

**City of Harmony, Minnesota**

**Financial Statements  
(With Supplementary Information)  
and Independent Auditor's Report**

**December 31, 2025**

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# City of Harmony, Minnesota

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**City of Harmony, Minnesota**

**Introductory Section**

**December 31, 2025**

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**City of Harmony, Minnesota**

**List of Elected and Appointed Officials  
December 31, 2025**

Steve Donney	Mayor
Keith McIntosh	Council Member
Kyle Scheevel	Council Member
Tara Morem	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, 2025**

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Independent Auditor's Report

To the 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, 2025, and the related notes to financial statements, which collectively comprise the City of Harmony's basic financial statements as listed in the index.

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, 2025, and the respective changes in financial position and cash flows thereof and the respective budgetary comparisons for the General Fund and the Ambulance Fund 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 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.

*Other Matter*

The financial statements of City of Harmony for the year ended December 31, 2024 were audited by another auditor who expressed an unmodified opinion on those statements on May 6, 2025.

*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 of Harmony'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 of Harmony'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 of Harmony'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 management's discussion and analysis, the schedule of City's pension contributions, the schedule of City and Non-employer's proportionate share of net pension liability, and the notes to the required supplementary information 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 management's discussion and analysis, the schedule of City's pension contributions, the schedule of City and Non-employer's proportionate share of net pension liability, and the notes 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, the enterprise funds statements of net position, and the enterprise funds statements of revenues, expenses, and changes in net position are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund statements and schedules, the enterprise funds statements of net position, and the enterprise funds statements of revenues, expenses, and changes in net position 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, the enterprise funds statements of net position, and the enterprise funds statements of revenues, expenses, and changes in net position 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 of City of Harmony, Minnesota for the year ended December 31, 2024, were audited by other auditors whose report, dated May 6, 2025, expressed unmodified opinions on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2026, 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.



Rochester, Minnesota  
June 25, 2026

## City of Harmony, Minnesota

### Management's Discussion and Analysis December 31, 2025

As management of the City of Harmony, Minnesota (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2025.

#### Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$15,070,951 (net position) when including all governmental and business type activities. Of this amount \$5,159,887 (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 \$602,985 during 2025.
- As of the close of the current fiscal year, the City's governmental funds, which include general, special revenue, debt service, and capital projects funds, reported combined ending fund balances of \$4,365,090. Approximately 66% of this total amount, or \$2,873,311 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 \$1,132,793 or 155% of total general fund expenditures for 2025.

#### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City'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's finances, in a manner similar to a private-sector business.

The statement of *net position* presents information on all of the City'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 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 December 31, 2025

Both of the government-wide financial statements distinguish functions of the City 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 include general government, public safety, streets and highways, culture and recreation, economic development, and unallocated. The business-type activities of the City 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 25-27 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, 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 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 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, debt service funds, and capital projects fund which are considered to be major funds. Data from the other eleven 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 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 34-39 and pages 91-96) to demonstrate compliance with the budget. The basic governmental fund financial statements can be found on pages 28-31 of this report.

**Proprietary funds.** The City 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 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 December 31, 2025**

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. The basic proprietary fund financial statements can be found on pages 40-43 of this report.

Fiduciary funds. The City maintains one fiduciary fund, the Sanderson Memorial Trust fund. The fiduciary fund financial statements can be found on page 45 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 48-75 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 88-91 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, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$15,070,951 at the close of the most recent fiscal year.

**City of Harmony, Minnesota**

**Management's Discussion and Analysis  
December 31, 2025**

By far the largest portion of the City's net position (54%) 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 uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City'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	
	2025	2024	2025	2024	2025	2024
Current assets	\$ 6,118,807	\$ 5,702,433	\$ 2,875,527	\$ 1,493,872	\$ 8,994,334	\$ 7,196,305
Capital assets, net	6,583,759	6,541,851	6,410,348	6,128,800	12,994,107	12,670,651
Total assets	12,702,566	12,244,284	9,285,875	7,622,672	21,988,441	19,866,956
Deferred outflow s of resources	35,663	42,692	23,038	25,064	58,701	67,756
Long-term liabilities outstanding	3,895,806	4,243,335	2,372,550	679,771	6,268,356	4,923,106
Other liabilities	191,859	179,591	401,276	243,193	593,135	422,784
Total liabilities	4,087,665	4,422,926	2,773,826	922,964	6,861,491	5,345,890
Deferred inflow s of resources	69,686	92,692	45,014	28,164	114,700	120,856
Net position:						
Net investment in capital assets	2,787,042	2,952,432	5,393,257	5,518,350	8,180,299	8,470,782
Restricted	1,730,765	1,449,931	-	-	1,730,765	1,449,931
Unrestricted	4,063,071	3,368,995	1,096,816	1,178,258	5,159,887	4,547,253
Total net position	\$ 8,580,878	\$ 7,771,358	\$ 6,490,073	\$ 6,696,608	\$ 15,070,951	\$ 14,467,966

A portion of the City's net position (11%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$5,159,887) may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City 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.

**Governmental activities.** Governmental activities increased the City's net position by \$809,520.

**Business-type activities.** Business-type activities decreased the City's net position by \$206,535.

**City of Harmony, Minnesota**

**Management's Discussion and Analysis  
December 31, 2025**

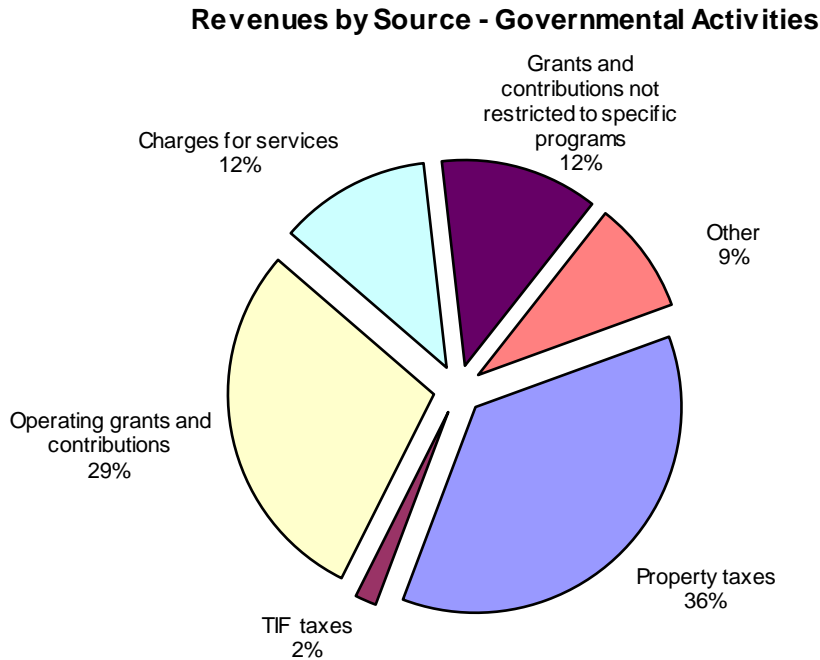
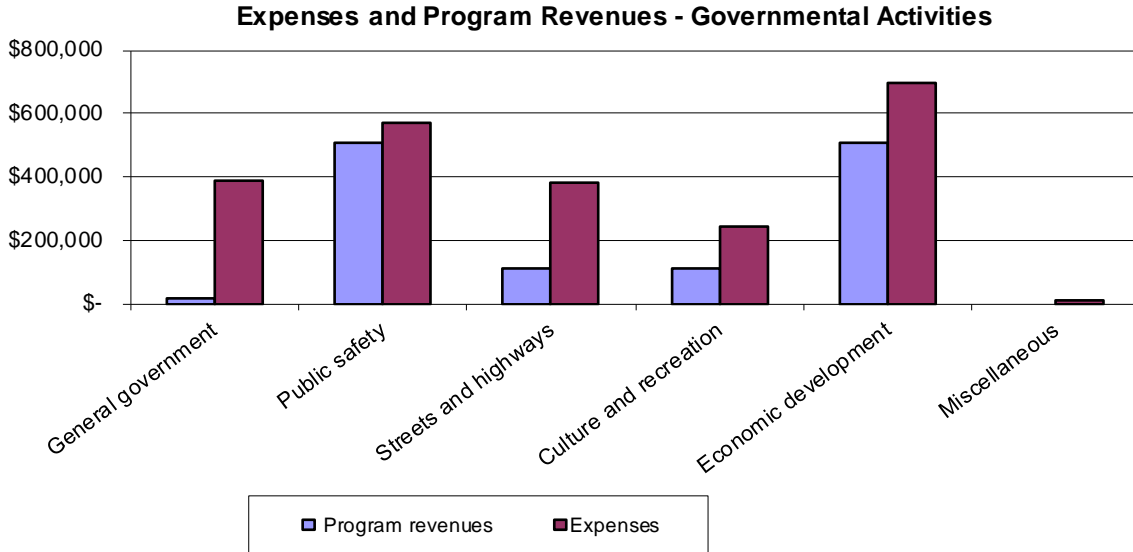
A condensed version of the Statement of Activities follows:

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenue:						
Program revenues:						
Charges for services	\$ 364,840	\$ 263,293	\$ 1,891,235	\$ 1,805,552	\$ 2,256,075	\$ 2,068,845
Operating grants and contributions	888,866	817,643	-	-	888,866	817,643
Capital grants and contributions	-	-	32,503	8,049	32,503	8,049
General revenues:						
Property taxes	1,114,935	1,228,145	-	-	1,114,935	1,228,145
TIF taxes	51,361	49,497	-	-	51,361	49,497
Grants and contributions not restricted to specific programs	380,687	488,492	-	-	380,687	488,492
Other	271,652	762,169	79,548	56,579	351,200	818,748
Total revenues	<u>3,072,341</u>	<u>3,609,239</u>	<u>2,003,286</u>	<u>1,870,180</u>	<u>5,075,627</u>	<u>5,479,419</u>
Expenses:						
General government	390,035	413,989	-	-	390,035	413,989
Public safety	572,779	506,086	-	-	572,779	506,086
Streets and highways	381,140	374,404	-	-	381,140	374,404
Culture and recreation	242,679	250,054	-	-	242,679	250,054
Economic development	696,256	791,533	-	-	696,256	791,533
Miscellaneous	7,258	8,696	-	-	7,258	8,696
Interest on long-term debt	104,874	79,569	-	-	104,874	79,569
Water	-	-	286,880	238,738	286,880	238,738
Sewer	-	-	544,365	459,818	544,365	459,818
Electric	-	-	1,064,715	946,705	1,064,715	946,705
Refuse and recycling	-	-	149,437	133,470	149,437	133,470
Stormwater	-	-	32,224	42,337	32,224	42,337
Total expenses	<u>2,395,021</u>	<u>2,424,331</u>	<u>2,077,621</u>	<u>1,821,068</u>	<u>4,472,642</u>	<u>4,245,399</u>
Increase (decrease) in net position before transfers	677,320	1,184,908	(74,335)	49,112	602,985	1,234,020
Transfers, net	132,200	(11,161)	(132,200)	11,161	-	-
Change in net position	809,520	1,173,747	(206,535)	60,273	602,985	1,234,020
Net position, beginning	7,771,358	6,597,611	6,696,608	6,636,335	14,467,966	13,233,946
Net position, ending	<u>\$ 8,580,878</u>	<u>\$ 7,771,358</u>	<u>\$ 6,490,073</u>	<u>\$ 6,696,608</u>	<u>\$ 15,070,951</u>	<u>\$ 14,467,966</u>

**City of Harmony, Minnesota**

**Management's Discussion and Analysis  
December 31, 2025**

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.

