u>620</u>
	General	Small Cities		Economic
	Fund	Grant	Ambulance	Development
		Fund	Fund	Authority
<b>Revenues</b>				
Property taxes	\$ 359,404	\$	\$	\$ 114,750
Tax increments				
Special assessments	9,278			
Licenses and permits	7,355			
Intergovernmental revenues	545,423	485,073	73,376	
Fines and forfeits	530			
Charges for services	11,081		258,908	
Interest income	7,031	181	7,776	3,568
Miscellaneous revenues	18,773		250	700
<b>Total Revenues</b>	<u>958,875</u>	<u>485,254</u>	<u>340,310</u>	<u>119,018</u>
<b>Expenditures</b>				
General government	229,797			
Government buildings	145,436			
Public safety	155,222		260,461	
Streets and highways	109,391			
Culture and recreation	19,479			
Economic development	6,502	532,071		156,254
Unallocated	8,696			
Capital outlay				
Debt service				
<b>Total Expenditures</b>	<u>674,523</u>	<u>532,071</u>	<u>260,461</u>	<u>156,254</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>284,352</u>	<u>(46,817)</u>	<u>79,849</u>	<u>(37,236)</u>
<b>Other Financing Sources (Uses)</b>				
Sale of assets				50,000
Proceeds from issuance of				
long-term debt				
Premium on issuance of				
long-term debt				
Transfers in	8,200			15,000
Transfers out	(191,361)		(25,000)	
Total Other Financing				
Sources (Uses)	<u>(183,161)</u>		<u>(25,000)</u>	<u>65,000</u>
Net change in fund balances	101,191	(46,817)	54,849	27,764
<b>FUND BALANCE, beginning</b>	<u>948,830</u>	<u>81,042</u>	<u>316,353</u>	<u>276,904</u>
<b>FUND BALANCE, ending</b>	<u>\$ 1,050,021</u>	<u>\$ 34,225</u>	<u>\$ 371,202</u>	<u>\$ 304,668</u>

**See Notes to Financial Statements**



<u>300's</u> Debt Service Funds	<i>Capital Projects Funds</i>		Other Governmental Funds	Total Governmental Funds	
	<u>401</u> Capital Projects Fund	<u>427</u> 2024 Street Project Fund		2024	2023
\$ 170,263	\$	\$	\$ 243,785	\$ 888,202	\$ 846,701
			49,497	49,497	47,080
124,661				133,939	131,514
				7,355	7,533
			37,720	1,141,592	519,480
				530	1,367
			58,472	328,461	366,957
7,867	12,110	14,033	18,385	70,951	66,477
	60,303		17,995	98,021	116,441
<u>302,791</u>	<u>72,413</u>	<u>14,033</u>	<u>425,854</u>	<u>2,718,548</u>	<u>2,103,550</u>
				229,797	192,095
				145,436	139,761
			72,681	488,364	442,924
				109,391	181,907
			213,426	232,905	229,958
			100,000	794,827	176,858
				8,696	8,823
	121,050	1,495,614	25,296	1,641,960	131,027
372,534				372,534	349,245
<u>372,534</u>	<u>121,050</u>	<u>1,495,614</u>	<u>411,403</u>	<u>4,023,910</u>	<u>1,852,598</u>
<u>(69,743)</u>	<u>(48,637)</u>	<u>(1,481,581)</u>	<u>14,451</u>	<u>(1,305,362)</u>	<u>250,952</u>
				50,000	10,400
		1,935,000		1,935,000	
		82,280		82,280	
84,147	167,000		38,300	312,647	349,272
	(43,300)		(64,147)	(323,808)	(177,500)
<u>84,147</u>	<u>123,700</u>	<u>2,017,280</u>	<u>(25,847)</u>	<u>2,056,119</u>	<u>182,172</u>
14,404	75,063	535,699	(11,396)	750,757	433,124
<u>672,722</u>	<u>701,358</u>	<u></u>	<u>569,543</u>	<u>3,566,752</u>	<u>3,133,628</u>
<u>\$ 687,126</u>	<u>\$ 776,421</u>	<u>\$ 535,699</u>	<u>\$ 558,147</u>	<u>\$ 4,317,509</u>	<u>\$ 3,566,752</u>

**CITY OF HARMONY, MINNESOTA**  
**RECONCILIATION OF NET POSITION IN THE**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES**  
**IN THE FUND BASIS FINANCIAL STATEMENTS**  
**December 31, 2024**

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

Total governmental fund balances (page 16 and 17)		\$ 4,317,509
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 12,599,708	
Less: Accumulated depreciation	<u>(6,057,857)</u>	
		6,541,851
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Delinquent property taxes	\$ 9,758	
Deferred and delinquent special assessments	600,401	
Loans receivable	<u>624,340</u>	
		1,234,499
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	\$ (4,125,118)	
Compensated absences	(49,183)	
Net pension liability	(168,217)	
Net pension asset	79,925	
Accrued interest payable	<u>(59,908)</u>	
		<u>(4,322,501)</u>
Net position of governmental activities (page 13)		<u><u>\$ 7,771,358</u></u>

**See Notes to Financial Statements**

**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, 2024**

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

Net change in fund balances - total governmental funds (page 18 and 19)	\$	750,757	
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	\$	1,592,510	
Depreciation expense		<u>(369,837)</u>	
			1,222,673
Certain revenues in the statement of activities do not provide current financial resources and are not reported as revenues in the funds.			
Special assessments	\$	(2,304)	
Property taxes		218,655	
Loans		<u>624,340</u>	
			840,691
In the statement of activities, certain expenses - net pension activity fire pension activity and compensated absences - are measured by the amounts earned during the year. In the governmental funds, however expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).			
Change in net pension liability	\$	6,495	
Change in net pension asset		79,925	
Compensated absences		<u>(2,479)</u>	
			83,941
The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligations bonds and related items is as follows.			
Principal retirement on long-term debt	\$	332,458	
Proceeds from long-term debt		(2,017,280)	
Amortization of bond premium		2,571	
Change in accrued interest		<u>(42,064)</u>	
			(1,724,315)
Change in net position of governmental activities (pages 14 and 15)	\$		<u><u>1,173,747</u></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, 2024  
*With Comparative Totals for December 31, 2023*

	Budgeted Amounts		2024	Variance with	2023
	Original	Final	Actual	Final Budget	Actual
			Amounts	Positive	Amounts
				(Negative)	
<b>Taxes</b>					
Property taxes	\$ 308,016	\$ 308,016	\$ 349,057	\$ 41,041	\$ 319,206
Special assessments			9,278	9,278	
Total Taxes	308,016	308,016	358,335	50,319	319,206
<b>Non-property Taxes</b>					
Lodging taxes	5,000	5,000	6,347	1,347	5,403
Franchise fees			4,000	4,000	3,317
Total Non-property Taxes	5,000	5,000	10,347	5,347	8,720
<b>Licenses, Permits and Fines</b>					
Fines and forfeitures	875	875	530	(345)	1,249
Licenses and permits	7,000	7,000	7,355	355	6,499
Total Licenses, Permits and Fines	7,875	7,875	7,885	10	7,748
<b>Intergovernmental Revenues</b>					
Local government aid	380,200	380,200	379,993	(207)	359,200
State fire aid	23,899	23,899	25,886	1,987	21,315
Market value credit			638	638	590
Federal aid			107,861	107,861	45,598
Other state aid			31,045	31,045	
Total Intergovernmental Revenues	404,099	404,099	545,423	141,324	426,703
<b>Interest Income</b>	7,894	7,894	7,031	(863)	43,246
<b>Charges for Services</b>					
General government	270	270	621	351	956
Public safety	1,000	1,000	928	(72)	1,034
Streets and highways	4,000	4,000	3,407	(593)	3,684
Rents	2,500	2,500	6,125	3,625	8,295
Total Charges for Services	7,770	7,770	11,081	3,311	13,969
<b>Refunds and Reimbursements</b>	5,926	5,926	7,564	1,638	7,751
<b>Miscellaneous Revenues</b>					
Contributions and donations	6,100	6,100	6,110	10	11,012
Other	250	250	5,099	4,849	12,805
Total Miscellaneous Revenues	6,350	6,350	11,209	4,859	23,817
<b>TOTAL REVENUES</b>	\$ 752,930	\$ 752,930	\$ 958,875	\$ 205,945	\$ 851,160

**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, 2024  
*With Comparative Totals for December 31, 2023*

	Budgeted Amounts		2024	Variance with	2023
	Original	Final	Actual	Final Budget	Actual
			Amounts	Positive	Amounts
				(Negative)	
<b>EXPENDITURES</b>					
<b>Current:</b>					
<b>General Government</b>					
<b>Mayor and Council</b>					
Salaries and benefits	\$ 7,375	\$ 7,375	\$ 9,386	\$ (2,011)	\$ 18,114
Operating supplies	300	300	192	108	125
Other services and charges	2,155	2,155	2,013	142	1,818
Total Mayor and Council	9,830	9,830	11,591	(1,761)	20,057
<b>Finance and Administration</b>					
Salaries and benefits	113,350	113,350	155,289	(41,939)	102,130
Operating supplies	13,550	13,550	13,317	233	14,308
Printing and publication	1,550	1,550	2,240	(690)	756
Training	550	550	1,663	(1,113)	1,741
Repairs and maintenance	1,400	1,400	1,670	(270)	1,667
Professional fees	24,500	24,500	23,240	1,260	23,198
Capital outlay	1,500	1,500			309
Other services and charges	7,000	7,000	10,697	(3,697)	9,261
Total Finance and Administration	163,400	163,400	208,116	(46,216)	153,370
<b>Planning and Development</b>					
Salaries and benefits	1,500	1,500	852	648	1,200
Operating supplies					35
Other services and charges	150	150	7,693	(7,543)	17,645
Total Planning and Development	1,650	1,650	8,545	(6,895)	18,880
<b>Elections</b>					
	2,200	2,200	1,545	655	97
Total General Government	\$ 177,080	\$ 177,080	\$ 229,797	\$ (54,217)	\$ 192,404

**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, 2024  
*With Comparative Totals for December 31, 2023*

	Budgeted Amounts		2024	Variance with	2023
	Original	Final	Actual	Final Budget	Actual
			Amounts	Positive	Amounts
				(Negative)	
<b>EXPENDITURES</b>					
<b>Current:</b>					
<b>Government Buildings</b>					
<b>Visitor Center</b>					
Salaries and benefits	\$ 15,420	\$ 15,420	\$ 13,319	\$ 2,101	\$ 16,980
Operating supplies	3,200	3,200	4,791	(1,591)	2,690
Insurance	2,625	2,625	3,411	(786)	1,725
Repairs and maintenance	6,800	6,800	1,847	4,953	6,724
Utilities	9,000	9,000	5,307	3,693	8,968
Capital outlay					575
Total Visitor Center	37,045	37,045	28,675	8,370	37,662
<b>Community Center</b>					
Salaries and benefits	40,835	40,835	38,562	2,273	34,729
Operating supplies	6,450	6,450	8,498	(2,048)	5,134
Insurance	20,250	20,250	18,278	1,972	17,000
Repairs and maintenance	16,050	16,050	19,011	(2,961)	8,722
Utilities	36,600	36,600	30,908	5,692	35,967
Other services and charges	300	300	1,504	(1,204)	1,122
Total Community Center	120,485	120,485	116,761	3,724	102,674
Total Government Buildings	\$ 157,530	\$ 157,530	\$ 145,436	\$ 12,094	\$ 140,336

**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, 2024  
*With Comparative Totals for December 31, 2023*

	Budgeted Amounts		2024	Variance with	2023
	Original	Final	Actual	Final Budget	Actual
			Amounts	Positive	Amounts
				(Negative)	
<b>EXPENDITURES</b>					
<b>Current:</b>					
<b>Public Safety</b>					
<b>Police</b>					
Contracted services	\$ 126,170	\$ 126,170	\$ 126,249	\$ (79)	\$ 116,990
Repairs and maintenance			40	(40)	69
Other services and charges			632	(632)	590
Total Police	126,170	126,170	126,921	(751)	117,649
<b>Fire</b>					
	24,500	24,500	25,886	(1,386)	30,815
<b>Civil Defense</b>					
Salaries and benefits	650	650		650	
Repairs and maintenance	750	750		750	
Other services and charges	1,750	1,750	1,259	491	2,281
Total Civil Defense	3,150	3,150	1,259	1,891	2,281
<b>Animal Control</b>					
Salaries and benefits	1,565	1,565	760	805	2,450
Operating supplies	250	250	234	16	226
Other services and charges	550	550	162	388	50
Total Animal Control	2,365	2,365	1,156	1,209	2,726
Total Public Safety	\$ 156,185	\$ 156,185	\$ 155,222	\$ 963	\$ 153,471

**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, 2024  
*With Comparative Totals for December 31, 2023*

	Budgeted Amounts		2024	Variance with	2023
	Original	Final	Actual	Final Budget	Actual
			Amounts	Positive	Amounts
				(Negative)	
<b>EXPENDITURES</b>					
<b>Current:</b>					
<b>Streets and Highways</b>					
Salaries and benefits	\$ 36,400	\$ 36,400	\$ 28,961	\$ 7,439	\$ 20,444
Vehicles	7,000	7,000	2,678	4,322	3,274
Operating supplies	30,700	30,700	20,736	9,964	22,828
Insurance	11,450	11,450	10,953	497	16,068
Repairs and maintenance	47,000	47,000	27,648	19,352	53,701
Utilities	7,650	7,650	4,918	2,732	7,135
Other services and charges	14,775	14,775	13,497	1,278	14,233
Capital outlay	5,000	5,000		5,000	
Total Streets and Highways	159,975	159,975	109,391	50,584	137,683
<b>Culture and Recreation</b>					
Operating supplies	5,500	5,500	10,300	(4,800)	388
Insurance	800	800	1,250	(450)	800
Other services and charges	5,100	5,100	7,929	(2,829)	12,731
Total Culture and Recreation	11,400	11,400	19,479	(8,079)	13,919
<b>Economic Development</b>					
Lodging tax	5,000	5,000	2,628	2,372	4,123
Community development	18,000	18,000	3,874	14,126	33,252
Total Economic Development	\$ 23,000	\$ 23,000	\$ 6,502	\$ 16,498	\$ 37,375

**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, 2024  
*With Comparative Totals for December 31, 2023*

	Budgeted Amounts		2024	Variance with	2023
	Original	Final	Actual	Final Budget	Actual
			Amounts	Positive	Amounts
				(Negative)	
<b>EXPENDITURES</b>					
<b>Current:</b>					
<b>Unallocated</b>					
Miscellaneous	\$ 5,000	\$ 5,000	\$ 6,572	\$ (1,572)	\$ 6,285
Insurance	2,600	2,600	2,124	476	2,538
Total Unallocated	7,600	7,600	8,696	(1,096)	8,823
<b>TOTAL EXPENDITURES</b>	692,770	692,770	674,523	18,247	684,011
Excess of revenues over expenditures	60,160	60,160	284,352	224,192	167,149
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in			8,200	8,200	10,000
Transfers out	(83,500)	(83,500)	(191,361)	(107,861)	(83,500)
Total Other Financing Sources (Uses)	(83,500)	(83,500)	(183,161)	(99,661)	(73,500)
<b>NET CHANGE IN FUND BALANCE</b>	(23,340)	(23,340)	101,191	124,531	93,649
<b>FUND BALANCE, beginning</b>	948,830	948,830	948,830		855,181
<b>FUND BALANCE, ending</b>	\$ 925,490	\$ 925,490	\$ 1,050,021	\$ 124,531	\$ 948,830

**See Notes to Financial Statements**

**CITY OF HARMONY, MINNESOTA**  
**AMBULANCE FUND**  
**Schedule of Revenues, Expenditures,**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2024  
*With Comparative Totals for the Year Ended December 31, 2023*

	Budgeted Amounts		223 2024 Actual Amounts	Variance with Final Budget - Positive (Negative)	2023 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Intergovernmental Revenues</b>	\$	\$	\$ 73,376	\$ 73,376	\$
<b>Charges for Services</b>					
Ambulance charges	308,250	308,250	224,096	(84,154)	280,363
Training reimbursement	5,000	5,000	3,345	(1,655)	4,050
Subsidy	4,500	4,500	6,000	1,500	4,500
Township contracts	27,118	27,118	25,467	(1,651)	22,946
Total Charges for Services	344,868	344,868	258,908	(85,960)	311,859
<b>Interest Income</b>	7,803	7,803	7,776	(27)	2,421
<b>Miscellaneous Revenue</b>					
Contributions and donations					1,750
Other			250	250	3,033
Total Miscellaneous Revenue			250	250	4,783
<b>TOTAL REVENUES</b>	352,671	352,671	340,310	(12,361)	319,063
<b>EXPENDITURES</b>					
<b>Public Safety</b>					
Salaries and benefits	132,620	132,620	121,950	10,670	110,945
Operating supplies	21,750	21,750	17,985	3,765	16,541
Training and travel	10,000	10,000	13,886	(3,886)	1,241
Insurance	11,500	11,500	3,907	7,593	5,418
Repairs and maintenance	1,158	1,158	2,519	(1,361)	3,360
Printing and publication	400	400	53	347	33
Other services and charges	88,250	88,250	100,161	(11,911)	57,890
<b>TOTAL EXPENDITURES</b>	265,678	265,678	260,461	5,217	195,428
<b>OTHER FINANCING USES</b>					
Transfers out	(30,000)	(30,000)	(25,000)	5,000	(25,000)
<b>NET CHANGE IN FUND BALANCE</b>	56,993	56,993	54,849	(2,144)	98,635
<b>FUND BALANCE, beginning</b>	316,353	316,353	316,353		217,718
<b>FUND BALANCE, ending</b>	\$ 373,346	\$ 373,346	\$ 371,202	\$ (2,144)	\$ 316,353

**See Notes to Financial Statements**

**CITY OF HARMONY, MINNESOTA**  
**ECONOMIC DEVELOPMENT AUTHORITY FUND**  
**Schedule of Revenues, Expenditures,**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2024  
*With Comparative Totals for the Year Ended December 31, 2023*

	<u>Budgeted Amounts</u>		<u>620</u> 2024 Actual Amounts	Variance with Final Budget - Positive (Negative)	2023 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Taxes</b>					
Property taxes	\$ 120,488	\$ 120,488	\$ 114,750	\$ (5,738)	\$ 112,750
Special assessments	1,750	1,750		(1,750)	72,000
<b>Total Taxes</b>	<u>122,238</u>	<u>122,238</u>	<u>114,750</u>	<u>(7,488)</u>	<u>184,750</u>
<b>Interest Income</b>	<u>3,585</u>	<u>3,585</u>	<u>3,568</u>	<u>(17)</u>	<u>1,504</u>
<b>Miscellaneous Revenue</b>			<u>700</u>	<u>700</u>	
<b>TOTAL REVENUES</b>	<u>125,823</u>	<u>125,823</u>	<u>119,018</u>	<u>(6,805)</u>	<u>186,254</u>
<b>EXPENDITURES</b>					
<b>Economic Development</b>					
Salaries and benefits	8,540	8,540	4,809	3,731	2,935
Operating supplies	450	450	6	444	14
Professional services	40,250	40,250	62,630	(22,380)	79,278
Other services and charges	77,160	77,160	88,809	(11,649)	40,298
Capital outlay	1,000	1,000		1,000	4,702
<b>TOTAL EXPENDITURES</b>	<u>127,400</u>	<u>127,400</u>	<u>156,254</u>	<u>(28,854)</u>	<u>127,227</u>
<b>OTHER FINANCING SOURCES</b>					
Sale of assets			50,000	50,000	
Transfers in	15,000	15,000	15,000		15,000
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>15,000</u>	<u>15,000</u>	<u>65,000</u>	<u>50,000</u>	<u>15,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>13,423</u>	<u>13,423</u>	<u>27,764</u>	<u>14,341</u>	<u>74,027</u>
<b>FUND BALANCE, beginning</b>	<u>276,904</u>	<u>276,904</u>	<u>276,904</u>		<u>202,877</u>
<b>FUND BALANCE, ending</b>	<u>\$ 290,327</u>	<u>\$ 290,327</u>	<u>\$ 304,668</u>	<u>\$ 14,341</u>	<u>\$ 276,904</u>

**See Notes to Financial Statements**

CITY OF HARMONY, MINNESOTA  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 December 31, 2024  
*With Comparative Totals for December 31, 2023*

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Electric Fund
<b>ASSETS AND DEFERRED</b>			
<b>OUTFLOWS OF RESOURCES</b>			
<b>Current Assets</b>			
Cash and investments	\$ 156,887	\$	\$ 778,485
Special assessments receivable	21,547	25,293	
Accounts receivable	42,084	50,800	113,678
Due from other governments	207	45	
Advances to other fund			
Inventories	42,487		90,075
Prepaid items	5,181	6,983	5,357
Total Current Assets	268,393	83,121	987,595
<b>Noncurrent Assets</b>			
Advances to other funds			
Capital Assets:			
Nondepreciable	17,015	168,965	5,000
Depreciable	3,687,618	3,972,222	2,525,065
Less: Accumulated depreciation	853,771	2,264,472	1,532,940
Total Noncurrent assets	2,850,862	1,876,715	997,125
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows relating to pension activity	7,959	10,540	3,756
<b>TOTAL ASSETS AND DEFERRED</b>			
<b>OUTFLOWS OF RESOURCES</b>	<b>\$ 3,127,214</b>	<b>\$ 1,970,376</b>	<b>\$ 1,988,476</b>
<b>LIABILITIES, DEFERRED INFLOWS</b>			
<b>OF RESOURCES, AND NET POSITION</b>			
<b>Current Liabilities</b>			
Current maturities of			
bonds payable	\$ 63,323	\$ 1,827	\$
Accounts payable	5,417	85,366	80,210
Deposits payable			15,182
Accrued compensated absences payable	6,850	10,514	1,779
Salaries and wages payable	812	1,196	373
Sales tax payable	208		4,785
Accrued interest payable	2,779	109	
Due to other funds			
Due to other governments	2,369	11,031	2,168
Total Current Liabilities	81,758	110,043	104,497
<b>Noncurrent Liabilities</b>			
Net pension liability	24,210	24,843	11,472
Advances from other funds			
Bonds payable, net of current maturities	534,509	10,791	
Total Noncurrent Liabilities	558,719	35,634	11,472
<b>Total Liabilities</b>	<b>640,477</b>	<b>145,677</b>	<b>115,969</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows relating to pension activity	13,747	3,555	6,394
<b>NET POSITION</b>			
Net investment in capital assets	2,253,030	1,864,097	997,125
Unrestricted	219,960	(42,953)	868,988
Total Net Position	2,472,990	1,821,144	1,866,113
<b>TOTAL LIABILITIES, DEFERRED INFLOWS</b>			
<b>OF RESOURCES, AND NET POSITION</b>	<b>\$ 3,127,214</b>	<b>\$ 1,970,376</b>	<b>\$ 1,988,476</b>

**See Notes to Financial Statements**

Refuse and Recycling Fund	Storm Water Fund	TOTALS	
		2024	2023
\$ 22,501	\$ 111,481	\$ 1,069,354	\$ 1,442,098
		46,840	101,943
14,103	5,486	226,151	170,107
		252	
			8,644
		132,562	26,186
341	851	18,713	16,473
36,945	117,818	1,493,872	1,765,451
			67,286
		190,980	36,415
4,952	936,055	11,125,912	10,643,062
4,952	531,957	5,188,092	4,894,137
	404,098	6,128,800	5,852,626
1,814	995	25,064	23,578
\$ 38,759	\$ 522,911	\$ 7,647,736	\$ 7,641,655
\$	\$	\$ 65,150	\$ 62,800
8,929	868	180,790	81,404
		15,182	14,159
1,473	386	21,002	12,644
332	57	2,770	2,843
		4,993	5,482
		2,888	2,727
			38,390
		15,568	7,965
10,734	1,311	308,343	228,414
5,569	3,227	69,321	85,309
			50,000
		545,300	610,600
5,569	3,227	614,621	745,909
16,303	4,538	922,964	974,323
3,073	1,395	28,164	30,997
	404,098	5,518,350	5,111,940
19,383	112,880	1,178,258	1,524,395
19,383	516,978	6,696,608	6,636,335
\$ 38,759	\$ 522,911	\$ 7,647,736	\$ 7,641,655

**CITY OF HARMONY, MINNESOTA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION**  
**For the Year Ended December 31, 2024**  
***With Comparative Totals for December 31, 2023***

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Electric Fund
<b>Operating Revenues</b>			
Charges for services	\$ 259,019	\$ 305,623	\$ 1,082,300
<b>Operating Expenses</b>			
Operating expenses, excluding depreciation	151,854	327,523	890,931
Depreciation	79,378	132,043	55,774
Total Operating Expenses	231,232	459,566	946,705
<b>Operating Income (Loss)</b>	27,787	(153,943)	135,595
<b>Nonoperating Revenues (Expenses)</b>			
Interest expense	(7,506)	(252)	
Interest income	10,685		32,528
Special assessments	6,600	1,449	
Other income		177	8,524
Total Nonoperating Revenues (Expenses)	9,779	1,374	41,052
<b>Income (Loss) Before Transfers</b>	37,566	(152,569)	176,647
Transfers in		332,057	
Transfers out	(66,000)		(250,396)
Total Transfers	(66,000)	332,057	(250,396)
<b>Change in Net Position</b>	(28,434)	179,488	(73,749)
<b>Net Position, Beginning</b>	2,501,424	1,641,656	1,939,862
<b>Net Position, Ending</b>	\$ 2,472,990	\$ 1,821,144	\$ 1,866,113