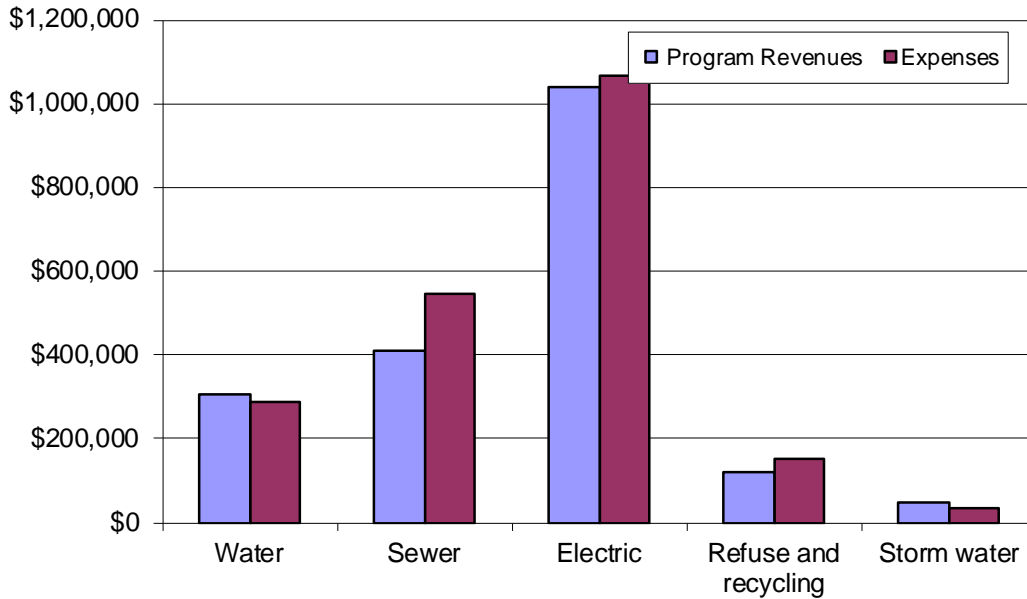


City of Harmony, Minnesota

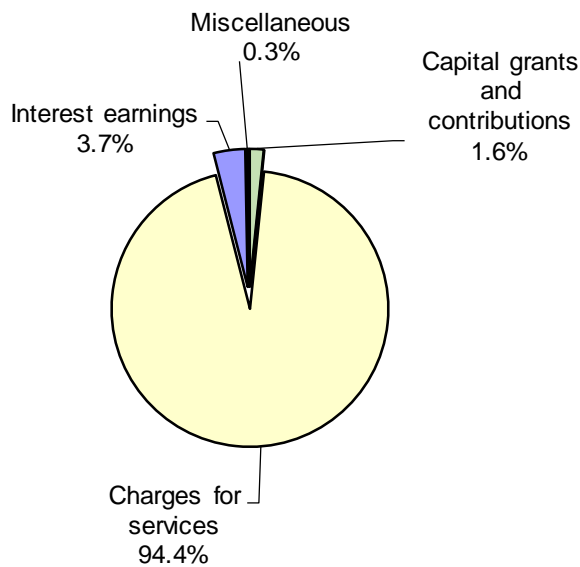
Management's Discussion and Analysis  
December 31, 2025

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  
December 31, 2025

Financial Analysis of the Government's Funds

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

**Governmental funds.** The focus of the City'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'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's governmental funds reported combined ending fund balances of \$4,365,090. Approximately 66% of this total amount, or \$2,873,311 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. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,132,793. 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 155% of total general fund expenditures.

The general fund's total fund balance increased by \$99,890 during the current fiscal year.

**Proprietary funds.** The City's proprietary funds statements found on pages 41-44 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 - \$155,342, Sewer - \$(88,752), Electric - \$880,442, Refuse and Recycling - \$(12,293), and Storm Water - \$162,077.

**Fiduciary fund.** The City's fiduciary fund statements found on page 45 provide details of the Sanderson Memorial Trust fund.

The net position of the Sanderson Memorial Trust fund is \$54,549.

**City of Harmony, Minnesota**

**Management's Discussion and Analysis  
December 31, 2025**

**Capital Asset and Debt Administration**

**Capital assets.**

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2025, amounts to \$12,994,107 (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's reported investment in capital assets for the current fiscal year was \$323,456.

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 445,464	\$ 445,464	\$ 36,415	\$ 36,415	\$ 481,879	\$ 481,879
Construction in progress	-	1,446,214	699,834	154,565	699,834	1,600,779
Buildings and improvements	1,867,004	1,816,089	2,538,356	2,538,356	4,405,360	4,354,445
Machinery and equipment	1,477,934	1,439,119	2,087,014	2,068,722	3,564,948	3,507,841
Vehicles	1,822,634	1,822,634	28,700	28,700	1,851,334	1,851,334
Infrastructure	7,394,763	5,630,188	6,514,494	6,490,134	13,909,257	12,120,322
Total	13,007,799	12,599,708	11,904,813	11,316,892	24,912,612	23,916,600
Less accumulated depreciation	6,424,040	6,057,857	5,494,465	5,188,092	11,918,505	11,245,949
Total capital assets, net	<u>\$ 6,583,759</u>	<u>\$ 6,541,851</u>	<u>\$ 6,410,348</u>	<u>\$ 6,128,800</u>	<u>\$ 12,994,107</u>	<u>\$ 12,670,651</u>

Additional information on the City's capital assets can be found in Note 5 on pages 60-61 of this report.

**Long-term debt.**

At the end of the current fiscal year, the City had \$6,022,451 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	
	2025	2024	2025	2024	2025	2024
G.O. improvement bonds	\$ 3,722,151	\$ 4,045,409	\$ -	\$ -	\$ 3,722,151	\$ 4,045,409
G.O. revenue bonds	-	-	2,300,300	610,450	2,300,300	610,450
Total	<u>\$ 3,722,151</u>	<u>\$ 4,045,409</u>	<u>\$ 2,300,300</u>	<u>\$ 610,450</u>	<u>\$ 6,022,451</u>	<u>\$ 4,655,859</u>

The City's total debt increased by \$1,366,592 during the current fiscal year. The City issued the 2025A Disposal Systems Bonds for \$1,755,000 during the year. These proceeds were used to finance the Sewer UV project. A more detailed breakdown of these obligations can be found in Note 6, beginning on page 62.

## City of Harmony, Minnesota

### Management's Discussion and Analysis December 31, 2025

#### 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 0.08% increase in LGA is expected in 2026.
- 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 2026.
- The City's wholesale power provider, MiEnergy, did not increase rates for 2026. The City is nearing completion of a new UV disinfection process to improve disinfection consistency, reduce operating costs, and improve safety by eliminating chemical usage at the sewer plant in 2026. The City adopted the following rate increases for 2026: Water 1.50%, Sewer 2%, Electric 1.25%, Solid Waste 11%, 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's budget for the 2026 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'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 3rd Avenue SW, Harmony, MN 55939.

**City of Harmony, Minnesota**

**Basic Financial Statements**

**December 31, 2025**

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**City of Harmony, Minnesota**

**Statement of Net Position  
December 31, 2025  
With Comparative Totals for December 31, 2024**

	Governmental Activities	Business-Type Activities	Totals	
			2025	2024
<b>Assets</b>				
Cash and investments	\$ 3,815,296	\$ 2,535,705	\$ 6,351,001	\$ 4,729,503
Receivables	1,816,564	298,501	2,115,065	1,910,558
Internal balances	8,476	(8,476)	-	-
Due from other governments	7,200	129	7,329	32,909
Prepaid items	289,600	18,455	308,055	310,848
Inventory	-	31,213	31,213	132,562
Fire pension asset	181,671	-	181,671	79,925
Capital assets:				
Nondepreciable	445,464	736,249	1,181,713	2,082,658
Depreciable, net	6,138,295	5,674,099	11,812,394	10,587,993
			-	
<b>Total assets</b>	<b>12,702,566</b>	<b>9,285,875</b>	<b>21,988,441</b>	<b>19,866,956</b>
<b>Deferred outflows of resources</b>				
Deferred outflows from pension activity	35,663	23,038	58,701	67,756
<b>Liabilities</b>				
Accounts payable	99,286	311,654	410,940	233,318
Salaries and wages payable	10,085	2,757	12,842	12,393
Deposits payable	-	15,604	15,604	15,182
Due to other governments	5,786	11,219	17,005	23,917
Accrued interest payable	44,904	32,614	77,518	62,796
Sales tax payable	60	5,681	5,741	4,993
Accrued compensated absences	31,738	21,747	53,485	70,185
Noncurrent liabilities:				
Due within one year	422,058	64,350	486,408	389,263
Due in more than one year	3,374,659	2,244,191	5,618,850	4,346,305
Net pension liability	99,089	64,009	163,098	187,538
<b>Total liabilities</b>	<b>4,087,665</b>	<b>2,773,826</b>	<b>6,861,491</b>	<b>5,345,890</b>
<b>Deferred inflows of resources</b>				
Deferred inflows from pension activity	69,686	45,014	114,700	120,856
<b>Net position</b>				
Net investment in capital assets	2,787,042	5,393,257	8,180,299	8,470,782
Restricted for:				
Economic development	276,025	-	276,025	205,397
Debt service	1,273,069	-	1,273,069	1,164,609
Fire pension	181,671	-	181,671	79,925
Unrestricted	4,063,071	1,096,816	5,159,887	4,547,253
<b>Total net position</b>	<b>\$ 8,580,878</b>	<b>\$ 6,490,073</b>	<b>\$ 15,070,951</b>	<b>\$ 14,467,966</b>

See Notes to Financial Statements.

**City of Harmony, Minnesota**

**Statement of Activities  
For the Year Ended December 31, 2025  
With Comparative Totals for December 31, 2024**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government	\$ 390,035	\$ 14,387	\$ 532	\$ -
Public safety	572,779	335,553	172,535	-
Streets and highways	381,140	3,635	109,408	-
Culture and recreation	242,679	11,265	98,207	-
Economic development	696,256	-	508,184	-
Unallocated	7,258	-	-	-
Interest on long-term debt	104,874	-	-	-
<b>Total governmental activities</b>	<b>2,395,021</b>	<b>364,840</b>	<b>888,866</b>	<b>-</b>
<b>Business-type activities:</b>				
Water	286,880	279,466	-	25,815
Sewer	544,365	404,819	-	6,688
Electric	1,064,715	1,039,307	-	-
Refuse and recycling	149,437	119,465	-	-
Storm water	32,224	48,178	-	-
<b>Total business-type activities</b>	<b>2,077,621</b>	<b>1,891,235</b>	<b>-</b>	<b>32,503</b>
<b>Total</b>	<b>\$ 4,472,642</b>	<b>\$ 2,256,075</b>	<b>\$ 888,866</b>	<b>\$ 32,503</b>

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	
		2025	2024
\$ (375,116)	\$ -	\$ (375,116)	\$ (395,368)
(64,691)	-	(64,691)	(89,700)
(268,097)	-	(268,097)	(279,952)
(133,207)	-	(133,207)	(201,266)
(188,072)	-	(188,072)	(288,844)
(7,258)	-	(7,258)	(8,696)
(104,874)	-	(104,874)	(79,569)
<u>(1,141,315)</u>	<u>-</u>	<u>(1,141,315)</u>	<u>(1,343,395)</u>
-	18,401	18,401	26,881
-	(132,858)	(132,858)	(152,746)
-	(25,408)	(25,408)	135,595
-	(29,972)	(29,972)	(16,230)
-	15,954	15,954	(967)
<u>-</u>	<u>(153,883)</u>	<u>(153,883)</u>	<u>(7,467)</u>
<u>(1,141,315)</u>	<u>(153,883)</u>	<u>(1,295,198)</u>	<u>(1,350,862)</u>
1,114,935	-	1,114,935	1,228,145
51,361	-	51,361	49,497
380,687	-	380,687	488,492
87,607	73,886	161,493	118,729
-	-	-	50,000
184,045	5,662	189,707	650,019
132,200	(132,200)	-	-
<u>1,950,835</u>	<u>(52,652)</u>	<u>1,898,183</u>	<u>2,584,882</u>
809,520	(206,535)	602,985	1,234,020
<u>7,771,358</u>	<u>6,696,608</u>	<u>14,467,966</u>	<u>13,233,946</u>
<u>\$ 8,580,878</u>	<u>\$ 6,490,073</u>	<u>\$ 15,070,951</u>	<u>\$ 14,467,966</u>

**City of Harmony, Minnesota**

**Balance Sheet  
Governmental Funds  
December 31, 2025  
With Comparative Totals for December 31, 2024**

	<u>101</u>	<u>Special Revenue Funds</u>		
		<u>202</u> Small Cities Grant Fund	<u>223</u> Ambulance Fund	<u>620</u> Economic Development Authority Fund
<b>Assets</b>				
Cash and investments	\$ 1,156,575	\$ 16,923	\$ 320,420	\$ -
Accounts receivable, net	50	-	119,529	-
Delinquent taxes receivable	14,898	-	-	-
Special assessments receivable:				
Deferred	1,787	-	-	-
Delinquent	432	-	-	-
Loans receivable	-	634,756	-	-
Due from other funds	36,972	-	-	-
Due from other governments	2,292	-	-	-
Prepaid items	17,118	-	1,135	-
Advances to other funds	-	-	-	-
<b>Total assets</b>	<u>\$ 1,230,124</u>	<u>\$ 651,679</u>	<u>\$ 441,084</u>	<u>\$ -</u>
<b>Liabilities, deferred inflows of resources, and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 49,668	\$ 10,000	\$ 28,713	\$ -
Due to other governments	4,891	-	-	-
Sales tax payable	60	-	-	-
Salaries and wages payable	8,477	-	126	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
<b>Total liabilities</b>	<u>63,096</u>	<u>10,000</u>	<u>28,839</u>	<u>-</u>
<b>Deferred inflows of resources</b>				
Unavailable:				
Property taxes	14,898	-	-	-
Special assessments	2,219	-	-	-
Loans	-	619,509	-	-
<b>Total deferred inflows of resources</b>	<u>17,117</u>	<u>619,509</u>	<u>-</u>	<u>-</u>
<b>Fund balances</b>				
Nonspendable:				
Prepaid items	17,118	-	1,135	-
Economic development loans	-	15,247	-	-
Advances	-	-	-	-
Restricted:				
Economic development	-	6,923	-	-
Debt service	-	-	-	-
Committed:				
Capital outlay	-	-	-	-
Assigned	-	-	411,110	-
Unassigned	1,132,793	-	-	-
<b>Total fund balances</b>	<u>1,149,911</u>	<u>22,170</u>	<u>412,245</u>	<u>-</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 1,230,124</u>	<u>\$ 651,679</u>	<u>\$ 441,084</u>	<u>\$ -</u>

See Notes to Financial Statements.