**See Notes to Financial Statements**

Refuse and Recycling Fund	Storm Water Fund	TOTALS	
		2024	2023
\$ 117,240	\$ 41,370	\$ 1,805,552	\$ 1,821,148
133,470	15,577	1,519,355	1,526,391
	26,760	293,955	287,578
133,470	42,337	1,813,310	1,813,969
(16,230)	(967)	(7,758)	7,179
		(7,758)	(8,210)
1,121	3,444	47,778	21,399
		8,049	2,882
100		8,801	9,523
1,221	3,444	56,870	25,594
(15,009)	2,477	49,112	32,773
		332,057	
(2,000)	(2,500)	(320,896)	(171,772)
(2,000)	(2,500)	11,161	(171,772)
(17,009)	(23)	60,273	(138,999)
36,392	517,001	6,636,335	6,775,334
\$ 19,383	\$ 516,978	\$ 6,696,608	\$ 6,636,335

**CITY OF HARMONY, MINNESOTA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2024**  
***With Comparative Totals for December 31, 2023***

	Business-Type Activities - Enterprise Funds		
	Water Fund	Sewer Fund	Electric Fund
<b>Cash Flows From Operating Activities</b>			
Cash received from customers	\$ 275,318	\$ 317,885	\$ 1,067,757
Cash received from other sources		177	8,524
Cash payments to suppliers	(100,818)	(243,611)	(911,667)
Cash payments to employees	(81,307)	(84,622)	(37,726)
Net Cash Provided By (Used In)			
Operating Activities	93,193	(10,171)	126,888
<b>Cash Flows From Noncapital Financing Activities</b>			
Principal received (paid) on advances from (to) other funds		(50,000)	67,286
Due to other funds		(38,390)	
Transfers in (out), net	(66,000)	332,057	(250,396)
Net Cash Provided By (Used In)			
Noncapital Financing Activities	(66,000)	243,667	(183,110)
<b>Cash Flows From Capital and Related Financing Activities</b>			
Purchase of capital assets	(213,070)	(232,881)	(119,780)
Special assessment collections	6,600	1,449	
Interest paid	(7,315)	(282)	
Principal payments on bonds	(61,168)	(1,782)	
Net Cash Used In Capital and Related Financing Activities	(274,953)	(233,496)	(119,780)
<b>Cash Flows From Investing Activities</b>			
Interest earnings	10,685		32,528
<b>Increase (Decrease) in Cash and Investments</b>	(237,075)		(143,474)
<b>Cash and Investments, Beginning</b>	393,962		921,959
<b>Cash and Investments, Ending</b>	\$ 156,887	\$	\$ 778,485

**See Notes to Financial Statements**



Refuse and Recycling Fund	Storm Water Fund	TOTALS	
		2024	2023
\$ 113,270	\$ 38,773	\$ 1,813,003	\$ 1,811,426
100		8,801	9,523
(115,102)	(2,239)	(1,373,437)	(1,254,945)
(17,648)	(9,414)	(230,717)	(194,161)
(19,380)	27,120	217,650	371,843
		17,286	8,644
		(38,390)	38,390
(2,000)	(2,500)	11,161	(171,772)
(2,000)	(2,500)	(9,943)	(124,738)
		(565,731)	(68,111)
		8,049	18,843
		(7,597)	(8,598)
		(62,950)	(97,800)
		(628,229)	(155,666)
1,121	3,444	47,778	21,399
(20,259)	28,064	(372,744)	112,838
42,760	83,417	1,442,098	1,329,260
\$ 22,501	\$ 111,481	\$ 1,069,354	\$ 1,442,098

**CITY OF HARMONY, MINNESOTA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS - CONTINUED**  
**For the Year Ended December 31, 2024**  
***With Comparative Totals for December 31, 2023***

**RECONCILIATION OF OPERATING INCOME (LOSS)**  
**TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES**

	<u>Business-Type Activities - Enterprise Funds</u>		
	Water Fund	Sewer Fund	Electric Fund
<b>Operating Income (Loss)</b>	\$ 27,787	\$ (153,943)	\$ 135,595
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	79,378	132,043	55,774
Change in net pension liability	(5,487)	(15,563)	(1,605)
Other income		177	8,524
(Increase) Decrease In:			
Accounts receivable	(7,808)	(18,482)	(14,543)
Inventories	(30,757)		(75,619)
Special assessments	24,107	30,744	
Prepaid items	(550)	(1,752)	(269)
Increase (Decrease) In:			
Accounts payable	4,697	2,659	17,979
Accrued compensated absences	790	7,212	(296)
Due to other governments	1,305	6,434	1,097
Deposits payable			1,023
Sales tax payable	(34)		(455)
Salaries and wages payable	(235)	300	(317)
Net Cash Provided By (Used In)			
Operating Activities	<u>\$ 93,193</u>	<u>\$ (10,171)</u>	<u>\$ 126,888</u>
Non-Cash Transactions:			
Capital assets in accounts payable	\$	\$ 71,684	\$
Receipt of contributed asset			

**See Notes to Financial Statements**

\$	\$	\$	71,684	\$	82,910
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**CITY OF HARMONY, MINNESOTA  
FIDUCIARY FUNDS  
STATEMENTS OF FIDUCIARY NET POSITION  
December 31, 2024  
With Comparative Totals for December 31, 2023**

	Sanderson Memorial Trust Fund	
	2024	2023
<b>ASSETS</b>		
Cash and investments	\$ 52,074	\$ 10,437
<b>NET POSITION</b>		
Restricted for other governments	\$ 52,074	\$ 10,437

**CITY OF HARMONY, MINNESOTA  
FIDUCIARY FUNDS  
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION  
For the Years Ended December 31, 2024 and 2023**

	2024	2023
<b>Additions</b>		
Memorials and donations	\$ 40,000	\$
Interest Income	1,637	
Total Additions	41,637	
<b>Change in Net Position</b>	41,637	
<b>Net Position - beginning of year</b>	10,437	10,437
<b>Net Position - end of year</b>	\$ 52,074	\$ 10,437

**CITY OF HARMONY, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

# CITY OF HARMONY, MINNESOTA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 1. Summary of Significant Accounting Policies

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The City of Harmony, Minnesota (the City) operates under "Optional Plan A" as defined in the State of Minnesota statutes. The City is governed by an elected Mayor and a four-member Council. The Council exercises legislative authority and determines all matters of policy. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the primary government.

The accounting policies of the City of Harmony, Minnesota, conform to generally accepted accounting principles applicable to governmental units. The following is a summary of the more significant accounting policies:

#### Reporting Entity

In accordance with Statement No. 14 of the Governmental Accounting Standards Board, The Financial Reporting Entity, 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. Based on this criteria, there are no component units of the City of Harmony.

#### Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position 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.

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)

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.

Property taxes, sales 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transaction, in which the City receives value without directly giving equal value in return, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year in which the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it is recognized.

Unearned revenue is recorded when assets are recognized before revenue recognition criteria have been satisfied. Grants received before eligibility requirements other than time requirements are met are recorded as unearned revenue. Grants received before time requirements are met are recorded as a deferred inflow of resources.

## 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)

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 *small cities grant fund* accounts for the activities of the small cities development grant services.

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

The *economic development authority fund* accounts for the activities for the EDA services for economic development in the City.

The *debt service bond fund* accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for payment.

The *capital projects fund* accounts for the acquisition of capital equipment for governmental activities of the City.

The *2024 street project fund* accounts for the acquisition and construction of capital improvements in the City.

The City reports the following major proprietary funds:

The *electric utility fund* accounts for the operation of the City owned electric utility system.

The *water utility fund* accounts for the operation of the City owned water utility system.

The *sewer utility fund* accounts for the operation of the City owned sewer utility system.

The *refuse and recycling fund* accounts for the operation of the City garbage and recycling system.

The *storm water utility* accounts for the operation of the City owned storm water utility system.

The City reports the following fiduciary fund:

The *Sanderson Memorial Trust fund* accounts for a non-expendable trust fund for assets held by the City in a trustee capacity or as an agent on behalf of others.

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 tax transfers 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.

##### Budgets and Budgetary Accounting

Formal budgetary accounting is employed as a management control for the general fund and all special revenue funds with the exception of the Small Cities Grant Fund, which adopts a project length budget. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and may be amended by formal council action. Budgets are adopted on a basis consistent with generally accepted accounting principles. 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. Investments consist primarily of nonparticipating certificates of deposit recorded at cost, which approximates market. The City has designated cash and cash equivalents as demand deposits and all investments with an original maturity of three months or less.

##### Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are reported using the consumption method and recorded as an expense at the time of consumption.

##### Inventory

Inventories are stated at cost on a first-in, first-out basis.

# 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 the 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 inflows of resources in the governmental fund types 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.

#### Tax Increment Districts

Tax increment revenues received are recorded in the Capital Projects Fund and transferred to the Debt Service Fund to the extent required to service bond principal and interest payments due plus 5 percent of such payments. Any remaining property tax revenues are recognized in the Capital Projects Funds for the tax increment district.

#### Special Assessments

Assessments are levied at various times by City resolution for property owner improvements made by the City. Assessment collections are deferred over periods ranging from five to fifteen years with interest charges of 2.95% to 5.00%. Assessment revenue is recognized as the annual installments become collectible. Annual installments not collected as of each December 31 are classified as delinquent assessments receivable. Delinquent assessments receivable are fully offset by deferred inflows of resources in the Governmental Fund Types because they are not known to be available to finance current expenditures.

#### 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" and "advances to other funds" or "advances from other funds" on the balance sheet.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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 acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Public domain ("infrastructure") capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are capitalized along with other capital assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest is capitalized on enterprise fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until completion of the project with interest earned on invested proceeds over the same period.

For the government-wide financial statements, capital assets 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 in Years
Buildings and improvements	10 - 50
Streets	20 - 30
Storm Sewers	40
Water Mains	50
Sanitary Sewers	50
Sidewalks	20
Curb and Gutter	30
Electric Distribution	10 - 50
Machinery and equipment	5 - 25
Computer Software and Equipment	5 - 10

Compensated Absences

It is the government's policy to permit employees to accumulate a limited amount of earned but unused paid time off. Select employees also have earned but unused sick leave earned prior to the implementation of a paid time off policy. All personal time off up to a maximum limit is accrued when incurred in the government-wide and proprietary fund financial statements. Employees with 20 years or more of service with the City receive 10 percent of the accumulated sick leave upon termination. A liability for these amounts has been accrued in the government-wide and proprietary fund financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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1. Summary of Significant Accounting Policies (Continued)

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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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premium or discount.

Net Position / Fund Balance

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 the 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.

In the government-wide and proprietary financial statements, net position is classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Position – This amount is the net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual restraints.

Restricted – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the City Council through formal action and remain binding unless removed by the City Council by subsequent formal action.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The City Council, by majority vote, may assigned fund balances to be used for specific purposes when appropriate. The City Council has delegated the power to assign fund balances to the City Administrator.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

## CITY OF HARMONY, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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##### Net Position / Fund Balance (continued)

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

The City has not adopted a minimum fund balance policy.

##### 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

##### Comparative Data

Comparative data for the prior year has been presented in certain of the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, complete comparative data has not been presented since their inclusion would not provide meaningful comparisons. Certain amounts in the prior year totals column have been reclassified to conform to the current year presentation

##### Concentration of Credit Risk

Financial instruments which expose the City to a concentration of credit risk consist primarily of cash, investments and accounts and loans receivable. Credit risk associated with cash and investments are discussed in Note 2. The City's accounts and loans receivable are concentrated geographically, as for the most part, amounts are due from individuals residing in and businesses located in the City of Harmony.

##### Deferred Outflows of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has one type and is pension related and is reported on the statement of net position.

##### Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City recognized two types. The first type of deferred inflows of resources occurs because governmental fund revenues are not recognized until available under the modified accrual basis of accounting. The second type is pension related and reported in the statement of net position.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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1. Summary of Significant Accounting Policies (Continued)

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Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Implementation of New Accounting Principles

During the year, the City implemented GASB Statement No. 101, *Compensated Absences*. This Statement provides guidance on accounting and financial reporting for reporting a liability for certain types of leave (compensated absences). Under this Statement, government organizations are required to recognize a liability for employee's compensated absences if the leave is attributable to employee's services already rendered, if the leave accumulates, or if it is more likely than not to be used for time off or paid in cash upon separation. The liability is measured using an employee's rate of pay at the date of the financial statements. The liability and associated expense are reported in the government-wide and proprietary statements. The Statement has been implemented and a liability has been reported on the government-wide and proprietary financial statements.

CITY OF HARMONY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Cash and Investments

Summary of Cash and Investments

As of December 31, 2024, the City’s cash and investments consisted of the following items, all of which are held in an internal investment pool:

Cash on hand	\$ 165
Deposits	1,393,451
Non-negotiable certificates of deposits	900,000
4M money market	2,435,887
Total Cash and Investments Per the Statement of Net Position	\$ 4,729,503
Cash and Investments	\$ 4,729,503
Fiduciary Fund Cash and Investments	52,074
Total Cash and Investments	\$ 4,781,577

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 into 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.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s deposit policy for custodial credit risk follows Minnesota Statutes for 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. The Statutes also requires that securities pledged as collateral be held in safekeeping by the Treasurer, or in a financial institution other than the institution furnishing the collateral.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Cash and Investments (Continued)

Concentration of Credit Risk

The investment policy of the City contains no limitation on the amount that can be invested in any one issuer. Investments in any one issuer that represent 5% or more of total investments are as follows:

Non-negotiable certificates of deposits	27%
4M money market	73%

Fair Value Measurements

Fair value measurements are determined utilizing the framework established by the Governmental Accounting Standards Board. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data. Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets
  - Quoted prices for identical assets or liabilities in inactive markets
  - Inputs other than quoted prices that are observable for the asset or liability
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other meansIf the asset or liability has a specific (contractual) term, Level 2 input must be observable for substantially the full term of the asset or liability
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The City's investments within the fair value hierarchy at December 31, 2024 were as follows:

Investment Type	Credit Risk		Fair Value Measurements Using	Interest Risk - Maturity Date in Years				Total
	Rating	Agency		No Maturity Date	Less than 1	1 to 5	6 to 10	
4M money market	Not Rated	N/A	N/A	\$2,435,887	\$	\$	\$	\$2,435,887

N/A - Not Applicable

The 4M Fund and 4M Plus Fund are external investment pools not registered with the Securities and Exchange Commission regulated by Minnesota Statutes. The City's investments in these investment pools are measured at the net asset value per share provided by the pool, which is based on the amortized cost method that approximates fair value. For the 4M and 4M Plus investment pools, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice required.



CITY OF HARMONY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Due From Other Governmental Units

Amounts due from other governmental units at December 31, 2024 are as follows:

Fund	Fillmore County	State of Minnesota	Total
General	\$ 3,545	\$ 23,899	\$ 27,444
Fire	444		444
Library	991		991
Park	871		871
Arts	88		88
EDA	1,131		1,131
Debt service	1,688		1,688
Water	207		207
Sewer	45		45
	<u>\$ 9,010</u>	<u>\$ 23,899</u>	<u>\$ 32,909</u>

4. Loan Receivables

The City has made various economic development loans to business through its revolving loan program. These loans are receivable by the City over three to ten year periods with varying interest rates at three to seven percent per annum. These loans are secured by equipment and other assets. The receivable balances in this fund at December 31, 2024 was \$279,620.

The City has made various economic development loans through its commercial revitalization program to businesses. These loans are forgiven at a rate of ten percent of the original balance each anniversary date of the loan. The City will collect these loans only if there is an ownership change of the property. EDA commercial revitalization loans totaled \$140,000 as of December 31, 2024.

Under a Small Cities Development Program Grant through the Minnesota Department of Trade and Economic Development, loans are made to eligible homeowners to assist with residential and commercial improvements. The City will collect these loans only if there is an ownership change of the improved property. Consequently, the loans are reduced annually and eventually forgiven if ownership is retained over the ten year period per the loan program. The Balance on all loans receivable at December 31, 2024 was \$512,318.

CITY OF HARMONY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Capital Assets

<b>Governmental Activities</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 420,168	\$ 25,296	\$	\$ 445,464
Construction in progress		1,446,214		1,446,214
Total capital assets, not being depreciated	420,168	1,471,510		1,891,678
Capital assets, being depreciated:				
Buildings and improvements	1,802,089	14,000		1,816,089
Infrastructure	5,630,188			5,630,188
Machinery and equipment	1,332,119	107,000		1,439,119
Vehicles	1,822,634			1,822,634
Total capital assets, being depreciated	10,587,030	121,000		10,708,030
Less accumulated depreciation for:				
Buildings and improvements	846,145	55,897		902,042
Infrastructure	3,022,300	161,103		3,183,403
Machinery and equipment	902,907	53,806		956,713
Vehicles	916,668	99,031		1,015,699
Total accumulated depreciation	5,688,020	369,837		6,057,857
Total capital assets, being depreciated, net	4,899,010	(248,837)		4,650,173
Governmental activities capital assets, net	\$ 5,319,178	\$ 1,222,673	\$	\$ 6,541,851

**Governmental Activities:**

General government	\$ 41,518
Public safety	97,637
Streets and highways	200,159
Culture and recreation	30,324
Economic development	199

Total depreciation expense - governmental activities \$ 369,837

**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	\$ 36,415	\$	\$	\$ 36,415
Construction in progress		154,565		154,565
Total capital assets, not being depreciated	36,415	154,565		190,980
Capital assets, being depreciated:				
Buildings and improvements	2,538,356			2,538,356
Distribution lines and infrastructure	6,243,300	246,834		6,490,134
Machinery and equipment	1,832,706	236,016		2,068,722
Vehicles	28,700			28,700
Total capital assets, being depreciated	10,643,062	482,850		11,125,912
Less accumulated depreciation for:				
Buildings and improvements	1,775,774	78,380		1,854,154
Distribution lines and infrastructure	2,542,629	155,090		2,697,719
Machinery and equipment	547,034	60,485		607,519
Vehicles	28,700			28,700
	4,894,137	293,955		5,188,092
Total capital assets, being depreciated, net	5,748,925	776,805		5,937,820
Business-type activities capital assets, net	\$ 5,785,340	\$ 931,370	\$	\$ 6,128,800

Depreciation expense was charged to functions/programs as follows:

**Business-Type Activities:**

Water	\$ 79,378
Sewer	132,043
Electric	55,774
Storm water	26,760

Total depreciation expense - business-type activities \$ 293,955

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Long-Term Debt

General Obligation Bonds:

Improvement Bonds - The G.O. Improvement Bonds were issued to finance the construction of various improvements. These bonds are payable primarily from tax levies and special assessments of the Debt Service Funds and are backed by the full faith and credit of the City.

Tax Increment Bonds - The G.O. Tax Increment Bonds were issued to finance the development of various improvements. These bonds are payable primarily from tax increment revenues of the Debt Service Funds and are back by the full faith and credit of the City.

General Obligation Revenue Bonds:

The G.O. Utility Revenue Bonds were issued to fund various Improvements to the utility systems. The funds to repay this debt will come from user fees of the Water and Sewer Enterprise Funds and are backed by the full faith and credit of the City.

A summary of interest rates, maturities, and December 31, 2024 balances is as follows:

	Original Amount of Debt	Range of Interest Rates	Final Maturity	Balance December 31, 2024
General Obligation Bonds:				
2020A Improvement Notes	1,648,000	1.95%	2031	\$ 1,440,550
2021A Tax Increment Notes	84,083	0.00%	2031	58,859
2021B Tax Increment Notes	247,000	1.80%	2032	222,000
2021C Improvement Refunding Notes	660,000	1.30%	2028	389,000
2024A Improvement Bonds	1,935,000	4.00%	2040	1,935,000
General Obligation Revenue Bonds:				
2015 Public Facilities Authority Bonds	857,100	1.00%	2035	495,000
2020 Improvement Notes	450,000	1.95%	2031	70,450
2021C Utility Revenue Refunding Notes	77,000	1.30%	2028	45,000
Sub-total				4,655,859
Unamortized Bond Premium				79,709
Accrued Compensated Absences				70,185
Total				\$ 4,805,753

**CITY OF HARMONY, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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

The following is a summary of the changes in long-term debt obligations for the year ended December 31, 2024:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
General Obligation Bonds:					
2013A Tax Abatement	\$ 16,000	\$	\$ 16,000	\$	\$
2020A Improvement Notes	1,629,600		189,050	1,440,550	193,705
2021A Tax Increment Notes	67,267		8,408	58,859	8,408
2021B Tax Increment Notes	247,000		25,000	222,000	26,000
2021C Improvement Refunding Notes	483,000		94,000	389,000	96,000
2024A Improvement Bonds		1,935,000		1,935,000	
Unamortized Bond Premium		82,280	2,571	79,709	
Accrued Compensated Absences	46,704	2,479		49,183	49,183
Governmental Activities					
Long-term Liabilities	2,489,571	2,019,759	335,029	4,174,301	373,296
<b>BUSINESS-TYPE ACTIVITIES</b>					
General Obligation Revenue Bonds:					
2015 Public Facilities Authority Bonds	537,000		42,000	495,000	43,000
2020A Improvement Notes	80,400		9,950	70,450	10,150
2021C Utility Revenue Refunding Notes	56,000		11,000	45,000	12,000
Accrued Compensated Absences	12,644	8,358		21,002	21,002
Business-type Activities					
Long-term Liabilities	686,044	8,358	62,950	631,452	86,152
Total	\$ 3,175,615	\$ 2,028,117	\$ 397,979	\$ 4,805,753	\$ 459,448

Compensated absences are presented as the net changes of increases and decreases to arrive at the presentation of the ending balance.

**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, 2024, excluding compensated absences over the life of the debt, are summarized below:

General Obligation Bonds			General Obligation Revenue Bonds		Total
Years	Principal	Interest	Principal	Interest	
<u>Governmental Activities</u>					
2025	\$ 324,113	\$ 85,326	\$	\$	\$ 409,439
2026	422,763	106,193			528,956
2027	435,513	96,774			532,287
2028	445,313	87,043			532,356
2029	356,113	77,666			433,779
2030-2034	1,146,594	268,432			1,415,026
2035-2039	750,000	125,000			875,000
2040	165,000	6,600			171,600
Totals	<u>\$ 4,045,409</u>	<u>\$ 853,034</u>	<u>\$</u>	<u>\$</u>	<u>\$ 4,898,443</u>
<u>Business-Type Activities</u>					
2025			\$ 65,150	\$ 6,981	\$ 72,131
2026			63,495	6,052	69,547
2027			64,895	5,275	70,170
2028			65,095	4,484	69,579
2029			54,295	3,759	58,054
2030-2034			249,520	9,765	259,285
2035			48,000	480	48,480
Totals			<u>\$ 610,450</u>	<u>\$ 36,796</u>	<u>\$ 647,246</u>

**CITY OF HARMONY, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**7. Individual Fund Disclosures**

The amounts advanced to and from other funds as of December 31, 2024 at the individual fund level are as follows:

	Advances From Other Funds	Advances To Other Funds
Special Revenue Fund:		
Economic Development Authority	\$	\$ 6,251
Capital Projects Fund:		
TIF #8	6,251	
	<u>\$ 6,251</u>	<u>\$ 6,251</u>

The EDA fund advanced \$6,251 to TIF District #8 to finance the initial developer loan for tax increment project costs related to the district. This loan shall be paid back at a fixed interest rate of three percent through tax increment revenues.

Transfers during the year ended December 31, 2024 were as follows:

Funds	Transfers In	Transfers Out
General Fund	\$ 8,200	\$ 191,361
Special Revenue Funds:		
Fire		25,000
Ambulance		25,000
Park	38,300	20,000
Economic Development Authority Fund	15,000	
Debt Service Fund	84,147	
Capital Projects Funds:		
Capital Projects Fund	167,000	43,300
TIF #8 Fund		19,147
Proprietary Funds:		
Water		66,000
Sewer	332,057	
Electric		250,396
Refuse and Recycling		2,000
Storm Water		2,500
Totals	<u>\$ 644,704</u>	<u>\$ 644,704</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Individual Fund Disclosures (Continued)

During the year, transfers are used to 1) move General fund resources to provide an annual savings for future capital spending to the capital projects fund, 2) move special revenue resources in the ambulance fund to provide for its share of annual operating expenditures to the fire fund, 3) move resources from the Electric fund to the Economic Development Authority fund to cover operating expenditures, 4) move funds from the various utility funds to the General fund related to Payments in Lieu of Taxes (PILOT), 5) move funds from the various utility funds to the Debt Service fund to cover bond payments, and 6) move funds from TIF #7 to the Debt Service fund to cover bond payments related to the Tax Increment Financing District.

Excess expenditures over appropriations at the individual fund level during 2024 were as follows:

Special Revenue Funds:

Revolving Loan	\$	48,500
Fire		4,005

Excess expenditures over appropriations were the result of a planned process.