300's Debt Service Bond Funds	Capital Projects Funds			Total Governmental Funds	
	401 Capital Projects Fund	427 2024 Street Project Fund	Other Governmental Funds	2025	2024
	\$ 729,007	\$ 645,781	\$ -	\$ 946,590	\$ 3,815,296
-	-	-	1,400	120,979	95,470
-	-	-	186	15,084	9,758
583,964	-	-	60,242	645,993	597,768
2,704	-	-	-	3,136	2,633
-	-	-	396,616	1,031,372	931,938
-	-	-	-	36,972	25,296
2,298	-	-	2,610	7,200	32,657
-	261,460	-	9,887	289,600	292,135
-	-	-	6,251	6,251	6,251
<u>\$ 1,317,973</u>	<u>\$ 907,241</u>	<u>\$ -</u>	<u>\$ 1,423,782</u>	<u>\$ 5,971,883</u>	<u>\$ 5,654,055</u>
\$ -	\$ -	\$ -	\$ 10,905	\$ 99,286	\$ 52,528
-	-	-	895	5,786	8,313
-	-	-	-	60	36
-	-	-	1,482	10,085	9,623
-	-	-	28,496	28,496	25,296
-	-	-	6,251	6,251	6,251
-	-	-	48,029	149,964	102,047
-	-	-	186	15,084	9,758
586,668	-	-	60,242	649,129	600,401
-	-	-	173,107	792,616	624,340
<u>586,668</u>	<u>-</u>	<u>-</u>	<u>233,535</u>	<u>1,456,829</u>	<u>1,234,499</u>
-	261,460	-	9,887	289,600	292,135
-	-	-	173,351	188,598	307,598
-	-	-	6,251	6,251	6,251
-	-	-	269,102	276,025	205,397
731,305	-	-	-	731,305	687,126
-	817,261	-	-	817,261	883,566
-	-	-	718,374	1,129,484	1,307,166
-	(171,480)	-	(34,747)	926,566	628,270
<u>731,305</u>	<u>907,241</u>	<u>-</u>	<u>1,142,218</u>	<u>4,365,090</u>	<u>4,317,509</u>
<u>\$ 1,317,973</u>	<u>\$ 907,241</u>	<u>\$ -</u>	<u>\$ 1,423,782</u>	<u>\$ 5,971,883</u>	<u>\$ 5,654,055</u>

**City of Harmony, Minnesota**

**Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds**

**For the Year Ended December 31, 2025  
With Comparative Totals for December 31, 2024**

	<u>101</u>	<u>Special Revenue Funds</u>		
		<u>202</u>	<u>223</u>	<u>620</u>
	General	Small Cities	Ambulance	Economic
	Fund	Grant	Fund	Development
		Fund	Fund	Authority
Revenues				
Property taxes	\$ 309,153	\$ -	\$ -	\$ -
Tax increments	-	-	-	-
Special assessments	646	-	-	-
Licenses and permits	6,671	-	-	-
Intergovernmental revenues	423,724	437,977	-	-
Fines and forfeits	542	-	-	-
Charges for services	12,349	-	359,174	-
Interest income	7,093	42	11,079	-
Miscellaneous revenues	13,863	3,488	23,379	-
Total revenues	<u>774,041</u>	<u>441,507</u>	<u>393,632</u>	<u>-</u>
Expenditures				
General government	207,210	-	-	-
Government buildings	160,835	-	-	-
Public safety	171,319	-	322,589	-
Streets and highways	86,837	-	-	-
Culture and recreation	19,175	-	-	-
Economic development	7,581	453,562	-	-
Unallocated	7,258	-	-	-
Capital outlay	68,498	-	-	-
Debt service	-	-	-	-
Total expenditures	<u>728,713</u>	<u>453,562</u>	<u>322,589</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>45,328</u>	<u>(12,055)</u>	<u>71,043</u>	<u>-</u>
Other financing sources (uses)				
Sale of assets	-	-	-	-
Issuance of long-term debt	-	-	-	-
Premium on issuance of long-term debt	-	-	-	-
Transfers in	61,059	-	-	-
Transfers out	(6,497)	-	(30,000)	-
Total other financing sources (uses)	<u>54,562</u>	<u>-</u>	<u>(30,000)</u>	<u>-</u>
Net change in fund balances	<u>99,890</u>	<u>(12,055)</u>	<u>41,043</u>	<u>-</u>
Fund balances, beginning, as originally stated	1,050,021	34,225	371,202	304,668
Change within financial reporting entity (Note 14)	-	-	-	(304,668)
Fund balances, beginning, as restated	<u>1,050,021</u>	<u>34,225</u>	<u>371,202</u>	<u>-</u>
Fund balances, ending	<u>\$ 1,149,911</u>	<u>\$ 22,170</u>	<u>\$ 412,245</u>	<u>\$ -</u>

See Notes to Financial Statements.

<u>300's</u> Debt Service 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			2025	2024
\$ 277,234	\$ -	\$ -	\$ 370,110	\$ 956,497	\$ 888,202	
-	-	-	51,361	51,361	49,497	
109,494	-	-	-	110,140	133,939	
-	-	-	-	6,671	7,355	
-	-	-	49,218	910,919	1,141,592	
-	-	-	-	542	530	
-	-	-	76,154	447,677	328,461	
7,516	18,886	-	42,991	87,607	70,951	
-	95,000	-	142,867	278,597	98,021	
<u>394,244</u>	<u>113,886</u>	<u>-</u>	<u>732,701</u>	<u>2,850,011</u>	<u>2,718,548</u>	
-	-	-	-	207,210	229,797	
-	-	-	-	160,835	145,436	
-	-	-	76,353	570,261	488,364	
-	-	-	-	86,837	109,391	
-	-	-	239,959	259,134	232,905	
-	-	-	235,413	696,556	794,827	
-	-	-	-	7,258	8,696	
-	51,563	-	378,199	498,260	1,641,960	
<u>448,279</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>448,279</u>	<u>372,534</u>	
<u>448,279</u>	<u>51,563</u>	<u>-</u>	<u>929,924</u>	<u>2,934,630</u>	<u>4,023,910</u>	
<u>(54,035)</u>	<u>62,323</u>	<u>-</u>	<u>(197,223)</u>	<u>(84,619)</u>	<u>(1,305,362)</u>	
-	-	-	-	-	50,000	
-	-	-	-	-	1,935,000	
-	-	-	-	-	82,280	
138,170	81,497	-	28,000	308,726	312,647	
<u>(39,956)</u>	<u>(13,000)</u>	<u>-</u>	<u>(87,073)</u>	<u>(176,526)</u>	<u>(323,808)</u>	
<u>98,214</u>	<u>68,497</u>	<u>-</u>	<u>(59,073)</u>	<u>132,200</u>	<u>2,056,119</u>	
<u>44,179</u>	<u>130,820</u>	<u>-</u>	<u>(256,296)</u>	<u>47,581</u>	<u>750,757</u>	
687,126	776,421	535,699	558,147	4,317,509	3,566,752	
-	-	(535,699)	840,367	-	-	
<u>687,126</u>	<u>776,421</u>	<u>-</u>	<u>1,398,514</u>	<u>4,317,509</u>	<u>3,566,752</u>	
<u>\$ 731,305</u>	<u>\$ 907,241</u>	<u>\$ -</u>	<u>\$ 1,142,218</u>	<u>\$ 4,365,090</u>	<u>\$ 4,317,509</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, 2025**

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

Total governmental fund balances (page 28 and 29)		\$ 4,365,090
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 13,007,799	
Less: Accumulated depreciation	<u>(6,424,040)</u>	
		6,583,759
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Delinquent property taxes	\$ 15,084	
Deferred and delinquent special assessments	649,129	
Loans receivable	<u>792,616</u>	
		1,456,829
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	\$ (3,796,717)	
Compensated absences	(31,738)	
Net pension liability	(133,112)	
Net pension asset	181,671	
Accrued interest payable	<u>(44,904)</u>	
		<u>(3,824,800)</u>
Net position of governmental activities (page 25)		<u><u>\$ 8,580,878</u></u>

**City of Harmony, Minnesota**

**Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances of  
Governmental Funds to the Statement of Activities  
December 31, 2025**

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

Net change in fund balances - total governmental funds (page 30 and 31)	\$	47,581
<p>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.</p>		
Capital outlay	\$ 423,051	
Depreciation expense	<u>(381,143)</u>	41,908
<p>Certain revenues in the statement of activities do not provide current financial resources and are not reported as revenues in the funds.</p>		
Property taxes	\$ 5,326	
Special assessments	48,728	
Loans	<u>168,276</u>	222,330
<p>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).</p>		
Change in net pension liability	\$ 35,105	
Change in net pension asset	101,746	
Compensated absences	<u>17,445</u>	154,296
<p>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.</p>		
Principal retirement on long-term debt	\$ 323,258	
Amortization of bond premium	5,143	
Change in accrued interest	<u>15,004</u>	343,405
Change in net position of governmental activities (pages 26 and 27)	\$	<u><u>809,520</u></u>

**City of Harmony, Minnesota**

**General Fund  
Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2025  
With Comparative Totals for December 31, 2024**

	Budgeted Amounts		2025 Actual Amounts	Variance with Final Budget Positive (Negative)	2024 Actual Amounts
	Original	Final			
<b>Taxes</b>					
Property taxes	\$ 308,016	\$ 308,016	\$ 303,397	\$ (4,619)	\$ 349,057
Special assessments	-	-	646	646	9,278
<b>Total taxes</b>	<b>308,016</b>	<b>308,016</b>	<b>304,043</b>	<b>(3,973)</b>	<b>358,335</b>
<b>Non-property taxes</b>					
Lodging taxes	5,000	5,000	5,756	756	6,347
Franchise fees	-	-	-	-	4,000
<b>Total non-property taxes</b>	<b>5,000</b>	<b>5,000</b>	<b>5,756</b>	<b>756</b>	<b>10,347</b>
<b>Licenses, permits and fines</b>					
Fines and forfeitures	875	875	542	(333)	530
Licenses and permits	7,000	7,000	6,671	(329)	7,355
<b>Total licenses, permits and fines</b>	<b>7,875</b>	<b>7,875</b>	<b>7,213</b>	<b>(662)</b>	<b>7,885</b>
<b>Intergovernmental revenues</b>					
Local government aid	380,200	380,200	380,194	(6)	379,993
State fire aid	23,899	23,899	28,629	4,730	25,886
Market value credit	-	-	493	493	638
Federal aid	-	-	-	-	107,861
Other state aid	-	-	14,408	14,408	31,045
<b>Total intergovernmental revenues</b>	<b>404,099</b>	<b>404,099</b>	<b>423,724</b>	<b>19,625</b>	<b>545,423</b>
<b>Interest income</b>	<b>7,894</b>	<b>7,894</b>	<b>7,093</b>	<b>(801)</b>	<b>7,031</b>
<b>Charges for services</b>					
General government	270	270	955	685	621
Public safety	1,000	1,000	998	(2)	928
Streets and highways	4,000	4,000	3,635	(365)	3,407
Rents	2,500	2,500	6,761	4,261	6,125
<b>Total charges for services</b>	<b>7,770</b>	<b>7,770</b>	<b>12,349</b>	<b>4,579</b>	<b>11,081</b>
<b>Refunds and reimbursements</b>	<b>5,926</b>	<b>5,926</b>	<b>-</b>	<b>(5,926)</b>	<b>7,564</b>
<b>Miscellaneous revenues</b>					
Contributions and donations	6,100	6,100	11,787	5,687	6,110
Other	250	250	2,076	1,826	5,099
<b>Total miscellaneous revenues</b>	<b>6,350</b>	<b>6,350</b>	<b>13,863</b>	<b>7,513</b>	<b>11,209</b>
<b>Total revenues</b>	<b>\$ 752,930</b>	<b>\$ 752,930</b>	<b>\$ 774,041</b>	<b>\$ 21,111</b>	<b>\$ 958,875</b>

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, 2025  
With Comparative Totals for December 31, 2024**

	Budgeted Amounts		2025 Actual Amounts	Variance with Final Budget Positive (Negative)	2024 Actual Amounts
	Original	Final			
Expenditures					
Current:					
General government					
Mayor and council					
Salaries and benefits	\$ 10,050	\$ 10,050	\$ 10,709	\$ (659)	\$ 9,386
Operating supplies	225	225	574	(349)	192
Other services and charges	3,500	3,500	3,839	(339)	2,013
Total mayor and council	13,775	13,775	15,122	(1,347)	11,591
Finance and administration					
Salaries and benefits	135,201	135,201	137,435	(2,234)	155,289
Operating supplies	11,580	11,580	15,503	(3,923)	13,317
Printing and publication	2,350	2,350	1,386	964	2,240
Training	1,150	1,150	606	544	1,663
Repairs and maintenance	1,500	1,500	2,006	(506)	1,670
Professional fees	34,530	34,530	25,841	8,689	23,240
Capital outlay	1,500	1,500	1,964	(464)	-
Other services and charges	6,000	6,000	7,043	(1,043)	10,697
Total finance and administration	193,811	193,811	191,784	2,027	208,116
Planning and development					
Salaries and benefits	1,500	1,500	927	573	852
Other services and charges	100	100	1,008	(908)	7,693
Total planning and development	1,600	1,600	1,935	(335)	8,545
Elections	-	-	333	(333)	1,545
Total general government	\$ 209,186	\$ 209,186	\$ 209,174	\$ 12	\$ 229,797