The amounts due to and from other funds as of December 31, 2024 at the individual fund level are as follows:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 25,296	\$
Capital Projects Funds:		
Trail Extension		25,296
	\$ 25,296	\$ 25,296

At December 31, 2024 the following funds have deficit fund balances:

Capital Projects Funds:

TIF District #8	\$	6,251
Trail Extension Fund		25,296

The City plans to eliminate the deficits in these funds through future tax increment collections and transfers.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Fund Balance/Net Position

The City has restrictions on portions of the fund balance/net position in several funds. The restricted fund balance/net position represents the portion not available for expenditures or legally segregated for specific future use. A summary of fund balance/net position restrictions at December 31, 2024 is as follows:

	Restriction Imposed By:		
	Grantors	Regulation	Creditors
<b>Restricted Fund Balance</b>			
Special Revenue Funds:			
Small Cities Grant	\$ 6,980	\$	\$
Economic Development	198,417		
Debt Service			687,126
Total Restricted Fund Balance	<u>\$ 205,397</u>	<u>\$</u>	<u>\$ 687,126</u>
<b>Restricted Net Position</b>			
Economic Development	\$ 205,397	\$	\$
Fire Pension		79,925	
Debt Service			1,164,609
Total Restricted Net Position	<u>\$ 205,397</u>	<u>\$ 79,925</u>	<u>\$ 1,164,609</u>

The City has assigned portions of fund balance in the governmental funds. A summary of the assigned portion of fund balance at December 31, 2024 is as follows:

	Special Revenue Funds	Capital Project Funds
Ambulance	\$ 370,407	
Revolving Loan	117,927	
Library	40,511	
Fire	72,590	
Park	120,810	
Arts	16,199	
2024 Street Project		535,699
Trailhead Project		146
TIF #7		32,877
Total Assigned Fund Balance	<u>\$ 738,444</u>	<u>\$ 568,722</u>

CITY OF HARMONY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Fund Balance/Net Position (Continued)

The City has committed portions of fund balance in the governmental funds. A summary of the committed portion of fund balance at December 31, 2024 is as follows:

	<u>Committed</u>
Police	\$ 25,000
Seal Coating A, B, C, and D	261,276
Dodge Truck	51,818
Pickup	9,500
Skidloader & Attachments	26,000
UTV	7,000
Visitor Center Roof	65,000
Siren Replacements	22,500
Estate	70,242
Fire:	
Monument	44,074
Ambulance	72,406
Parks:	
Mower	10,250
Water:	
Tower & Improvements	90,000
Generator for Well	10,000
Sewer:	
Lift Stations (Rodder, Jetter, & Generator)	15,000
Electric:	
Pickup	48,000
Boom Truck	50,000
Storm Sewer:	
Sweeper	5,500
Total Committed Fund Balance	<u>\$ 883,566</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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9. Commitments and Contingencies

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Purchased Power

The City purchases power from Mi Energy Cooperative under a power sales contract which extends through December 2026. Under the terms of the contract, the City is obligated to buy all of its electrical power needs from Mi Energy Cooperative through the term of the contract.

Federal and State Grants

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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10. Defined Benefit Pension Plans - Statewide

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Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

Membership in the General Employees Retirement Plan (General Plan) includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. 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. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

General Employees Plan requires three years of service to vest. 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 General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2 percent of the highest average salary for each of the first 10 years of service and 1.7 percent for each additional year. Under the Level formula, General plan members receive 1.7 percent of the highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced retirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by 0.25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25 percent for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. The 2024 annual increase was 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

CITY OF HARMONY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (Continued)

Contributions

Minnesota Statutes chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2024 and the City was required to contribute 7.50 percent for General Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2024, were \$32,200. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs

At December 31, 2024, the City reported a liability of \$187,538 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$4,849.

City's proportionate share of the net pension liability	\$ 187,538
State of Minnesota's proportionate share of the net pension liability associated with the City	4,849
Total	<u>\$ 192,387</u>

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0051 percent at the end of the measurement period and 0.0044 percent for the beginning of the period.

For the year ended December 31, 2024, the City recognized pension expense of (\$26,802) for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional (\$93) as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$8,675 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contribution to the General Employees Plan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (Continued)

Pension Costs (continued)

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 17,396	\$
Changes in actuarial assumptions	1,239	64,101
Net difference between projected and actual earnings on pension plan investments		40,919
Changes in proportion	31,944	15,836
Employer contributions subsequent to the measurement date	17,177	
Total	<u>\$ 67,756</u>	<u>\$ 120,856</u>

Pension Costs (Continued)

The \$17,177 reported as deferred outflows of resources related to pensions resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31:	Pension Expense Amount
2025	\$ (51,165)
2026	8,012
2027	(12,751)
2028	(14,373)

Aggregate Pension Expense

The total pension expense for all plans recognized by the City for the year ended December 31, 2024 is as follows:

General Employee Fund	\$ (26,802)
Fire Relief Pension	(79,925)
Total	<u>\$ (106,727)</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (Continued)

Long-Term Expected Return on Investment

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
Total	100%	

Actuarial Methods and Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

- Inflation is assumed to be 2.25 percent for the General Employees Plan.
- Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation. PERA anticipates the experience study will be approved by the Legislative Commission on Pensions and Retirement and become effective with the July 1, 2025 actuarial valuation.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (Continued)

Actuarial Methods and Assumptions (Continued)

The following changes in actuarial assumptions and plan provisions occurred in 2024:

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rates adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Sensitivity Analysis		
Net Pension Liability at Different Discount Rates		
	General Employees Fund	
1% Lower	6.00%	\$ 409,612
Current Discount Rate	7.00%	\$ 187,538
1% Higher	8.00%	\$ 4,861

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. Defined Contribution Pension Plan

The ambulance members of the City of Harmony, Minnesota are covered by the Defined Contribution Plan, a multi-employer deferred compensation plan administered by PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D and 356, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receive two percent of employer contributions and twenty-five hundredths of one percent (0.25 percent) of the asset in each member's account annually.

Total contributions made by the City during fiscal year 2024 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rates
11,216	15,487	11.28%	15.57%	5%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. Defined Benefit Pension Plan - Fire Relief Association

The Harmony Firemen's Relief Association has not had an actuarial study performed. The Association believes the funding status determined using the calculation required by the Minnesota State Auditor is sufficient to determine the reportable amounts under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Plan Description

The Harmony Firemen's Relief Association (the Association) is the administrator of a single-employer Public Employee Retirement System (PERS) established to provide benefits for members of the Harmony Fire Department (the Department).

The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is partially from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (chapter 261 as amended by chapter 509 of Minnesota Statutes 1980). Fund are also derived from investment income.

The financial requirements of the Special fund are determined in accordance with Minnesota Statutes section 69.772 which requires the payment of pension benefits in a lump sum or optionally in annual installments. The benefits are payable after age 50 with five years of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40 percent through 20 years at 100 percent.

Benefits are accumulated at \$1,150 per year of active service in the Department. The accrued liability for these accumulated benefits is computed using increasing percentages based on year of service. At 20 years of service, the liability is equal to the number of year of service times benefits per year. Association members are fully vested after 20 years.

All members of the Department are covered by a defined benefit plan (the Plan) administered by the Association. The Plan is a single-employer retirement plan and is established and administered in accordance with Minnesota Statute, chapter 69.

The Association issues a publicly available financial report. The report may be obtained by writing to the Harmony Firefighters' Relief Association, Harmony, MN 55939.

Funding Status and Progress

Plan information for 2024 is not available yet. At December 31, 2023, the Association funding status was as follows:

Total plan assets, at market	\$	486,605
Total accrued liability		<u>406,680</u>
Net Position in Excess of		
Accrued Liability	\$	<u><u>79,925</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**12. Defined Benefit Pension Plan - Volunteer Fire Relief Association (Continued)**

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Contributions Required and Contributions Made

Financial requirements of the Association are determined on a computation based on member years of service. The City's minimum obligation is the financial requirement for the year less Association investment earnings and State aids. This funding strategy should provide sufficient resources to pay Association benefits on a timely basis.

Total contributions made by the City to the Association in 2024 amounted to \$23,899, which represents the pass-through of State Aids of \$33,399 and the City's annual contribution to the Association of \$9,500. The contributed amount was determined as described above and was based on the Association's requirements as of December 31, 2024.

The computation of the pension contribution requirements for 2024 was based on the same assumptions, benefit provision, lump sum funding method, and other significant factors used to determine pension contributions requirements in previous years.

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**13. 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) and Southeast Service Cooperative.

Settled claims resulting from these risks have not exceeded the insurance coverage in any of the past three years. There was no reduction in insurance coverage during 2024.

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, so that total contributions plus compounded earnings on those charged, so that 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 2024. 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.

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**CITY OF HARMONY, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2024**

**CITY OF HARMONY, MINNESOTA**  
**Schedules of City Pension Contributions**

**PERA General Employees Retirement Fund**  
**Last Ten Years (presented prospectively)**

Year Ended December 31	Statutorily Required Contribution (a)	Contributions in Relation to Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/d)
2015	\$ 32,852	\$ 32,852	\$	\$ 793,876	7.50%
2016	33,960	33,960		795,133	7.50%
2017	34,438	34,438		838,253	7.50%
2018	36,290	36,290		874,960	7.50%
2019	39,716	39,716		529,547	7.50%
2020	35,736	35,736		476,480	7.50%
2021	25,670	25,670		342,267	7.50%
2022	27,354	27,354		364,720	7.50%
2023	27,993	27,993		373,240	7.50%
2024	32,200	32,200		429,333	7.50%

**CITY OF HARMONY, MINNESOTA**  
**Schedules of City and Non-Employer Proportionate Share of Net Pension Liability**

**PERA General Employees Retirement Fund**  
**Last Ten Years (presented prospectively)**

Fiscal Year Ended June 30	City's Proportionate Share (Percentage) of Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability (Asset) (b)	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Position Liability Associated with the City (a+b)	Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a+b) / c	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0052%	\$ 269,491	\$	\$ 269,491	\$ 937,084	28.8%	78.20%
2016	0.0051%	414,095		414,095	447,499	92.5%	68.90%
2017	0.0049%	312,813		312,813	449,515	69.6%	75.90%
2018	0.0052%	288,475		288,475	477,481	60.4%	79.50%
2019	0.0051%	281,968	8,666	290,634	501,289	58.0%	80.20%
2020	0.0046%	275,791	8,429	284,220	495,514	57.4%	79.00%
2021	0.0046%	196,441	5,948	202,389	504,837	40.1%	87.00%
2022	0.0048%	380,162	11,053	391,215	357,107	109.6%	76.70%
2023	0.0044%	246,043	6,751	252,794	343,495	73.6%	83.10%
2024	0.0051%	187,538	4,849	192,387	401,287	47.9%	89.10%

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**CITY OF HARMONY, MINNESOTA**  
**COMBINING AND INDIVIDUAL NONMAJOR FUNDS**  
**STATEMENTS AND SCHEDULES**  
**DECEMBER 31, 2024**

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**CITY OF HARMONY, MINNESOTA**

**COMBINING FUNDS**

**DECEMBER 31, 2024**

**Special Revenue Funds**

Special revenue funds are used to account for the proceeds of specific revenue sources requiring separate accounting because of legal, regulatory or grant provisions or administrative action.

**Capital Project Funds**

Capital project funds are used to account for the acquisition and construction of major capital facilities other than those financed by the enterprise fund.