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, 2025  
With Comparative Totals for December 31, 2024**

	Budgeted Amounts		2025 Actual Amounts	Variance with Final Budget Positive (Negative)	2024 Actual Amounts
	Original	Final			
Expenditures					
Current:					
Government buildings					
Visitor center					
Salaries and benefits	\$ 16,739	\$ 16,739	\$ 19,022	\$ (2,283)	\$ 13,319
Operating supplies	3,750	3,750	2,604	1,146	4,791
Insurance	3,650	3,650	2,623	1,027	3,411
Repairs and maintenance	4,400	4,400	7,089	(2,689)	1,847
Utilities	9,450	9,450	7,530	1,920	5,307
Total visitor center	<u>37,989</u>	<u>37,989</u>	<u>38,868</u>	<u>(879)</u>	<u>28,675</u>
Community center					
Salaries and benefits	58,760	58,760	58,599	161	38,562
Operating supplies	6,250	6,250	6,797	(547)	8,498
Insurance	19,025	19,025	14,985	4,040	18,278
Repairs and maintenance	19,550	19,550	10,551	8,999	19,011
Utilities	33,250	33,250	28,622	4,628	30,908
Other services and charges	300	300	2,413	(2,113)	1,504
Total community center	<u>137,135</u>	<u>137,135</u>	<u>121,967</u>	<u>15,168</u>	<u>116,761</u>
Total government buildings	<u>\$ 175,124</u>	<u>\$ 175,124</u>	<u>\$ 160,835</u>	<u>\$ 14,289</u>	<u>\$ 145,436</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, 2025  
With Comparative Totals for December 31, 2024**

	Budgeted Amounts		2025 Actual Amounts	Variance with Final Budget Positive (Negative)	2024 Actual Amounts
	Original	Final			
Expenditures					
Current:					
Public safety					
Police					
Contracted services	\$ 128,000	\$ 128,000	\$ 129,953	\$ (1,953)	\$ 126,249
Repairs and maintenance	-	-	52	(52)	40
Other services and charges	700	700	476	224	632
Total police	<u>128,700</u>	<u>128,700</u>	<u>130,481</u>	<u>(1,781)</u>	<u>126,921</u>
Fire	<u>33,399</u>	<u>33,399</u>	<u>38,129</u>	<u>(4,730)</u>	<u>25,886</u>
Civil defense					
Other services and charges	<u>1,450</u>	<u>1,450</u>	<u>1,106</u>	<u>344</u>	<u>1,259</u>
Animal control					
Salaries and benefits	870	870	862	8	760
Operating supplies	250	250	738	(488)	234
Other services and charges	170	170	3	167	162
Total animal control	<u>1,290</u>	<u>1,290</u>	<u>1,603</u>	<u>(313)</u>	<u>1,156</u>
Total public safety	<u>\$ 164,839</u>	<u>\$ 164,839</u>	<u>\$ 171,319</u>	<u>\$ (6,480)</u>	<u>\$ 155,222</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, 2025  
With Comparative Totals for December 31, 2024**

	Budgeted Amounts		2025 Actual Amounts	Variance with Final Budget Positive (Negative)	2024 Actual Amounts
	Original	Final			
<b>Expenditures</b>					
<b>Current:</b>					
<b>Streets and highways</b>					
Salaries and benefits	\$ 38,115	\$ 38,115	\$ 26,752	\$ 11,363	\$ 28,961
Vehicles	3,700	3,700	389	3,311	2,678
Operating supplies	24,450	24,450	20,130	4,320	20,736
Insurance	10,875	10,875	11,149	(274)	10,953
Repairs and maintenance	37,020	37,020	13,433	23,587	27,648
Utilities	7,850	7,850	6,304	1,546	4,918
Other services and charges	15,950	15,950	8,680	7,270	13,497
Capital outlay	8,500	8,500	66,534	(58,034)	-
<b>Total streets and highways</b>	<b>146,460</b>	<b>146,460</b>	<b>153,371</b>	<b>(6,911)</b>	<b>109,391</b>
<b>Culture and recreation</b>					
Operating supplies	10,500	10,500	10,000	500	10,300
Insurance	1,400	1,400	1,057	343	1,250
Other services and charges	8,750	8,750	8,118	632	7,929
<b>Total culture and recreation</b>	<b>20,650</b>	<b>20,650</b>	<b>19,175</b>	<b>1,475</b>	<b>19,479</b>
<b>Economic development</b>					
Lodging tax	5,000	5,000	5,810	(810)	2,628
Community development	13,000	13,000	1,771	11,229	3,874
<b>Total economic development</b>	<b>\$ 18,000</b>	<b>\$ 18,000</b>	<b>\$ 7,581</b>	<b>\$ 10,419</b>	<b>\$ 6,502</b>

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, 2025  
With Comparative Totals for December 31, 2024**

	Budgeted Amounts		2025 Actual Amounts	Variance with Final Budget Positive (Negative)	2024 Actual Amounts
	Original	Final			
Expenditures					
Current:					
Unallocated					
Miscellaneous	\$ 5,000	\$ 5,000	\$ 6,856	\$ (1,856)	\$ 6,572
Insurance	2,670	2,670	402	2,268	2,124
Total unallocated	<u>7,670</u>	<u>7,670</u>	<u>7,258</u>	<u>412</u>	<u>8,696</u>
Total expenditures	<u>741,929</u>	<u>741,929</u>	<u>728,713</u>	<u>13,216</u>	<u>674,523</u>
Excess of revenues over expenditures	<u>11,001</u>	<u>11,001</u>	<u>45,328</u>	<u>34,327</u>	<u>284,352</u>
Other financing sources (uses)					
Transfers in	-	-	61,059	61,059	8,200
Transfers out	-	-	(6,497)	(6,497)	(191,361)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>54,562</u>	<u>54,562</u>	<u>(183,161)</u>
Net change in fund balance	11,001	11,001	99,890	88,889	101,191
Fund balance, beginning	<u>1,050,021</u>	<u>1,050,021</u>	<u>1,050,021</u>	<u>-</u>	<u>948,830</u>
Fund balance, ending	<u>\$ 1,061,022</u>	<u>\$ 1,061,022</u>	<u>\$ 1,149,911</u>	<u>\$ 88,889</u>	<u>\$ 1,050,021</u>

See Notes to Financial Statements.

**City of Harmony, Minnesota**

**Ambulance Fund  
Statement of Revenues, Expenditures,  
and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2025  
With Comparative Totals for the Year Ended December 31, 2024**

	<u>Budgeted Amounts</u>		<u>223</u>	Variance with	<u>2024</u>
	<u>Original</u>	<u>Final</u>	<u>2025</u>	Final Budget -	<u>Actual</u>
			Actual	Positive	Actual
			Amounts	(Negative)	Amounts
<b>Revenues</b>					
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -	\$ 73,376
<b>Charges for services</b>					
Ambulance charges	308,250	308,250	321,206	12,956	224,096
Training reimbursement	5,000	5,000	3,199	(1,801)	3,345
Subsidy	4,500	4,500	6,000	1,500	6,000
Township contracts	27,118	27,118	28,769	1,651	25,467
Total charges for services	344,868	344,868	359,174	14,306	258,908
Interest income	7,803	7,803	11,079	3,276	7,776
<b>Miscellaneous revenue</b>					
Contributions and donations	-	-	22,785	22,785	-
Other	-	-	594	594	250
Total miscellaneous revenue	-	-	23,379	23,379	250
Total revenues	352,671	352,671	393,632	40,961	340,310
<b>Expenditures</b>					
<b>Public safety</b>					
Salaries and benefits	120,930	120,930	156,660	(35,730)	121,950
Operating supplies	21,750	21,750	47,050	(25,300)	17,985
Training and travel	10,000	10,000	3,683	6,317	13,886
Insurance	6,650	6,650	4,411	2,239	3,907
Repairs and maintenance	1,158	1,158	1,207	(49)	2,519
Printing and publication	400	400	71	329	53
Other services and charges	88,250	88,250	109,507	(21,257)	100,161
Total expenditures	249,138	249,138	322,589	(73,451)	260,461
Excess of revenues over expenditures	103,533	103,533	71,043	(32,490)	79,849
<b>Other financing uses</b>					
Transfers out	(30,000)	(30,000)	(30,000)	-	(25,000)
Net change in fund balance	73,533	73,533	41,043	(32,490)	54,849
Fund balance, beginning	371,202	371,202	371,202	-	316,353
Fund balance, ending	\$ 444,735	\$ 444,735	\$ 412,245	\$ (32,490)	\$ 371,202

See Notes to Financial Statements.

**City of Harmony, Minnesota**

**Proprietary Funds  
Statement of Net Position  
December 31, 2025  
With Comparative Totals for December 31, 2024**

	Business-Type Activities - Enterprise Funds					TOTALS	
	Water	Sewer	Electric	Refuse and	Storm Water	2025	2024
	Fund	Fund	Fund	Recycling	Fund		
<b>Assets and deferred outflow s of resources</b>							
<b>Current assets</b>							
Cash and investments	\$ 97,176	\$ 1,438,034	\$ 844,048	\$ -	\$ 156,447	\$ 2,535,705	\$ 1,069,354
Special assessments receivable	36,599	8,001	-	-	-	44,600	46,840
Accounts receivable	45,523	58,252	126,606	17,015	6,505	253,901	226,151
Due from other governments	106	23	-	-	-	129	252
Inventories	15,584	-	15,629	-	-	31,213	132,562
Prepaid items	5,601	7,128	4,966	115	645	18,455	18,713
<b>Total current assets</b>	<b>200,589</b>	<b>1,511,438</b>	<b>991,249</b>	<b>17,130</b>	<b>163,597</b>	<b>2,884,003</b>	<b>1,493,872</b>
<b>Capital assets</b>							
Nondepreciable	17,015	714,234	5,000	-	-	736,249	190,980
Depreciable	3,700,365	3,977,767	2,549,425	4,952	936,055	11,168,564	11,125,912
Less: accumulated depreciation	941,163	2,402,380	1,587,254	4,952	558,716	5,494,465	5,188,092
<b>Total capital assets, net</b>	<b>2,776,217</b>	<b>2,289,621</b>	<b>967,171</b>	<b>-</b>	<b>377,339</b>	<b>6,410,348</b>	<b>6,128,800</b>
<b>Deferred outflow s of resources</b>							
Deferred outflow s relating to pension activity	8,279	8,267	3,648	2,578	266	23,038	25,064
<b>Total assets and deferred outflow s of resources</b>	<b>\$ 2,985,085</b>	<b>\$ 3,809,326</b>	<b>\$ 1,962,068</b>	<b>\$ 19,708</b>	<b>\$ 541,202</b>	<b>\$ 9,317,389</b>	<b>\$ 7,647,736</b>
<b>Liabilities, deferred inflow s of resources, and net position</b>							
<b>Current liabilities</b>							
Current maturities of bonds payable	\$ 62,487	\$ 1,863	\$ -	\$ -	\$ -	\$ 64,350	\$ 65,150
Accounts payable	1,343	233,111	67,876	9,324	-	311,654	180,790
Deposits payable	-	-	15,604	-	-	15,604	15,182
Accrued compensated absences payable	8,224	6,033	5,320	1,705	465	21,747	21,002
Salaries and wages payable	926	644	823	297	67	2,757	2,770
Sales tax payable	224	-	5,457	-	-	5,681	4,993
Accrued interest payable	2,470	30,144	-	-	-	32,614	2,888
Due to other funds	-	-	-	8,476	-	8,476	-
Due to other governments	1,156	7,952	2,111	-	-	11,219	15,568
<b>Total current liabilities</b>	<b>76,830</b>	<b>279,747</b>	<b>97,191</b>	<b>19,802</b>	<b>532</b>	<b>474,102</b>	<b>308,343</b>
<b>Noncurrent liabilities</b>							
Net pension liability	23,005	22,969	10,136	7,162	737	64,009	69,321
Bonds payable, net of current maturities	472,022	1,772,169	-	-	-	2,244,191	545,300
<b>Total noncurrent liabilities</b>	<b>495,027</b>	<b>1,795,138</b>	<b>10,136</b>	<b>7,162</b>	<b>737</b>	<b>2,308,200</b>	<b>614,621</b>
<b>Total liabilities</b>	<b>571,857</b>	<b>2,074,885</b>	<b>107,327</b>	<b>26,964</b>	<b>1,269</b>	<b>2,782,302</b>	<b>922,964</b>
<b>Deferred inflow s of resources</b>							
Deferred inflow s relating to pension activity	16,178	16,154	7,128	5,037	517	45,014	28,164
<b>Net position</b>							
Net investment in capital assets	2,241,708	1,807,039	967,171	-	377,339	5,393,257	5,518,350
Unrestricted	155,342	(88,752)	880,442	(12,293)	162,077	1,096,816	1,178,258
<b>Total net position</b>	<b>2,397,050</b>	<b>1,718,287</b>	<b>1,847,613</b>	<b>(12,293)</b>	<b>539,416</b>	<b>6,490,073</b>	<b>6,696,608</b>
<b>Total liabilities, deferred inflow s of resources, and net position</b>	<b>\$ 2,985,085</b>	<b>\$ 3,809,326</b>	<b>\$ 1,962,068</b>	<b>\$ 19,708</b>	<b>\$ 541,202</b>	<b>\$ 9,317,389</b>	<b>\$ 7,647,736</b>

See Notes to Financial Statements.