**CITY OF HARMONY, MINNESOTA  
COMBINING BALANCE SHEET  
COMBINING GOVERNMENTAL FUNDS  
December 31, 2024**

	Special Revenue Funds Total	Capital Project Funds				Total Combining Governmental Funds 2024
		<u>410</u> Trailhead Project Fund	<u>425</u> TIF District #7 Fund	<u>426</u> TIF District #8 Fund	<u>429</u> Trail Extension Fund	
<b>ASSETS</b>						
Cash and investments	\$ 375,037	\$ 146	\$ 32,877	\$	\$	\$ 408,060
Accounts receivable	3,150					3,150
Loans receivable	279,620					279,620
Due from other governmental units	2,394					2,394
Prepaid items	8,281					8,281
<b>TOTAL ASSETS</b>	<b>\$ 668,482</b>	<b>\$ 146</b>	<b>\$ 32,877</b>	<b>\$</b>	<b>\$</b>	<b>\$ 701,505</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>						
<b>Liabilities</b>						
Accounts payable	\$ 9,606	\$	\$	\$	\$	\$ 9,606
Due to other governments	1,546					1,546
Salaries and wages payable	1,392					1,392
Due to other funds					25,296	25,296
Advances from other funds				6,251		6,251
Total Liabilities	12,544			6,251	25,296	44,091
<b>Deferred Inflows of Resources</b>						
Unavailable:						
Loans	99,267					99,267
<b>Fund Balance</b>						
Nonspendable:						
Prepaid items	8,281					8,281
Economic development loans	180,353					180,353
Assigned	368,037	146	32,877			401,060
Unassigned				(6,251)	(25,296)	(31,547)
Total Fund Balance	556,671	146	32,877	(6,251)	(25,296)	558,147
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b>\$ 668,482</b>	<b>\$ 146</b>	<b>\$ 32,877</b>	<b>\$</b>	<b>\$</b>	<b>\$ 701,505</b>

**CITY OF HARMONY, MINNESOTA**  
**COMBINING GOVERNMENTAL FUNDS**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**For the Year Ended December 31, 2024**

	Special Revenue Funds Total	Capital Project Funds				Total Combining Governmental Funds 2024
		<u>410</u> Trailhead Project Fund	<u>425</u> TIF District #7 Fund	<u>426</u> TIF District #8 Fund	<u>429</u> Trail Extension Fund	
<b>REVENUES</b>						
Property tax collected	\$ 243,785	\$	\$	\$	\$	\$ 243,785
Tax increments			49,497			49,497
Intergovernmental revenues	37,720					37,720
Charges for services	58,472					58,472
Interest income	15,853	5	2,527			18,385
Miscellaneous revenues	17,995					17,995
<b>TOTAL REVENUES</b>	<b>373,825</b>	<b>5</b>	<b>52,024</b>			<b>425,854</b>
<b>EXPENDITURES</b>						
Public safety	72,681					72,681
Culture and recreation	213,426					213,426
Economic development	100,000					100,000
Capital outlay					25,296	25,296
<b>TOTAL EXPENDITURES</b>	<b>386,107</b>				<b>25,296</b>	<b>411,403</b>
Excess (deficiency) of revenues over (under) expenditures	(12,282)	5	52,024		(25,296)	14,451
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	38,300					38,300
Transfers out	(45,000)		(19,147)			(64,147)
Total Other Financing Sources (Uses)	(6,700)		(19,147)			(25,847)
<b>Net Change in Fund Balances</b>	<b>(18,982)</b>	<b>5</b>	<b>32,877</b>		<b>(25,296)</b>	<b>(11,396)</b>
<b>FUND BALANCE, beginning</b>	<b>575,653</b>	<b>141</b>		<b>(6,251)</b>		<b>569,543</b>
<b>FUND BALANCE, ending</b>	<b>\$ 556,671</b>	<b>\$ 146</b>	<b>\$ 32,877</b>	<b>\$ (6,251)</b>	<b>\$ (25,296)</b>	<b>\$ 558,147</b>

**CITY OF HARMONY, MINNESOTA**  
**COMBINING BALANCE SHEET**  
**SPECIAL REVENUE FUNDS**  
**December 31, 2024**

	<u>201</u>	<u>211</u>	<u>222</u>	<u>251</u>	<u>261</u>	Total
	Revolving	Library	Fire	Park	Arts	Special
	Fund	Fund	Fund	Fund	Fund	Revenue
						Funds
<b>ASSETS</b>						
Cash and investments	\$ 117,927	\$ 43,054	\$ 71,991	\$ 125,131	\$ 16,934	\$ 375,037
Accounts receivable			3,000	150		3,150
Loans receivable	279,620					279,620
Due from other governmental units		991	444	871	88	2,394
Prepaid items		227	4,644	3,410		8,281
<b>TOTAL ASSETS</b>	<b>\$ 397,547</b>	<b>\$ 44,272</b>	<b>\$ 80,079</b>	<b>\$ 129,562</b>	<b>\$ 17,022</b>	<b>\$ 668,482</b>
<b>LIABILITIES AND FUND</b>						
<b>BALANCE</b>						
<b>Liabilities</b>						
Accounts payable	\$	\$ 2,300	\$ 2,163	\$ 4,320	\$ 823	\$ 9,606
Due to other governments			682	864		1,546
Salaries and wages payable		1,234		158		1,392
Total Liabilities		3,534	2,845	5,342	823	12,544
<b>Deferred Inflows of Resources</b>						
Unavailable:						
Loans		99,267				99,267
<b>Fund Balance</b>						
Nonspendable:						
Prepaid items		227	4,644	3,410		8,281
Economic development loans	180,353					180,353
Assigned	117,927	40,511	72,590	120,810	16,199	368,037
Total Fund Balance	298,280	40,738	77,234	124,220	16,199	556,671
<b>TOTAL LIABILITIES, DEFERRED INFLOWS</b>	<b>\$ 397,547</b>	<b>\$ 44,272</b>	<b>\$ 80,079</b>	<b>\$ 129,562</b>	<b>\$ 17,022</b>	<b>\$ 668,482</b>
<b>OF RESOURCES, AND FUND BALANCE</b>						

**CITY OF HARMONY, MINNESOTA**  
**SPECIAL REVENUE FUNDS**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**For the Year Ended December 31, 2024**

	<u>201</u> Revolving Loan Fund	<u>211</u> Library Fund	<u>222</u> Fire Fund	<u>251</u> Park Fund	<u>261</u> Arts Fund	Total Special Revenue Funds
<b>REVENUES</b>						
Property tax collected	\$	\$ 101,225	\$ 45,000	\$ 88,560	\$ 9,000	\$ 243,785
Intergovernmental revenues		35,534	2,186			37,720
Charges for services		1,147	51,901	5,424		58,472
Interest income	6,255	485	6,868	1,766	479	15,853
Miscellaneous revenues	11,599	65	3,368	2,448	515	17,995
<b>TOTAL REVENUES</b>	17,854	138,456	109,323	98,198	9,994	373,825
<b>EXPENDITURES</b>						
Public safety			72,681			72,681
Culture and recreation		131,888		73,513	8,025	213,426
Economic development	100,000					100,000
<b>TOTAL EXPENDITURES</b>	100,000	131,888	72,681	73,513	8,025	386,107
Excess (deficiency) of revenues over (under) expenditures	(82,146)	6,568	36,642	24,685	1,969	(12,282)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in				38,300		38,300
Transfers out			(25,000)	(20,000)		(45,000)
Total Other Financing Sources			(25,000)	18,300		(6,700)
<b>Net Change in Fund Balances</b>	(82,146)	6,568	11,642	42,985	1,969	(18,982)
<b>FUND BALANCE, beginning</b>	380,426	34,170	65,592	81,235	14,230	575,653
<b>FUND BALANCE, ending</b>	\$ 298,280	\$ 40,738	\$ 77,234	\$ 124,220	\$ 16,199	\$ 556,671

**CITY OF HARMONY, MINNESOTA**  
**REVOLVING LOAN FUND**  
**Schedule of Revenues, Expenditures,**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2024  
*With Comparative Totals for the Year Ended December 31, 2023*

	<u>Budgeted Amounts</u>		<u>201</u> 2024 Actual Amounts	Variance with Final Budget - Positive (Negative)	2023 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Interest Income</b>	\$ 5,800	\$ 5,800	\$ 6,255	\$ 455	\$ 1,868
<b>Miscellaneous Revenue</b>					
Loan interest	44,000	44,000	10,569	(33,431)	9,769
Other	500	500	1,030	530	300
Total Miscellaneous Revenue	44,500	44,500	11,599	(32,901)	10,069
<b>TOTAL REVENUES</b>	50,300	50,300	17,854	(32,446)	11,937
<b>EXPENDITURES</b>					
<b>Economic Development</b>					
Other services and charges	51,500	51,500	100,000	(48,500)	121
<b>NET CHANGE IN FUND BALANCE</b>	(1,200)	(1,200)	(82,146)	(80,946)	11,816
<b>FUND BALANCE - beginning</b>	380,426	380,426	380,426		368,610
<b>FUND BALANCE - ending</b>	\$ 379,226	\$ 379,226	\$ 298,280	\$ (80,946)	\$ 380,426



**CITY OF HARMONY, MINNESOTA**  
**LIBRARY FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Year Ended December 31, 2024  
*With Comparative Totals for December 31, 2023*

	<u>Budgeted Amounts</u>		<u>211</u> 2024 Actual Amounts	Variance with Final Budget - Positive (Negative)	2023 Totals
	Original	Final			
<b>REVENUES</b>					
<b>Property Taxes</b>	\$ 104,262	\$ 104,262	\$ 101,225	\$ (3,037)	\$ 101,225
<b>Intergovernmental Revenues</b>					
Other state aids					25
County grants	34,340	34,340	35,534	1,194	32,664
Total Intergovernmental Revenues	34,340	34,340	35,534	1,194	32,689
<b>Charges for Services</b>	400	400	1,147	747	785
<b>Interest Income</b>	490	490	485	(5)	203
<b>Miscellaneous Revenues</b>					
Contributions and donations			65	65	4,369
<b>TOTAL REVENUES</b>	139,492	139,492	138,456	(1,036)	139,271
<b>EXPENDITURES</b>					
<b>Library</b>					
Salaries and benefits	103,525	103,525	97,085	6,440	95,186
Operating supplies	24,650	24,650	26,676	(2,026)	22,199
Utilities	650	650	791	(141)	712
Repairs and maintenance	1,000	1,000	975	25	8,774
Insurance	1,225	1,225	1,335	(110)	776
Other services and charges	6,300	6,300	5,026	1,274	5,853
Capital outlay	1,000	1,000		1,000	1,037
<b>TOTAL EXPENDITURES</b>	138,350	138,350	131,888	6,462	134,537
<b>NET CHANGE IN FUND BALANCES</b>	1,142	1,142	6,568	5,426	4,734
<b>FUND BALANCE, beginning</b>	34,170	34,170	34,170		29,436
<b>FUND BALANCE, ending</b>	\$ 35,312	\$ 35,312	\$ 40,738	\$ 5,426	\$ 34,170

**CITY OF HARMONY, MINNESOTA**  
**FIRE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Year Ended December 31, 2024  
*With Comparative Totals for December 31, 2023*

	<u>Budgeted Amounts</u>		<u>222</u> 2024 Actual Amounts	Variance with Final Budget - Positive (Negative)	2023 Totals
	Original	Final			
<b>REVENUES</b>					
<b>Property Taxes</b>	\$ 46,350	\$ 46,350	\$ 45,000	\$ (1,350)	\$ 47,000
<b>Intergovernmental Revenues</b>					
State fire aid			2,186	2,186	
<b>Charges for Services</b>					
Fire calls	5,000	5,000	4,750	(250)	15,220
Fire protection contracts	46,000	46,000	47,151	1,151	45,999
Total Charges for Services	51,000	51,000	51,901	901	61,219
<b>Interest Income</b>	6,880	6,880	6,868	(12)	1,857
<b>Miscellaneous Revenues</b>					
Contributions and donations	1,500	1,500	3,191	1,691	14,000
Other	3,000	3,000	177	(2,823)	2,638
Total Miscellaneous Revenue	4,500	4,500	3,368	(1,132)	16,638
<b>TOTAL REVENUES</b>	108,730	108,730	109,323	593	126,714
<b>EXPENDITURES</b>					
<b>Public Safety</b>					
Salaries and benefits	18,376	18,376	19,763	(1,387)	20,565
Operating supplies	10,200	10,200	17,450	(7,250)	26,853
Training and travel	2,000	2,000	10,492	(8,492)	3,742
Insurance	14,500	14,500	8,304	6,196	10,043
Utilities	8,850	8,850	6,528	2,322	7,937
Printing and publication			20	(20)	9,244
Repairs and maintenance	11,800	11,800	9,750	2,050	12,936
Other services and charges	2,950	2,950	374	2,576	2,705
Capital outlay					9,366
<b>TOTAL EXPENDITURES</b>	68,676	68,676	72,681	(4,005)	103,391
Excess (Deficit) of Revenues Over (Under) Expenditures	40,054	40,054	36,642	(3,412)	23,323
<b>OTHER FINANCING USES</b>					
Transfers out	(35,000)	(35,000)	(25,000)	10,000	(25,000)
<b>NET CHANGE IN FUND BALANCES</b>	5,054	5,054	11,642	6,588	(1,677)
<b>FUND BALANCE, beginning</b>	65,592	65,592	65,592		67,269
<b>FUND BALANCE, ending</b>	\$ 70,646	\$ 70,646	\$ 77,234	\$ 6,588	\$ 65,592

**CITY OF HARMONY, MINNESOTA**  
**PARK FUND**  
**Schedule of Revenues, Expenditures,**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2024  
*With Comparative Totals for the Year Ended December 31, 2023*