**City of Harmony, Minnesota**

**Proprietary Funds  
Statement of Revenues, Expenses, and  
Changes in Net Position  
December 31, 2025  
With Comparative Totals for December 31, 2024**

	Business-Type Activities - Enterprise Funds						
	Water Fund	Sewer Fund	Electric Fund	Refuse and Recycling Fund	Storm Water Fund	TOTALS	
						2025	2024
Operating revenues							
Charges for services	\$ 279,466	\$ 404,819	\$ 1,039,307	\$ 119,465	\$ 48,178	\$ 1,891,235	\$ 1,805,552
Operating expenses							
Operating expenses, excluding depreciation	193,213	327,771	1,007,975	149,437	5,465	1,683,861	1,519,355
Depreciation	87,392	137,908	56,740	-	26,759	308,799	293,955
Total operating expenses	280,605	465,679	1,064,715	149,437	32,224	1,992,660	1,813,310
Operating income (loss)	(1,139)	(60,860)	(25,408)	(29,972)	15,954	(101,425)	(7,758)
Nonoperating revenues (expenses)							
Interest and other fiscal expense	(6,275)	(78,686)	-	-	-	(84,961)	(7,758)
Interest income	6,659	29,898	32,016	296	5,017	73,886	47,778
Other income	-	103	1,092	-	4,467	5,662	8,801
Total nonoperating revenues (expenses)	384	(48,685)	33,108	296	9,484	(5,413)	48,821
Income (loss) before transfers	(755)	(109,545)	7,700	(29,676)	25,438	(106,838)	41,063
Transfers in	-	-	-	-	-	-	332,057
Transfers out	(101,000)	-	(26,200)	(2,000)	(3,000)	(132,200)	(320,896)
Capital contributions	25,815	6,688	-	-	-	32,503	8,049
Change in net position	(75,940)	(102,857)	(18,500)	(31,676)	22,438	(206,535)	60,273
Net position, beginning	2,472,990	1,821,144	1,866,113	19,383	516,978	6,696,608	6,636,335
Net position, ending	\$ 2,397,050	\$ 1,718,287	\$ 1,847,613	\$ (12,293)	\$ 539,416	\$ 6,490,073	\$ 6,696,608

See Notes to Financial Statements.

**City of Harmony, Minnesota**

**Proprietary Funds  
Statement of Cash Flows  
December 31, 2025  
With Comparative Totals for December 31, 2024**

	Business-Type Activities - Enterprise Funds						TOTALS	
	Water	Sewer	Electric	Refuse and	Storm Water			
	Fund	Fund	Fund	Recycling	Fund	2025	2024	
Cash flows from operating activities								
Cash received from customers	\$ 276,128	\$ 397,389	\$ 1,026,379	\$ 116,553	\$ 47,159	\$ 1,863,608	\$ 1,758,152	
Cash received from other sources	-	103	1,092	-	4,467	5,662	8,801	
Cash payments to suppliers	(71,926)	(232,591)	(898,201)	(115,950)	(5,523)	(1,324,191)	(1,373,437)	
Cash payments to employees	(97,681)	(95,749)	(42,737)	(29,876)	(3,154)	(269,197)	(230,717)	
Net cash provided by (used in) operating activities	106,521	69,152	86,533	(29,273)	42,949	275,882	162,799	
Cash flows from noncapital financing activities								
Principal received (paid) on advances from (to) other funds	-	-	-	-	-	-	17,286	
Due to other funds	-	-	-	8,476	-	8,476	(38,390)	
Transfers in (out), net	(101,000)	-	(26,200)	(2,000)	(3,000)	(132,200)	11,161	
Net cash provided by (used in) noncapital financing activities	(101,000)	-	(26,200)	6,476	(3,000)	(123,724)	(9,943)	
Cash flows from capital and related financing activities								
Purchase of capital assets	(12,747)	(397,759)	(26,786)	-	-	(437,292)	(565,731)	
Capital contributions	10,763	23,980	-	-	-	34,743	62,900	
Interest and fiscal charges	(6,584)	(48,785)	-	-	-	(55,369)	(7,597)	
Bond proceeds	-	1,763,375	-	-	-	1,763,375	-	
Principal payments on bonds	(63,323)	(1,827)	-	-	-	(65,150)	(62,950)	
Net cash provided by (used in) capital and related financing activities	(71,891)	1,338,984	(26,786)	-	-	1,240,307	(573,378)	
Cash flows from investing activities								
Interest earnings	6,659	29,898	32,016	296	5,017	73,886	47,778	
Increase (decrease) in cash and investments	(59,711)	1,438,034	65,563	(22,501)	44,966	1,466,351	(372,744)	
Cash and investments, beginning	156,887	-	778,485	22,501	111,481	1,069,354	1,442,098	
Cash and investments, ending	\$ 97,176	\$ 1,438,034	\$ 844,048	\$ -	\$ 156,447	\$ 2,535,705	\$ 1,069,354	

See Notes to Financial Statements.

**City of Harmony, Minnesota**

**Proprietary Funds  
Statement of Cash Flows  
December 31, 2025  
With Comparative Totals for December 31, 2024**

**Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities**

	Business-Type Activities - Enterprise Funds						
	Water Fund	Sewer Fund	Electric Fund	Refuse and Recycling Fund	Storm Water Fund	TOTALS	
						2025	2024
Operating income (loss)	\$ (1,139)	\$ (60,860)	\$ (25,408)	\$ (29,972)	\$ 15,954	\$ (101,425)	\$ (7,758)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	87,392	137,908	56,740	-	26,759	308,799	293,955
Change in net pension liability	906	12,998	(494)	2,793	(2,639)	13,564	(20,307)
Other income	-	103	1,092	-	4,467	5,662	8,801
(Increase) decrease in:							
Accounts receivable	(3,439)	(7,452)	(12,928)	(2,912)	(1,019)	(27,750)	(47,400)
Inventories	26,903	-	74,446	-	-	101,349	(106,376)
Due from other governments	101	22	-	-	-	123	-
Prepaid items	(420)	(145)	391	226	206	258	(2,240)
Increase (decrease) in:							
Accounts payable	(4,074)	(5,310)	(12,334)	395	(868)	(22,191)	26,469
Accrued compensated absences	1,374	(4,481)	3,541	232	79	745	8,358
Due to other governments	(1,213)	(3,079)	(57)	-	-	(4,349)	8,836
Deposits payable	-	-	422	-	-	422	1,023
Sales tax payable	16	-	672	-	-	688	(489)
Salaries and wages payable	114	(552)	450	(35)	10	(13)	(73)
Net cash provided by (used in) operating activities	\$ 106,521	\$ 69,152	\$ 86,533	\$ (29,273)	\$ 42,949	\$ 275,882	\$ 162,799
Non-cash transactions:							
Capital assets in accounts payable	\$ -	\$ 224,739	\$ -	\$ -	\$ -	\$ 224,739	\$ 71,684
Amortization of bond premium	-	(134)	-	-	-	(134)	-
Receipt of contributed asset	-	-	-	-	-	-	82,910

See Notes to Financial Statements.

**City of Harmony, Minnesota**  
**Fiduciary Funds**  
**Statements of Fiduciary Net Position**  
**December 31, 2025**  
**With Comparative Totals for December 31, 2024**

	Sanderson Memorial Trust Fund	
	2025	2024
Assets		
Cash and investments	\$ 54,549	\$ 52,074
Net position		
Restricted for other governments	\$ 54,549	\$ 52,074

**City of Harmony, Minnesota**  
**Fiduciary Funds**  
**Statements of Changes in Fiduciary Net Position**  
**For the Years Ended December 31, 2025 and 2024**

	2025	2024
Additions		
Memorials and donations	\$ -	\$ 40,000
Interest income	2,475	1,637
Total additions	2,475	41,637
Change in net position	2,475	41,637
Net position, beginning	52,074	10,437
Net position, ending	\$ 54,549	\$ 52,074

See Notes to Financial Statements.

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**City of Harmony, Minnesota**

**Notes to Financial Statements**

**December 31, 2025**

## City of Harmony, Minnesota

### Notes to Financial Statements December 31, 2025

#### Note 1 - Summary of significant accounting policies

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 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 GASB, *The Financial Reporting Entity*, the City's financial statements include the primary government and the component units of the City, defined as follows:

Primary government: Includes all funds, account groups, organizations, institutions, agencies, departments, or offices which are not legally separate from the City.

Component units: Component units are legally separate organizations for which the elected officials of the City are financially accountable or for which the nature or significance of their relationship with the City would cause the general purpose financial statements to be misleading or incomplete. Based on this criteria, there are no component units of the City.

#### 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*.

## City of Harmony, Minnesota

### Notes to Financial Statements December 31, 2025

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

#### **Measurement focus, basis of accounting, and financial statement presentation**

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

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

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-exchanges 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  
December 31, 2025**

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 *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 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 December 31, 2025

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**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted by Council resolution for the General Fund and all special revenue funds, with the exception of the Small Cities Grant Fund which adopts a length-based budget. The City does not use encumbrance accounting.

The City follows these legal compliance procedures in establishing the budgetary data reflected in the financial statements:

1. The City Administrator/Clerk submits a proposed budget to the City Council prior to the end of each year for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through the passage of a budget resolution.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund and all Special Revenue Funds, excluding the Small Cities Grant Fund.
5. The City's department heads may make transfers of appropriations with approval of the City Council.
6. Changes to the budget at the departmental level must be by formal action of the City Council. Generally, all budget amendments result in the utilization of contingency appropriations and do not alter the total expenditure budget of the City. Monitoring of the budgets is maintained by the City Administrator/Clerk and reviewed by City Council. However, expenditures in excess of the departmental budget require council approval. All budgeted appropriations at the end of the fiscal year lapse. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is at the departmental level.

## City of Harmony, Minnesota

### Notes to Financial Statements December 31, 2025

#### **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.

#### **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 Funds and transferred to the Debt Service Fund to the extent required to service bond principal and interest payments due plus 5% 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.

**City of Harmony, Minnesota**

**Notes to Financial Statements  
December 31, 2025**

**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."

**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.

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.

	<u>Useful Life in Years</u>
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**

The City recognizes a liability for employees' compensated absences if the leave is attributable to services already rendered, if the leave accumulates, and if it is more likely than not to be used for time off or otherwise settled through noncash means. 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% of the accumulated sick leave upon termination. A liability for these amounts has been accrued in the government-wide and proprietary fund financial statements.

**City of Harmony, Minnesota**

**Notes to Financial Statements  
December 31, 2025**

**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 GASB 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 December 31, 2025

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.

#### **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.

#### **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.

#### **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.

**City of Harmony, Minnesota**

**Notes to Financial Statements  
December 31, 2025**

**Comparative data and reclassifications**

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.

**Note 2 - Cash and investments**

**Summary of cash and investments**

As of December 31, 2025, the City's cash and investments consisted of the following items, all of which are held in an internal investment pool:

Cash on hand	\$	226
Deposits		1,345,453
Non-negotiable certificates of deposits		1,400,000
4M money market		<u>3,605,322</u>
Total cash and investments per the statement of net position	\$	<u>6,351,001</u>
Cash and investments	\$	6,351,001
Fiduciary fund cash and investments		<u>54,549</u>
Total cash and investments	\$	<u>6,405,550</u>

**Investments authorized by Minnesota Statutes**

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

- a) Direct obligations or obligations guaranteed by the United States or its agencies.
- b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- c) General obligations of the State of Minnesota or its municipalities.
- d) Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
- e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- f) Repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a reporting dealer 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.

**City of Harmony, Minnesota**

**Notes to Financial Statements  
December 31, 2025**

**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.

Deposits insured by pledged collateral	\$ 2,476,198
Collateral held by pledging bank in the City's name	<u>1,582,409</u>
Deposits in excess of collateral	<u>\$ (893,789)</u>

As of December 31, 2025, the City did not have adequate collateral for its uninsured deposits held at the City's banking institutions. The City's pledged collateral for uninsured deposits greater than the \$250,000 FDIC limit were held by a bank other than the City's banking institutions where its deposits are held. The City utilizes U.S. Treasury, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association notes as collateral for its uninsured deposits.

**Concentration of credit risk**

The investment policy of the City contains no limitation on the amount that can be invested in any one issuer. At December 31, 2025, the City did not have investments greater than five percent of the City's total investments in any one issuer.