	<u>Budgeted Amounts</u>		<u>251</u> 2024 Actual Amounts	Variance with Final Budget - Positive (Negative)	2023 Actual Amounts
	<u>Original</u>	<u>Final</u>			
<b>REVENUES</b>					
<b>Property Taxes</b>	\$ 91,217	\$ 91,217	\$ 88,560	\$ (2,657)	\$ 82,000
<b>Charges for Services</b>	2,500	2,500	5,424	2,924	8,623
<b>Interest Income</b>	1,778	1,778	1,766	(12)	682
<b>Miscellaneous Revenue</b>	2,600	2,600	2,448	(152)	229
<b>TOTAL REVENUES</b>	98,095	98,095	98,198	103	91,534
<b>EXPENDITURES</b>					
<b>Culture and Recreation</b>					
Salaries and benefits	22,975	22,975	26,309	(3,334)	29,327
Operating supplies	8,750	8,750	19,620	(10,870)	16,098
Insurance	7,500	7,500	7,461	39	5,130
Utilities	16,200	16,200	8,734	7,466	15,350
Repairs and maintenance	6,500	6,500	10,588	(4,088)	5,195
Other services and charges	12,525	12,525	801	11,724	4,711
Capital outlay	16,000	16,000		16,000	22,485
<b>TOTAL EXPENDITURES</b>	90,450	90,450	73,513	16,937	98,296
Excess (Deficit) of Revenues Over (Under) Expenditures	7,645	7,645	24,685	17,040	(6,762)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	13,000	13,000	38,300	25,300	33,000
Transfers out	(14,000)	(14,000)	(20,000)	(6,000)	(6,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	(1,000)	(1,000)	18,300	19,300	27,000
<b>NET CHANGE IN FUND BALANCE</b>	6,645	6,645	42,985	36,340	20,238
<b>FUND BALANCE, beginning</b>	81,235	81,235	81,235		60,997
<b>FUND BALANCE, ending</b>	\$ 87,880	\$ 87,880	\$ 124,220	\$ 36,340	\$ 81,235

**CITY OF HARMONY, MINNESOTA**  
**ARTS FUND**  
**Schedule of Revenues, Expenditures,**  
**and Changes in Fund Balance - Budget and Actual**  
For the Year Ended December 31, 2024  
*With Comparative Totals for the Year Ended December 31, 2023*

	<u>Budgeted Amounts</u>		<u>261</u> 2024 Actual Amounts	Variance with Final Budget - Positive (Negative)	2023 Actual Amounts
	<u>Original</u>	<u>Final</u>			
<b>REVENUES</b>					
<b>Property Taxes</b>	\$ 9,000	\$ 9,000	\$ 9,000	\$	\$ 6,500
<b>Interest Income</b>	480	480	479	(1)	191
<b>Miscellaneous Revenue</b>					
Contributions and donations	250	250	475	225	98
Other			40	40	
Total Miscellaneous Revenue	250	250	515	265	98
<b>TOTAL REVENUES</b>	9,730	9,730	9,994	264	6,789
<b>EXPENDITURES</b>					
<b>Culture and Recreation</b>					
Salaries and benefits	2,100	2,100	1,775	325	1,575
Operating supplies					280
Other services and charges	7,000	7,000	6,250	750	4,873
<b>TOTAL EXPENDITURES</b>	9,100	9,100	8,025	1,075	6,728
<b>NET CHANGE IN FUND BALANCE</b>	630	630	1,969	1,339	61
<b>FUND BALANCE - beginning</b>	14,230	14,230	14,230		14,169
<b>FUND BALANCE - ending</b>	\$ 14,860	\$ 14,860	\$ 16,199	\$ 1,339	\$ 14,230

**CITY OF HARMONY, MINNESOTA**  
**COMBINING BALANCE SHEET**  
**DEBT SERVICE FUNDS**  
**December 31, 2024**

	<u>315</u> 2013A G.O. Tax Abatement Bond Fund	<u>318</u> 2017A G.O. Improvement Bond Fund	<u>319</u> 2020A G.O. Improvement Bond Fund	<u>321</u> 2021A/B Mi Energy Loans Fund	<u>322</u> 2024A G.O. Improvement Bond Fund	Total Debt Service Funds
<b>ASSETS</b>						
Cash and investments	\$ 39,783	\$ 227,269	\$ 353,919	\$	\$ 64,467	\$ 685,438
Special assessment receivables:						
Deferred		49,332	160,320		325,538	535,190
Delinquent		592	1,609			2,201
Due from other governments	173	810	705			1,688
<b>TOTAL ASSETS</b>	<u>\$ 39,956</u>	<u>\$ 278,003</u>	<u>\$ 516,553</u>	<u>\$</u>	<u>\$ 390,005</u>	<u>\$ 1,224,517</u>
<b>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>						
<b>Deferred Inflows of Resources</b>						
Unavailable:						
Special assessments	\$	\$ 49,924	\$ 161,929	\$	\$ 325,538	\$ 537,391
<b>Fund Balance</b>						
Restricted:						
Debt service	39,956	228,079	354,624		64,467	687,126
<b>TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u>\$ 39,956</u>	<u>\$ 278,003</u>	<u>\$ 516,553</u>	<u>\$</u>	<u>\$ 390,005</u>	<u>\$ 1,224,517</u>

**CITY OF HARMONY, MINNESOTA**  
**DEBT SERVICE FUNDS**  
**Combining Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances**  
**For the Year Ended December 31, 2024**

	<u>315</u> 2013A G.O. Tax Abatement Bond Fund	<u>318</u> 2017A G.O. Improvement Bond Fund	<u>319</u> 2020A G.O. Improvement Bond Fund	<u>321</u> 2021A/B Mi Energy Loans Fund	<u>322</u> 2024A G.O. Improvement Bond Fund	Total Debt Service Funds
<b>REVENUES</b>						
Property tax collected	\$ 17,170	\$ 82,093	\$ 71,000	\$	\$	\$ 170,263
Special assessments		23,373	36,821		64,467	124,661
Interest income	1,194	946	5,727			7,867
<b>TOTAL REVENUES</b>	18,364	106,412	113,548		64,467	302,791
<b>EXPENDITURES</b>						
Debt service:						
Principal	16,000	94,000	189,050	33,408		332,458
Interest and other fiscal costs	352	5,668	29,835	4,221		40,076
<b>TOTAL EXPENDITURES</b>	16,352	99,668	218,885	37,629		372,534
Excess (deficiency) of revenues over (under) expenditures	2,012	6,744	(105,337)	(37,629)	64,467	(69,743)
<b>OTHER FINANCING SOURCES</b>						
Transfers in			65,000	19,147		84,147
<b>Net Change in Fund Balances</b>	2,012	6,744	(40,337)	(18,482)	64,467	14,404
<b>FUND BALANCE, beginning</b>	37,944	221,335	394,961	18,482		672,722
<b>FUND BALANCE, ending</b>	\$ 39,956	\$ 228,079	\$ 354,624	\$	\$ 64,467	\$ 687,126

**CITY OF HARMONY, MINNESOTA**

**SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2024**

**CITY OF HARMONY, MINNESOTA**  
**WATER FUND**  
**STATEMENTS OF NET POSITION**  
**December 31, 2024 and 2023**

	2024	2023
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>Current Assets</b>		
Cash and investments	\$ 156,887	\$ 393,962
Accounts receivable	42,084	34,276
Special assessments receivable	21,547	45,861
Due from other governments	207	
Inventories	42,487	11,730
Prepaid items	5,181	4,631
Total Current Assets	<u>268,393</u>	<u>490,460</u>
<b>Noncurrent Assets</b>		
Capital Assets:		
Nondepreciable	17,015	17,015
Depreciable	3,687,618	3,474,548
Less: Accumulated depreciation	853,771	774,393
Capital Assets, Net	<u>2,850,862</u>	<u>2,717,170</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows from pension activity	<u>7,959</u>	<u>9,022</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><u>\$ 3,127,214</u></u>	<u><u>\$ 3,216,652</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
<b>Current Liabilities</b>		
Current maturities of bonds payable	\$ 63,323	\$ 61,000
Accounts payable	5,417	720
Due to other governments	2,369	1,064
Salaries and wages payable	812	1,047
Accrued compensated absences payable	6,850	6,060
Accrued sales tax payable	208	242
Accrued interest payable	2,779	2,588
Total Current Liabilities	<u>81,758</u>	<u>72,721</u>
<b>Noncurrent Liabilities</b>		
Net pension liability	24,210	32,645
Bonds payable, net of current maturities	<u>534,509</u>	<u>598,000</u>
Total Liabilities	<u>640,477</u>	<u>703,366</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows from pension activity	<u>13,747</u>	<u>11,862</u>
<b>NET POSITION</b>		
Net investment in capital assets	2,253,030	2,058,170
Unrestricted	219,960	443,254
Total Net Position	<u>2,472,990</u>	<u>2,501,424</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u><u>\$ 3,127,214</u></u>	<u><u>\$ 3,216,652</u></u>



**CITY OF HARMONY, MINNESOTA  
WATER FUND  
STATEMENTS OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION  
For the Years Ended December 31, 2024 and 2023**

	2024	2023
<b>Operating Revenues</b>		
Charges for services	\$ 259,019	\$ 271,221
<b>Operating Expenses</b>		
Salaries and benefits	76,375	70,363
Chemicals and supplies	17,662	13,122
Insurance	8,082	8,827
Utilities	17,977	15,317
Repairs and maintenance	13,314	2,659
Other services and charges	18,444	11,424
Depreciation	79,378	76,942
Total Operating Expenses	231,232	198,654
Operating Income	27,787	72,567
<b>Nonoperating Revenues (Expenses)</b>		
Interest expense	(7,506)	(7,683)
Interest income	10,685	6,592
Special assessments	6,600	1,480
Other income		175
Total Nonoperating Revenues (Expenses)	9,779	564
<b>Income Before Transfers</b>	37,566	73,131
Transfers out	(66,000)	(101,272)
Change in Net Position	(28,434)	(28,141)
<b>Net Position, Beginning</b>	2,501,424	2,529,565
<b>Net Position, Ending</b>	\$ 2,472,990	\$ 2,501,424

**CITY OF HARMONY, MINNESOTA  
SEWER FUND  
STATEMENTS OF NET POSITION  
December 31, 2024 and 2023**

	2024	2023
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>Current Assets</b>		
Accounts receivable	\$ 50,800	\$ 32,318
Special assessments receivable	25,293	56,082
Due from other governments	45	
Prepaid items	6,983	5,231
Total Current Assets	<u>83,121</u>	<u>93,631</u>
<b>Noncurrent Assets</b>		
Capital Assets:		
Nondepreciable	168,965	14,400
Depreciable	3,972,222	3,822,222
Less: Accumulated depreciation	2,264,472	2,132,429
Capital Assets, Net	<u>1,876,715</u>	<u>1,704,193</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows from pension activity	<u>10,540</u>	<u>8,498</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 1,970,376</u>	<u>\$ 1,806,322</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
<b>Current Liabilities</b>		
Current maturities of bonds payable	\$ 1,827	\$ 1,800
Accounts payable	85,366	11,023
Due to other governments	11,031	4,597
Salaries and wages payable	1,196	896
Accrued compensated absences	10,514	3,302
Accrued interest payable	109	139
Due to other funds		38,390
Total Current Liabilities	<u>110,043</u>	<u>60,147</u>
<b>Noncurrent Liabilities</b>		
Net pension liability	24,843	30,747
Advances from other funds		50,000
Bonds payable, net of current maturities	10,791	12,600
Total Liabilities	<u>145,677</u>	<u>153,494</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows from pension activity	<u>3,555</u>	<u>11,172</u>
<b>NET POSITION</b>		
Net investment in capital assets	1,864,097	1,689,793
Unrestricted	(42,953)	(48,137)
Total Net Position	<u>1,821,144</u>	<u>1,641,656</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u>\$ 1,970,376</u>	<u>\$ 1,806,322</u>

**CITY OF HARMONY, MINNESOTA  
SEWER FUND  
STATEMENTS OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION  
For the Years Ended December 31, 2024 and 2023**

	2024	2023
<b>Operating Revenues</b>		
Charges for services	\$ 305,623	\$ 351,191
<b>Operating Expenses</b>		
Salaries and benefits	76,571	67,351
Chemicals and supplies	55,670	54,193
Insurance	9,774	8,886
Utilities	67,004	61,888
Repairs and maintenance	53,056	40,393
Professional services	42,410	28,417
Training and travel	4,079	2,947
Other services and charges	18,959	19,715
Depreciation	132,043	129,221
Total Operating Expenses	459,566	413,011
Operating Loss	(153,943)	(61,820)
<b>Nonoperating Revenues (Expenses)</b>		
Interest expense	(252)	(527)
Interest income		479
Special assessments	1,449	1,402
Other income	177	4
Total Nonoperating Revenues (Expense)	1,374	1,358
<b>Loss Before Transfers</b>	(152,569)	(60,462)
Transfers in	332,057	
Transfers out		(39,000)
Total Transfers	332,057	(39,000)
Change in Net Position	179,488	(99,462)
<b>Net Position, Beginning</b>	1,641,656	1,741,118
<b>Net Position, Ending</b>	\$ 1,821,144	\$ 1,641,656