**Interest rate risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City's investments portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

**Fair value measurements**

Fair value measurements are determined utilizing the framework established by the GASB. 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.

**City of Harmony, Minnesota**

**Notes to Financial Statements  
December 31, 2025**

- 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 means
  - If 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, 2025 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	\$ 3,605,322	\$ -	\$ -	\$ -	\$ 3,605,322

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  
December 31, 2025**

**Note 3 - Due from other governmental units**

Amounts due from other governmental units at December 31, 2025 are as follows:

<u>Fund</u>	<u>Fillmore County</u>
General	\$ 2,292
Fire	326
Library	733
Park	642
Arts	64
EDA	845
Debt service	2,298
Water	106
Sewer	23
Total	<u>\$ 7,329</u>

**Note 4 - Loans receivable**

The City has made various economic development loans to businesses 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, 2025 was \$270,774.

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 \$125,842 as of December 31, 2025.

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, 2025 was \$634,756.

**City of Harmony, Minnesota**

**Notes to Financial Statements  
December 31, 2025**

**Note 5 - Capital assets**

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 445,464	\$ -	\$ -	\$ 445,464
Construction in progress	1,446,214	-	1,446,214	-
Total capital assets, not being depreciated	<u>1,891,678</u>	<u>-</u>	<u>1,446,214</u>	<u>445,464</u>
Capital assets, being depreciated:				
Buildings and improvements	1,816,089	50,915	-	1,867,004
Infrastructure	5,630,188	1,764,575	-	7,394,763
Machinery and equipment	1,439,119	53,775	14,960	1,477,934
Vehicles	1,822,634	-	-	1,822,634
Total capital assets, being depreciated	<u>10,708,030</u>	<u>1,869,265</u>	<u>14,960</u>	<u>12,562,335</u>
Less accumulated depreciation for:				
Buildings and improvements	902,042	56,853	-	958,895
Infrastructure	3,183,403	157,811	-	3,341,214
Machinery and equipment	956,713	67,449	14,960	1,009,202
Vehicles	1,015,699	99,030	-	1,114,729
Total accumulated depreciation	<u>6,057,857</u>	<u>381,143</u>	<u>14,960</u>	<u>6,424,040</u>
Total capital assets, being depreciated, net	<u>4,650,173</u>	<u>1,488,122</u>	<u>-</u>	<u>6,138,295</u>
Governmental activities capital assets, net	<u>\$ 6,541,851</u>	<u>\$ 1,488,122</u>	<u>\$ 1,446,214</u>	<u>\$ 6,583,759</u>

Depreciation expense for governmental activities was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 41,386
Public safety	100,899
Streets and highways	206,146
Culture and recreation	32,513
Economic development	<u>199</u>
Total depreciation expense - governmental activities	<u>\$ 381,143</u>

**City of Harmony, Minnesota**

**Notes to Financial Statements  
December 31, 2025**

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 36,415	\$ -	\$ -	\$ 36,415
Construction in progress	154,565	545,269	-	699,834
Total capital assets, not being depreciated	<u>190,980</u>	<u>545,269</u>	<u>-</u>	<u>736,249</u>
Capital assets, being depreciated:				
Buildings and improvements	2,538,356	-	-	2,538,356
Distribution lines and infrastructure	6,490,134	26,786	2,426	6,514,494
Machinery and equipment	2,068,722	18,292	-	2,087,014
Vehicles	28,700	-	-	28,700
Total capital assets, being depreciated	<u>11,125,912</u>	<u>45,078</u>	<u>2,426</u>	<u>11,168,564</u>
Less accumulated depreciation for:				
Buildings and improvements	1,854,154	78,378	-	1,932,532
Distribution lines and infrastructure	2,697,719	160,934	2,426	2,856,227
Machinery and equipment	607,519	69,487	-	677,006
Vehicles	28,700	-	-	28,700
Total accumulated depreciation	<u>5,188,092</u>	<u>308,799</u>	<u>2,426</u>	<u>5,494,465</u>
Total capital assets, being depreciated, net	<u>5,937,820</u>	<u>353,877</u>	<u>4,852</u>	<u>5,674,099</u>
Business-type activities capital assets, net	<u>\$ 6,128,800</u>	<u>\$ 899,146</u>	<u>\$ 4,852</u>	<u>\$ 6,410,348</u>

Depreciation expense for business-type activities was charged to functions/programs as follows:

Business-type activities:	
Water	\$ 87,392
Sewer	137,908
Electric	56,740
Storm water	<u>26,759</u>
Total depreciation expense - business-type activities	<u>\$ 308,799</u>

**City of Harmony, Minnesota**

**Notes to Financial Statements  
December 31, 2025**

**Note 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, 2025 balances is as follows:

	Original Amount of Debt	Range of Interest Rates	Final Maturity	Balance December 31, 2025
General Obligation Bonds:				
2020A Improvement Notes	\$ 1,648,000	1.95%	2031	\$ 1,247,700
2021A Tax Increment Notes	84,083	0.00%	2031	50,451
2021B Tax Increment Notes	247,000	1.80%	2032	196,000
2021C Improvement Refunding Notes	660,000	1.30%	2028	293,000
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	452,000
2020A Improvement Notes	450,000	1.95%	2031	60,300
2021C Utility Revenue Refunding Notes	77,000	1.30%	2028	33,000
2025A Disposal System Bonds	1,755,000	4.00 - 4.50%	2051	1,755,000
Sub-total				6,022,451
Unamortized bond premium				82,807
Accrued compensated absences				53,485
Total long-term liabilities				\$ 6,158,743

In 2025, the City issued \$1,755,000 of General Obligation Disposal System Bonds. The proceeds were used to finance the City's 2025 wastewater facility UV improvements. The bonds interest rates range from 4.00 - 4.50% over the life of the bond which has a final maturity of 2051.

**City of Harmony, Minnesota**

**Notes to Financial Statements  
December 31, 2025**

The following is a summary of the changes in long-term debt obligations for the year ended December 31, 2025:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Governmental activities</b>					
General Obligation Bonds:					
2020A Improvement Notes	\$ 1,440,550	\$ -	\$ 192,850	\$ 1,247,700	\$ 196,650
2021A Tax Increment Notes	58,859	-	8,408	50,451	8,408
2021B Tax Increment Notes	222,000	-	26,000	196,000	26,000
2021C Improvement Refunding Notes	389,000	-	96,000	293,000	96,000
2024A Improvement Bonds	1,935,000	-	-	1,935,000	95,000
Unamortized bond premium	79,709	-	5,143	74,566	-
Accrued compensated absences	49,183	-	17,445	31,738	31,738
Governmental activities long-term liabilities	<u>4,174,301</u>	<u>-</u>	<u>345,846</u>	<u>3,828,455</u>	<u>453,796</u>
<b>Business-type activities</b>					
General Obligation Revenue Bonds:					
2015 Public Facilities Authority Bonds	495,000	-	43,000	452,000	43,000
2020A Improvement Notes	70,450	-	10,150	60,300	10,350
2021C Utility Revenue Refunding Notes	45,000	-	12,000	33,000	11,000
2025A GO Disposal System Bonds	-	1,755,000	-	1,755,000	-
Unamortized bond premium	-	8,375	134	8,241	-
Accrued compensated absences	21,002	745	-	21,747	21,747
Business-type activities long-term liabilities	<u>631,452</u>	<u>1,764,120</u>	<u>65,284</u>	<u>2,330,288</u>	<u>86,097</u>
<b>Total long-term liabilities</b>	<u>\$ 4,805,753</u>	<u>\$ 1,764,120</u>	<u>\$ 411,130</u>	<u>\$ 6,158,743</u>	<u>\$ 539,893</u>

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  
December 31, 2025**

The annual requirements to amortize all long-term debt outstanding as of December 31, 2025, excluding compensated absences over the life of the debt, are summarized below:

Years	General Obligation Bonds		General Obligation Revenue Bonds		Total
	Principal	Interest	Principal	Interest	
<u>Governmental activities</u>					
2026	\$ 422,058	\$ 106,193	\$ -	\$ -	\$ 528,251
2027	434,808	96,774	-	-	531,582
2028	444,608	87,043	-	-	531,651
2029	355,408	77,666	-	-	433,074
2030	365,208	68,640	-	-	433,848
2031-2035	925,061	236,392	-	-	1,161,453
2036-2040	775,000	95,000	-	-	870,000
Total	<u>\$ 3,722,151</u>	<u>\$ 767,708</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,489,859</u>
<u>Business-type activities</u>					
2026			\$ 64,350	\$ 78,971	\$ 143,321
2027			105,600	77,394	182,994
2028			105,800	75,003	180,803
2029			100,000	72,578	172,578
2030			101,200	70,122	171,322
2031-2035			493,350	313,237	806,587
2036-2040			320,000	248,592	568,592
2041-2045			395,000	177,690	572,690
2046-2050			500,000	83,831	583,831
2051			115,000	2,588	117,588
Total			<u>\$ 2,300,300</u>	<u>\$ 1,200,006</u>	<u>\$ 3,500,306</u>

**Note 7 - Individual fund disclosures**

The amounts advanced to and from other funds as of December 31, 2025 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.

**City of Harmony, Minnesota**

**Notes to Financial Statements  
December 31, 2025**

Transfers during the year ended December 31, 2025 were as follows:

Funds	Transfers In	Transfers Out
General Fund	\$ 61,059	\$ 6,497
Special Revenue Funds:		
Fire	-	25,000
Ambulance	-	30,000
Park	13,000	6,000
Economic Development Authority	15,000	-
Debt Service	138,170	39,956
Capital Projects Funds:		
Capital Projects	81,497	13,000
TIF #8	-	38,170
2024 Street Project	-	17,903
Proprietary Funds:		
Water	-	101,000
Sewer	-	-
Electric	-	26,200
Refuse and Recycling	-	2,000
Storm Water	-	3,000
<b>Total</b>	<b>\$ 308,726</b>	<b>\$ 308,726</b>

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 2025 were as follows:

Special Revenue Funds:	
Revolving Loan	\$ 51,281
Ambulance	73,451
Fire	43,317
Library	35

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

**City of Harmony, Minnesota**

**Notes to Financial Statements  
December 31, 2025**

	Due From Other Funds	Due To Other Funds
General Fund	\$ 36,972	\$ -
Capital Projects Funds:		
Trail Extension	-	28,496
Enterprise Funds:		
Refuse and Recycling Fund	-	8,476
	\$ 36,972	\$ 36,972

At December 31, 2025, the following funds have deficit fund balances:

Capital Projects Funds:	
TIF District #8	\$ 6,251

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

**Note 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, 2025 is as follows:

	Restriction Imposed By:		
	Grantors	Regulation	Creditors
Restricted fund balance			
Special revenue funds:			
Small cities grant	\$ 6,923	\$ -	\$ -
Economic development	269,102	-	-
Debt service	-	-	731,305
	\$ 276,025	\$ -	\$ 731,305
Total restricted fund balance			
Restricted net position			
Economic development	\$ 276,025	\$ -	\$ -
Fire pension	-	181,671	-
Debt service	-	-	1,273,069
	\$ 276,025	\$ 181,671	\$ 1,273,069
Total restricted net position			

**City of Harmony, Minnesota**

**Notes to Financial Statements  
December 31, 2025**

The City has assigned portions of fund balance in the governmental funds. A summary of the assigned portion of fund balance at December 31, 2025 is as follows:

	Special Revenue Funds	Capital Project Funds
Ambulance	\$ 411,110	\$ -
Revolving Loan	129,360	-
Library	46,771	-
Fire	82,415	-
Park	128,426	-
Arts	17,469	-
2024 Street Project	-	265,775
Trailhead Project	-	151
TIF #7	-	48,007
Total assigned fund balance	\$ 815,551	\$ 313,933

The City has committed portions of fund balance in the governmental funds. A summary of the committed portion of fund balance at December 31, 2025 is as follows:

	Committed
Seal coating A, B, C, and D	\$ 209,713
Dodge truck	51,818
Pickup	44,500
Skid loader and attachments	26,000
UTV	7,000
Visitor center roof	65,000
Siren replacements	22,500
Fire:	
Monument	44,074
Ambulance	102,406
Parks:	
Mower	11,750
Water:	
Tower and improvements	90,000
Generator for well	10,000
Sewer:	
Lift stations (rodder, jetter, and generator)	15,000
Electric:	
Pickup	59,000
Boom truck	50,000
Storm Sewer:	
Sweeper	8,500
Total committed fund balance	\$ 817,261

**City of Harmony, Minnesota**

**Notes to Financial Statements  
December 31, 2025**

**Note 9 - Commitments and contingencies**

**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.

**Note 10 - Defined benefit pension plans - statewide**

**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.

**City of Harmony, Minnesota**

**Notes to Financial Statements  
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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% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General plan members receive 1.7% 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% 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% 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% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. The 2025 annual increase was 1.25%. 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.

**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% of their annual covered salary in fiscal year 2025 and the City was required to contribute 7.50% for General Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2025, were \$33,431. The City's contributions were equal to the required contributions as set by state statute.