**CITY OF HARMONY, MINNESOTA  
ELECTRIC FUND  
STATEMENTS OF NET POSITION  
December 31, 2024 and 2023**

	2024	2023
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>Current Assets</b>		
Cash and investments	\$ 778,485	\$ 921,959
Accounts receivable	113,678	90,491
Due from other funds		8,644
Inventories	90,075	14,456
Prepaid items	5,357	5,088
Total Current Assets	<u>987,595</u>	<u>1,040,638</u>
<b>Noncurrent Assets</b>		
Advances to other funds		67,286
Capital Assets:		
Nondepreciable	5,000	5,000
Depreciable	2,525,065	2,405,285
Less: Accumulated depreciation	1,532,940	1,477,166
Total Noncurrent Assets, Net	<u>997,125</u>	<u>1,000,405</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows from pension activity	<u>3,756</u>	<u>3,996</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 1,988,476</u>	<u>\$ 2,045,039</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 80,210	\$ 62,231
Due to other governments	2,168	1,071
Deposits payable	15,182	14,159
Salaries and wages payable	373	690
Accrued compensated absences payable	1,779	2,075
Sales tax payable	4,785	5,240
Total Current Liabilities	<u>104,497</u>	<u>85,466</u>
<b>Noncurrent Liabilities</b>		
Net pension liability	<u>11,472</u>	<u>14,458</u>
Total Liabilities	<u>115,969</u>	<u>99,924</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows from pension activity	<u>6,394</u>	<u>5,253</u>
<b>NET POSITION</b>		
Investment in capital assets	997,125	933,119
Unrestricted	868,988	1,006,743
Total Net Position	<u>1,866,113</u>	<u>1,939,862</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u>\$ 1,988,476</u>	<u>\$ 2,045,039</u>

**CITY OF HARMONY, MINNESOTA  
ELECTRIC FUND  
STATEMENTS OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION  
For the Years Ended December 31, 2024 and 2023**

	2024	2023
<b>Operating Revenues</b>		
Charges for services	\$ 1,082,300	\$ 1,061,206
<b>Operating Expenses</b>		
Salaries and benefits	35,508	30,327
Supplies	11,778	19,055
Insurance	9,080	8,789
Utilities	13,580	12,784
Repairs and maintenance	59,071	51,928
Purchased power	735,952	828,818
Professional services	15,884	11,269
Other services and charges	10,078	11,992
Depreciation	55,774	54,656
Total Operating Expenses	946,705	1,029,618
Operating Income	135,595	31,588
<b>Nonoperating Revenues</b>		
Interest income	32,528	12,410
Other income	8,524	865
Total Nonoperating Revenues	41,052	13,275
<b>Income Before Transfers</b>	176,647	44,863
Transfers out	(250,396)	(28,000)
Change in Net Position	(73,749)	16,863
<b>Net Position, Beginning</b>	1,939,862	1,922,999
<b>Net Position, Ending</b>	\$ 1,866,113	\$ 1,939,862

**CITY OF HARMONY, MINNESOTA  
REFUSE AND RECYCLING FUND  
STATEMENTS OF NET POSITION  
December 31, 2024 and 2023**

	2024	2023
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>Current Assets</b>		
Cash and investments	\$ 22,501	\$ 42,760
Accounts receivable	14,103	10,133
Prepaid items	341	220
Total Current Assets	<u>36,945</u>	<u>53,113</u>
<b>Noncurrent Assets</b>		
Capital Assets:		
Depreciable	4,952	4,952
Less: Accumulated depreciation	<u>4,952</u>	<u>4,952</u>
Capital Assets, Net		
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pension activity	<u>1,814</u>	<u>1,876</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><u>\$ 38,759</u></u>	<u><u>\$ 54,989</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 8,929	\$ 8,663
Salaries and wages payable	332	129
Accrued compensated absences	1,473	552
Total Current Liabilities	<u>10,734</u>	<u>9,344</u>
<b>Noncurrent Liabilities</b>		
Net pension liability	<u>5,569</u>	<u>6,787</u>
Total Liabilities	<u>16,303</u>	<u>16,131</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pension activity	<u>3,073</u>	<u>2,466</u>
<b>NET POSITION</b>		
Unrestricted	<u>19,383</u>	<u>36,392</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u><u>\$ 38,759</u></u>	<u><u>\$ 54,989</u></u>

**CITY OF HARMONY, MINNESOTA  
REFUSE AND RECYCLING FUND  
STATEMENTS OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION  
For the Years Ended December 31, 2024 and 2023**

	2024	2023
<b>Operating Revenues</b>		
Charges for services	\$ 117,240	\$ 112,197
<b>Operating Expenses</b>		
Salaries and benefits	18,223	15,049
Supplies	1,254	1,418
Disposal services	101,304	96,489
Professional services	11,707	4,473
Other services and charges	982	636
Total Operating Expenses	133,470	118,065
Operating Loss	(16,230)	(5,868)
<b>Nonoperating Revenues</b>		
Interest income	1,121	708
Other	100	
Total Nonoperating Revenue	1,221	708
<b>Loss Before Transfers</b>	(15,009)	(5,160)
Transfers out	(2,000)	(1,000)
Change in Net Position	(17,009)	(6,160)
<b>Net Position, Beginning</b>	36,392	42,552
<b>Net Position, Ending</b>	\$ 19,383	\$ 36,392

**CITY OF HARMONY, MINNESOTA  
STORM WATER FUND  
STATEMENTS OF NET POSITION  
December 31, 2024 and 2023**

	2024	2023
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 111,481	\$ 83,417
Accounts receivable	5,486	2,889
Prepaid items	851	1,303
Total Current Assets	<u>117,818</u>	<u>87,609</u>
<b>Noncurrent Assets</b>		
Capital Assets:		
Depreciable	936,055	936,055
Less: Accumulated depreciation	531,957	505,197
Capital Assets, Net	<u>404,098</u>	<u>430,858</u>
<b>Deferred Outflows of Resources</b>		
Deferred outflows related to pension activity	<u>995</u>	<u>186</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u><u>\$ 522,911</u></u>	<u><u>\$ 518,653</u></u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 868	\$ 81
Salaries and wages payable	57	81
Accrued compensated absences	386	655
Total Current Liabilities	<u>1,311</u>	<u>736</u>
<b>Noncurrent Liabilities</b>		
Net pension liability	<u>3,227</u>	<u>672</u>
Total Liabilities	<u>4,538</u>	<u>1,408</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pension activity	<u>1,395</u>	<u>244</u>
<b>NET POSITION</b>		
Investment in capital assets	404,098	430,858
Unrestricted	112,880	86,143
Total Net Position	<u>516,978</u>	<u>517,001</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<u><u>\$ 522,911</u></u>	<u><u>\$ 518,653</u></u>



**CITY OF HARMONY, MINNESOTA  
STORM WATER FUND  
STATEMENTS OF REVENUES, EXPENSES, AND  
CHANGES IN NET POSITION  
For the Years Ended December 31, 2024 and 2023**

	2024	2023
<b>Operating Revenues</b>		
Charges for services	\$ 41,370	\$ 33,812
<b>Operating Expenses</b>		
Salaries and benefits	12,018	5,943
Insurance	2,050	1,516
Repairs and maintenance	594	20,403
Depreciation	26,760	26,759
Miscellaneous	915	
Total Operating Expenses	42,337	54,621
Operating Loss	(967)	(20,809)
<b>Nonoperating Revenues</b>		
Interest income	3,444	1,210
<b>Income (Loss) Before Transfers</b>	2,477	(19,599)
Transfers out	(2,500)	(2,500)
Change in Net Position	(23)	(22,099)
<b>Net Position, Beginning</b>	517,001	539,100
<b>Net Position, Ending</b>	\$ 516,978	\$ 517,001

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, 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, 2024, and the related notes to the financial statements, which collectively comprise the City of Harmony, Minnesota's basic financial statements, and have issued our report thereon dated May 6, 2025.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Harmony, Minnesota's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Harmony, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Harmony, Minnesota'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. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as finding 2024-001 that we consider to be a significant deficiency.

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

### ***Report on Compliance and Other Matters***

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

### **Minnesota Legal Compliance**

In connection with our audit, nothing came to our attention that caused us to believe that the City of Harmony, Minnesota failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily towards obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

### **City of Harmony, Minnesota's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City of Harmony, Minnesota's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City of Harmony, Minnesota's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

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

*Smith, Schaff and Associates, Ltd.*

Rochester, Minnesota  
May 6, 2025

**CITY OF HARMONY, MINNESOTA  
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2023**

**FINDING 2023-001                      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 employee 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 Finance Clerk sets up employee records, posts activity to the general ledger, prepares payroll tax returns, maintains the payroll records and reconciles the bank statements while the City Administrator handles deductions and benefit remittances.

**Internal Control Over Cash Disbursements**

Cause:                      The Deputy Clerk has control over the check stock as well as access to entering transactions into the accounting system.

**Internal Control Over Cash Receipts**

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

**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 deposits, and makes adjustments to accounts.

**Internal Control Over Journal Entries**

Cause:                      As a result of the small number of staff, the Finance Clerk prepares and posts all journal entries to the accounting system.

**Current Status of  
Prior Audit Findings:**                      This finding reoccurred in 2024.

**CITY OF HARMONY, MINNESOTA  
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2023**

**FINDING 2023-002                      FINANCIAL REPORT PREPARATION**

Condition:                      As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Recent audit standards require auditor to communicate this situation to the City Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. It is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal controls.

Criteria:                      Internal controls should be in place to ensure adequate internal control over safeguarding of assets and the reliability of financial records and reporting.

Cause:                      From a practical standpoint, we prepare the statements and determine the fairness of the presentation at the same time in connection with our audit. This is not unusual for us to do with an organization of your size.

Effect:                      The effectiveness of internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for accuracy; we have answered any questions that management might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosures in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

**Current Status of  
Prior Audit Findings:**                      This finding reoccurred in 2024.

**CITY OF HARMONY, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED DECEMBER 31, 2024**

**FINDING 2024-001**

**ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED  
ACCOUNTING PRINCIPLES (GAAP) AND SEGREGATION OF DUTIES**

Condition:	A city of this size has an inherent limitation in its ability to effectively segregate its accounting duties and to prepare annual full disclosure financial statements in accordance with generally accepted accounting principles. It would not be practical for the City to devote the resources required to overcome this limitation. The potential exists that a material disclosure could be omitted from the financial statements and not be prevented or detected by the City's internal controls.
Criteria:	The City should have controls in place to prevent or detect the omission of a material disclosure in the annual financial statements. An important element of internal controls is an adequate segregation of duties that minimizes the opportunities for any one individual to be in a position to both perpetuate and conceal errors or irregularities in the normal course of business.
Context:	Because of the limited size of the City's administrative staff, there is not an adequate segregation of duties. The Cit has informed us that they will continue to rely upon the audit firm to prepare the financial statements and related footnote disclosures and will review and approve these prior to the issuance of the financial statements.
Effect:	No effect on the financial statements.
Cause:	There is a limited number of administrative staff. The City does not have the expertise to draft the notes to the financial statements; however, they have reviewed and approved the annual financial statements as prepared by the audit firm.
Recommendation:	We recommend the City continue to segregate duties as best it can within the limits of what the City considers to be cost beneficial and to evaluate their internal staff and expertise to determine if further controls over the annual financial reporting process are beneficial.
Views of Responsible Officials and Planned Corrective Action:	Management agrees with the recommendation. See corresponding Corrective Action Plan.

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# City of Harmony

## **CORRECTIVE ACTION PLAN (CAP):**

The City respectfully submits the following corrective action plan for the year ended December 31, 2024.

The finding from the schedule of findings and responses is discussed below. The finding is numbered consistently with the number assigned in the schedule.

## **RESPONSE: FINDING 2024-001**

### **Explanation of Disagreement with Audit Finding:**

There is no disagreement with the audit finding.

### **Corrective Action Plan:**

The management and accounting personnel review the drafted financial statements and notes. The City does not have the expertise to ensure all disclosures required by GAAP are included in the financial statements. Accordingly, the City will rely upon the auditors for completeness of the disclosures. However, the management and accounting personnel will review the notes for accuracy prior to issuance of the financial statements. The City will continue to evaluate assignment of duties and implement segregation whenever it is practical.

### **Official Responsible for Ensuring CAP:**

Alissa Stelpflug, City Administrator/Clerk, is the official responsible for ensuring the planned responses.

### **Planned Completion Date for CAP:**

Not applicable as the City is willing to accept this risk at this time and will continue to evaluate the recommendation.

### **Plan to Monitor Completion of CAP:**

Steve Donney, Mayor, will ensure the review by the City Administrator/Clerk has been completed. He will do this through discussion with Alissa and reviewing the draft of the financial statements.