**Pension costs**

At December 31, 2025, the City reported a liability of \$163,098 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 \$3,934.

City's proportionate share of the net pension liability	\$ 163,098
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>3,934</u>
Total	<u>\$ 167,032</u>

**City of Harmony, Minnesota**

**Notes to Financial Statements  
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The net pension liability was measured as of June 30, 2025, 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, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0049% at the end of the measurement period and 0.0051% for the beginning of the period.

For the year ended December 31, 2025, the City recognized pension expense of \$(21,541) for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$(603) 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.

At December 31, 2025, 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	\$ 15,540	\$ -
Changes in actuarial assumptions	3,930	37,528
Net difference between projected and actual earnings on pension plan investments	-	64,898
Changes in proportion	21,179	12,274
Employer contributions subsequent to the measurement date	18,052	-
Total	\$ 58,701	\$ 114,700

The \$18,052 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, 2026. 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
2026	\$ (15,583)
2027	(22,317)
2028	(24,559)
2029	(11,592)

**Aggregate pension expense**

The total pension expense for all plans recognized by the City for the year ended December 31, 2025 is as follows:

General employee fund	\$ (22,144)
Fire relief pension	(101,746)
Total pension expense	\$ (123,890)

**City of Harmony, Minnesota**

**Notes to Financial Statements  
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**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, 2025, 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% for the General Employees Plan.
- Benefit increases after retirement are assumed to be 1.50% for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 11.50% after one year of service to 3.0% 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.

The following changes in actuarial assumptions and plan provisions occurred in 2025:

Changes in Actuarial Assumptions:

- The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25% to 1.50%.

**City of Harmony, Minnesota**

**Notes to Financial Statements  
December 31, 2025**

Changes in Plan Provisions:

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.
- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

**Discount rate**

The discount rate used to measure the total pension liability in 2025 was 7.0%. 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. 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:

<b>Sensitivity Analysis</b>		
<i>Net Pension Liability at Different Discount Rates</i>		
	General Employees Fund	
1% Lower	6.00%	\$ 396,139
Current discount rate	7.00%	163,098
1% Higher	8.00%	(25,951)

**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).

**City of Harmony, Minnesota**

**Notes to Financial Statements  
December 31, 2025**

**Note 11 - Defined contribution pension plan**

The ambulance members of the City 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, Chapters 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%) of the asset in each member's account annually.

Total contributions made by the City during fiscal year 2025 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rates
13,585	16,644	5.00%	5.00%	5%

**Note 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% through 20 years at 100%.

**City of Harmony, Minnesota**

**Notes to Financial Statements  
December 31, 2025**

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 2025 is not available yet. At December 31, 2024, the Association funding status was as follows:

Total plan assets, at market	\$	611,042
Total accrued liability		<u>429,371</u>
Net position in excess of accrued liability	\$	<u>181,671</u>

**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 2025 amounted to \$38,129, which represents the pass-through of State Aids of \$28,629 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, 2025.

The computation of the pension contribution requirements for 2025 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.

**Note 13 - Risk management**

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 2025.

**City of Harmony, Minnesota**

**Notes to Financial Statements  
December 31, 2025**

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 2025. 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.

**Note 14 - Restatement**

During 2025, the Economic Development Authority Fund and 2024 Street Project Fund, which were previously reported as major governmental funds, are now nonmajor governmental funds due to the funds no longer meeting the quantitative threshold to be classified as a major fund. Adjustments to the financial statements were as follows:

	Beginning fund balance as previously reported	Change within financial reporting entity	Beginning fund balance as restated
Governmental funds			
Major funds			
Economic Development Authority fund	\$ 304,668	\$ (304,668)	\$ -
2024 Street Project fund	535,699	(535,699)	-
All other major governmental funds	2,918,995	-	2,918,995
Total major funds	\$ 3,759,362	\$ (840,367)	\$ 2,918,995
Nonmajor funds			
Economic Development Authority fund	\$ -	\$ 304,668	\$ 304,668
2024 Street Project fund	-	535,699	535,699
All other nonmajor governmental funds	558,147	-	558,147
Total nonmajor funds	\$ 558,147	\$ 840,367	\$ 1,398,514

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**City of Harmony, Minnesota**  
**Required Supplementary Information**  
**December 31, 2025**

**City of Harmony, Minnesota  
Schedules of City Pension Contributions**

**PERA General Employees Retirement Fund  
Last Ten Years**

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)
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%
2025	33,431	33,431	-	445,747	7.50%

**City of Harmony, Minnesota  
Schedule of City and Non-Employer Proportionate Share of Net Pension Liability**

**PERA General Employees Retirement Fund  
Last Ten Years**

Fiscal Year Ended June 30	City's Proportionate Share (Percentage) of Net Pension Liability (Asset)	City's Proportionate Share 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%
2025	0.0049%	163,098	3,934	167,032	437,540	38.2%	90.80%

**City of Harmony, Minnesota**

**Notes to Required Supplementary Information  
December 31, 2025**

**Note 1 - Notes to schedule of changes in net pension liabilities and related ratios**

**General employees fund**

**2025 changes**

Changes in actuarial assumptions:

- The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

Changes in plan provisions:

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.
- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

**2024 changes**

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 rate 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

## City of Harmony, Minnesota

### Notes to Required Supplementary Information December 31, 2025

#### **2023 changes**

Changes in actuarial assumptions:

- The investment return assumption and single discount rate were changed from 6.5% to 7.00%.

Changes in plan provisions:

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

#### **2022 changes**

Changes in actuarial assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in plan provisions:

- There were no changes in plan provisions since the previous valuation.

#### **2021 changes**

Changes in actuarial assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in plan provisions:

- There were no changes in plan provisions since the previous valuation.

#### **2020 changes**

Changes in actuarial assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.

## City of Harmony, Minnesota

### Notes to Required Supplementary Information December 31, 2025

- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the life annuity option was adjusted accordingly.

#### Changes in plan provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020, through December 31, 2023, and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

#### **2019 changes**

##### Changes in actuarial assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

##### Changes in plan provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31 million to \$21 million per year. The State's special funding contribution was changed prospectively, requiring \$16 million due per year through 2031.

#### **2018 changes**

##### Changes in actuarial assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.

## City of Harmony, Minnesota

### Notes to Required Supplementary Information December 31, 2025

- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

#### Changes in plan provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Annual increases were changed from 1% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost-of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

#### **2017 changes**

##### Changes in actuarial assumptions:

- The combined service annuity (CSA) loads were changed from 0.80% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for non-vested deferred member liability.
- The assumed annual increase rate was changed for 1.0% per year for all years to 1.0% per year through 2044 and 2.50% per year thereafter.

##### Changes in plan provisions:

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16.0 million in 2017 and 2018 and \$6.0 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The State's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

**City of Harmony, Minnesota**

**Notes to Required Supplementary Information  
December 31, 2025**

**2016 changes**

Changes in actuarial assumptions:

- The assumed annual increase rate was changed from 1% per year through 2035 and 2.50% per year thereafter to 1.0% per year for all years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in plan provisions:

- There have been no changes since the prior valuation.

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**City of Harmony, Minnesota**  
**Combining and Individual Nonmajor Funds**  
**Statements and Schedules**  
**December 31, 2025**

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**City of Harmony, Minnesota**

**Combining Funds**

**December 31, 2025**

**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**

**Nonmajor Governmental Funds  
Combining Balance Sheet  
December 31, 2025**

	Special Revenue Funds Total	Capital Project Funds					Total Combining Governmental Funds 2025
		<u>410</u>	<u>425</u>	<u>426</u>	<u>427</u>	<u>429</u>	
		Trailhead Project Fund	District #7 Fund	District #8 Fund	Street Project 2024 Fund	Trail Extension Fund	
<b>Assets</b>							
Cash and investments	\$ 632,657	\$ 151	\$ 48,007	\$ -	\$ 265,775	\$ -	\$ 946,590
Accounts receivable	1,400	-	-	-	-	-	1,400
Special assessments receivable:							
Deferred	60,242	-	-	-	-	-	60,242
Delinquent taxes receivable	-	-	186	-	-	-	186
Loans receivable	396,616	-	-	-	-	-	396,616
Due from other governmental units	2,610	-	-	-	-	-	2,610
Advances to other funds	6,251	-	-	-	-	-	6,251
Prepaid items	9,887	-	-	-	-	-	9,887
<b>Total assets</b>	<b>\$ 1,109,663</b>	<b>\$ 151</b>	<b>\$ 48,193</b>	<b>\$ -</b>	<b>\$ 265,775</b>	<b>\$ -</b>	<b>\$ 1,423,782</b>
<b>Liabilities, deferred inflows of resources, and fund balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 10,905	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,905
Due to other governments	895	-	-	-	-	-	895
Salaries and wages payable	1,482	-	-	-	-	-	1,482
Due to other funds	-	-	-	-	-	28,496	28,496
Advances from other funds	-	-	-	6,251	-	-	6,251
<b>Total liabilities</b>	<b>13,282</b>	<b>-</b>	<b>-</b>	<b>6,251</b>	<b>-</b>	<b>28,496</b>	<b>48,029</b>
<b>Deferred inflows of resources</b>							
Unavailable:							
Property taxes	-	-	186	-	-	-	186
Special assessments	60,242	-	-	-	-	-	60,242
Loans	173,107	-	-	-	-	-	173,107
<b>Total deferred inflows of resources</b>	<b>233,349</b>	<b>-</b>	<b>186</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>233,535</b>
<b>Fund balances</b>							
Nonspendable:							
Prepaid items	9,887	-	-	-	-	-	9,887
Economic development loans	173,351	-	-	-	-	-	173,351
Advances	6,251	-	-	-	-	-	6,251
Restricted	269,102	-	-	-	-	-	269,102
Assigned	404,441	151	48,007	-	265,775	-	718,374
Unassigned	-	-	-	(6,251)	-	(28,496)	(34,747)
<b>Total fund balances</b>	<b>863,032</b>	<b>151</b>	<b>48,007</b>	<b>(6,251)</b>	<b>265,775</b>	<b>(28,496)</b>	<b>1,142,218</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,109,663</b>	<b>\$ 151</b>	<b>\$ 48,193</b>	<b>\$ -</b>	<b>\$ 265,775</b>	<b>\$ -</b>	<b>\$ 1,423,782</b>

**City of Harmony, Minnesota**

**Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
For the Year Ended December 31, 2025**

	Special Revenue Funds Total	Capital Project Funds					Total Combining Governmental Funds 2025
		<u>410</u> Trailhead Project Fund	<u>425</u> TIF District #7 Fund	<u>426</u> TIF District #8 Fund	<u>427</u> 2024 Street Project Fund	<u>429</u> Trail Extension Fund	
<b>Revenues</b>							
Property taxes	\$ 370,110	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 370,110
Tax increments	-	-	51,361	-	-	-	51,361
Intergovernmental revenues	49,218	-	-	-	-	-	49,218
Charges for services	76,154	-	-	-	-	-	76,154
Interest income	19,699	5	1,939	-	21,348	-	42,991
Miscellaneous revenues	142,867	-	-	-	-	-	142,867
<b>Total revenues</b>	<b>658,048</b>	<b>5</b>	<b>53,300</b>	<b>-</b>	<b>21,348</b>	<b>-</b>	<b>732,701</b>
<b>Expenditures</b>							
Public safety	76,353	-	-	-	-	-	76,353
Culture and recreation	239,959	-	-	-	-	-	239,959
Economic development	235,413	-	-	-	-	-	235,413
Capital outlay	101,630	-	-	-	273,369	3,200	378,199
<b>Total expenditures</b>	<b>653,355</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>273,369</b>	<b>3,200</b>	<b>929,924</b>
Excess (deficiency) of revenues over (under) expenditures	4,693	5	53,300	-	(252,021)	(3,200)	(197,223)
<b>Other financing sources (uses)</b>							
Transfers in	28,000	-	-	-	-	-	28,000
Transfers out	(31,000)	-	(38,170)	-	(17,903)	-	(87,073)
<b>Total other financing sources (uses)</b>	<b>(3,000)</b>	<b>-</b>	<b>(38,170)</b>	<b>-</b>	<b>(17,903)</b>	<b>-</b>	<b>(59,073)</b>
<b>Net change in fund balances</b>	<b>1,693</b>	<b>5</b>	<b>15,130</b>	<b>-</b>	<b>(269,924)</b>	<b>(3,200)</b>	<b>(256,296)</b>
Fund balances, beginning, as originally stated	556,671	146	32,877	(6,251)	-	(25,296)	558,147
Change within financial reporting entity (Note 14)	304,668	-	-	-	535,699	-	840,367
Fund balances, beginning, as restated	861,339	146	32,877	(6,251)	535,699	(25,296)	1,398,514
Fund balances, ending	\$ 863,032	\$ 151	\$ 48,007	\$ (6,251)	\$ 265,775	\$ (28,496)	\$ 1,142,218

**City of Harmony, Minnesota**

**Nonmajor Special Revenue Funds  
Combining Balance Sheet  
December 31, 2025**

	<u>201</u>	<u>211</u>	<u>222</u>	<u>251</u>	<u>261</u>	<u>620</u>	Total
	Revolving Loan Fund	Library Fund	Fire Fund	Park Fund	Arts Fund	Economic Development Authority Fund	Special Revenue Funds
<b>Assets</b>							
Cash and investments	\$ 129,360	\$ 48,314	\$ 86,041	\$ 132,651	\$ 17,634	\$ 218,657	\$ 632,657
Accounts receivable	-	-	1,400	-	-	-	1,400
Special assessment receivable							
Deferred	-	-	-	-	-	60,242	60,242
Loans receivable	270,774	-	-	-	-	125,842	396,616
Due from other governmental units	-	733	326	642	64	845	2,610
Advances to other funds	-	-	-	-	-	6,251	6,251
Prepaid items	-	1,888	4,433	3,529	-	37	9,887
<b>Total assets</b>	<b>\$ 400,134</b>	<b>\$ 50,935</b>	<b>\$ 92,200</b>	<b>\$ 136,822</b>	<b>\$ 17,698</b>	<b>\$ 411,874</b>	<b>\$ 1,109,663</b>
<b>Liabilities, deferred inflows of resources, and fund balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ -	\$ 999	\$ 4,854	\$ 4,356	\$ 229	\$ 467	\$ 10,905
Due to other governments	-	-	498	397	-	-	895
Salaries and wages payable	-	1,277	-	114	-	91	1,482
<b>Total liabilities</b>	<b>-</b>	<b>2,276</b>	<b>5,352</b>	<b>4,867</b>	<b>229</b>	<b>558</b>	<b>13,282</b>
<b>Deferred inflows of resources</b>							
<b>Unavailable:</b>							
Special assessments	-	-	-	-	-	60,242	60,242
Loans	135,265	-	-	-	-	37,842	173,107
<b>Total deferred inflows of resources</b>	<b>135,265</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>98,084</b>	<b>233,349</b>
<b>Fund balances</b>							
<b>Nonspendable:</b>							
Prepaid items	-	1,888	4,433	3,529	-	37	9,887
Economic development loans	135,509	-	-	-	-	37,842	173,351
Advances	-	-	-	-	-	6,251	6,251
Restricted	-	-	-	-	-	269,102	269,102
Assigned	129,360	46,771	82,415	128,426	17,469	-	404,441
<b>Total fund balances</b>	<b>264,869</b>	<b>48,659</b>	<b>86,848</b>	<b>131,955</b>	<b>17,469</b>	<b>313,232</b>	<b>863,032</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 400,134</b>	<b>\$ 50,935</b>	<b>\$ 92,200</b>	<b>\$ 136,822</b>	<b>\$ 17,698</b>	<b>\$ 411,874</b>	<b>\$ 1,109,663</b>

**City of Harmony, Minnesota**

**Nonmajor Special Revenue Funds  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
For the Year Ended December 31, 2025**

	<u>201</u>	<u>211</u>	<u>222</u>	<u>251</u>	<u>261</u>	<u>620</u>	Total
	Revolving Loan Fund	Library Fund	Fire Fund	Park Fund	Arts Fund	Economic Development Authority Fund	Special Revenue Funds
Revenues							
Property tax collected	\$ -	\$ 103,914	\$ 46,241	\$ 90,899	\$ 8,978	\$ 120,078	\$ 370,110
Intergovernmental revenues	-	36,183	13,035	-	-	-	49,218
Charges for services	-	1,158	67,527	7,469	-	-	76,154
Interest income	4,439	545	4,127	3,929	561	6,098	19,699
Miscellaneous revenues	64,931	5,158	16,338	56,365	55	20	142,867
<b>Total revenues</b>	<b>69,370</b>	<b>146,958</b>	<b>147,268</b>	<b>158,662</b>	<b>9,594</b>	<b>126,196</b>	<b>658,048</b>
Expenditures							
Public safety	-	-	76,353	-	-	-	76,353
Culture and recreation	-	138,794	-	92,841	8,324	-	239,959
Economic development	102,781	-	-	-	-	132,632	235,413
Capital outlay	-	243	36,301	65,086	-	-	101,630
<b>Total expenditures</b>	<b>102,781</b>	<b>139,037</b>	<b>112,654</b>	<b>157,927</b>	<b>8,324</b>	<b>132,632</b>	<b>653,355</b>
Excess (deficiency) of revenues over (under) expenditures	(33,411)	7,921	34,614	735	1,270	(6,436)	4,693
Other financing sources (uses)							
Transfers in	-	-	-	13,000	-	15,000	28,000
Transfers out	-	-	(25,000)	(6,000)	-	-	(31,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(25,000)</b>	<b>7,000</b>	<b>-</b>	<b>15,000</b>	<b>(3,000)</b>
<b>Net change in fund balances</b>	<b>(33,411)</b>	<b>7,921</b>	<b>9,614</b>	<b>7,735</b>	<b>1,270</b>	<b>8,564</b>	<b>1,693</b>
Fund balances, beginning, as originally stated	298,280	40,738	77,234	124,220	16,199	-	556,671
Change within financial reporting entity (Note 14)	-	-	-	-	-	304,668	304,668
<b>Fund balances, beginning, as restated</b>	<b>298,280</b>	<b>40,738</b>	<b>77,234</b>	<b>124,220</b>	<b>16,199</b>	<b>304,668</b>	<b>861,339</b>
<b>Fund balances, ending</b>	<b>\$ 264,869</b>	<b>\$ 48,659</b>	<b>\$ 86,848</b>	<b>\$ 131,955</b>	<b>\$ 17,469</b>	<b>\$ 313,232</b>	<b>\$ 863,032</b>

**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, 2025  
With Comparative Totals for the Year Ended December 31, 2024**

	<u>Budgeted Amounts</u>		<u>201</u> 2025 Actual Amounts	Variance with Final Budget - Positive (Negative)	2024 Actual Amounts
	Original	Final			
<b>Revenues</b>					
Interest income	\$ 5,800	\$ 5,800	\$ 4,439	\$ (1,361)	\$ 6,255
Miscellaneous revenue					
Loan interest	44,000	44,000	64,431	20,431	10,569
Other	500	500	500	-	1,030
Total miscellaneous revenue	44,500	44,500	64,931	20,431	11,599
Total revenues	50,300	50,300	69,370	19,070	17,854
<b>Expenditures</b>					
Economic development					
Other services and charges	51,500	51,500	102,781	(51,281)	100,000
Net change in fund balance	(1,200)	(1,200)	(33,411)	(32,211)	(82,146)
Fund balance, beginning	298,280	298,280	298,280	-	380,426
Fund balance, ending	\$ 297,080	\$ 297,080	\$ 264,869	\$ (32,211)	\$ 298,280

**City of Harmony, Minnesota**

**Library Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2025  
With Comparative Totals for December 31, 2024**

	<u>Budgeted Amounts</u>		<u>211</u> 2025 Actual Amounts	Variance with Final Budget - Positive (Negative)	2024 Totals
	Original	Final			
<b>Revenues</b>					
Property taxes	\$ 104,262	\$ 104,262	\$ 103,914	\$ (348)	\$ 101,225
Intergovernmental revenues					
County grants	34,340	34,340	36,183	1,843	35,534
Charges for services	400	400	1,158	758	1,147
Interest income	490	490	545	55	485
Miscellaneous revenues					
Contributions and donations	-	-	2,638	2,638	65
Other	-	-	2,520	2,520	-
Total miscellaneous revenue	-	-	5,158	5,158	65
<b>Total revenues</b>	<b>139,492</b>	<b>139,492</b>	<b>146,958</b>	<b>7,466</b>	<b>138,456</b>
<b>Expenditures</b>					
<b>Library</b>					
Salaries and benefits	104,278	104,278	108,657	(4,379)	97,085
Operating supplies	23,247	23,247	13,652	9,595	26,676
Utilities	627	627	585	42	791
Repairs and maintenance	1,500	1,500	3,461	(1,961)	975
Insurance	1,650	1,650	1,769	(119)	1,335
Other services and charges	6,700	6,700	10,670	(3,970)	5,026
Capital outlay	1,000	1,000	243	757	-
<b>Total expenditures</b>	<b>139,002</b>	<b>139,002</b>	<b>139,037</b>	<b>(35)</b>	<b>131,888</b>
Net change in fund balance	490	490	7,921	7,431	6,568
Fund balance, beginning	40,738	40,738	40,738	-	34,170
<b>Fund balance, ending</b>	<b>\$ 41,228</b>	<b>\$ 41,228</b>	<b>\$ 48,659</b>	<b>\$ 7,431</b>	<b>\$ 40,738</b>

**City of Harmony, Minnesota**

**Fire Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2025  
With Comparative Totals for December 31, 2024**

	Budgeted Amounts		222 2025 Actual Amounts	Variance with Final Budget - Positive (Negative)	2024 Totals
	Original	Final			
<b>Revenues</b>					
Property taxes	\$ 46,350	\$ 46,350	\$ 46,241	\$ (109)	\$ 45,000
<b>Intergovernmental revenues</b>					
Other state aid	-	-	13,035	13,035	2,186
<b>Charges for services</b>					
Fire calls	5,000	5,000	4,150	(850)	4,750
Fire protection contracts	46,000	46,000	63,377	17,377	47,151
Total charges for services	51,000	51,000	67,527	16,527	51,901
Interest income	6,880	6,880	4,127	(2,753)	6,868
<b>Miscellaneous revenues</b>					
Contributions and donations	1,500	1,500	15,930	14,430	7,191
Other	3,000	3,000	408	(2,592)	177
Total miscellaneous revenue	4,500	4,500	16,338	11,838	7,368
<b>Total revenues</b>	<b>108,730</b>	<b>108,730</b>	<b>147,268</b>	<b>38,538</b>	<b>109,323</b>
<b>Expenditures</b>					
<b>Public safety</b>					
Salaries and benefits	26,357	26,357	23,780	2,577	19,763
Operating supplies	10,250	10,250	12,786	(2,536)	17,450
Training and travel	2,000	2,000	5,728	(3,728)	10,492
Insurance	9,330	9,330	7,736	1,594	8,304
Utilities	6,950	6,950	7,446	(496)	6,528
Printing and publication	-	-	32	(32)	20
Repairs and maintenance	11,850	11,850	15,723	(3,873)	9,750
Other services and charges	2,600	2,600	3,122	(522)	374
Capital outlay	-	-	36,301	(36,301)	-
<b>Total expenditures</b>	<b>69,337</b>	<b>69,337</b>	<b>112,654</b>	<b>(43,317)</b>	<b>72,681</b>
Excess (deficit) of revenues over (under) expenditures	39,393	39,393	34,614	(4,779)	36,642
<b>Other financing uses</b>					
Transfers out	(35,000)	(35,000)	(25,000)	10,000	(25,000)
<b>Net change in fund balance</b>	<b>4,393</b>	<b>4,393</b>	<b>9,614</b>	<b>5,221</b>	<b>11,642</b>
Fund balance, beginning	77,234	77,234	77,234	-	65,592
<b>Fund balance, ending</b>	<b>\$ 81,627</b>	<b>\$ 81,627</b>	<b>\$ 86,848</b>	<b>\$ 5,221</b>	<b>\$ 77,234</b>

**City of Harmony, Minnesota**

**Park Fund  
Schedule of Revenues, Expenditures,  
and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2025  
With Comparative Totals for the Year Ended December 31, 2024**

	<u>Budgeted Amounts</u>		<u>251</u>	Variance with	2024
	<u>Original</u>	<u>Final</u>	<u>2025</u> <u>Actual</u> <u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>	<u>Actual</u> <u>Amounts</u>
<b>Revenues</b>					
Property taxes	\$ 91,217	\$ 91,217	\$ 90,899	\$ (318)	\$ 88,560
Charges for services	2,500	2,500	7,469	4,969	5,424
Interest income	1,778	1,778	3,929	2,151	1,766
Miscellaneous revenue	2,600	2,600	56,365	53,765	2,448
<b>Total revenues</b>	<b>98,095</b>	<b>98,095</b>	<b>158,662</b>	<b>60,567</b>	<b>98,198</b>
<b>Expenditures</b>					
<b>Culture and recreation</b>					
Salaries and benefits	24,360	24,360	28,875	(4,515)	26,309
Operating supplies	12,950	12,950	23,177	(10,227)	19,620
Insurance	6,050	6,050	5,873	177	7,461
Utilities	8,200	8,200	10,371	(2,171)	8,734
Repairs and maintenance	5,000	5,000	12,116	(7,116)	10,588
Other services and charges	12,600	12,600	12,429	171	801
Capital outlay	16,000	16,000	65,086	(49,086)	-
<b>Total expenditures</b>	<b>85,160</b>	<b>85,160</b>	<b>157,927</b>	<b>(72,767)</b>	<b>73,513</b>
Excess (deficit) of revenues over (under) expenditures	12,935	12,935	735	(12,200)	24,685
<b>Other financing sources (uses)</b>					
Transfers in	13,000	13,000	13,000	-	38,300
Transfers out	(6,000)	(6,000)	(6,000)	-	(20,000)
<b>Total other financing sources (uses)</b>	<b>7,000</b>	<b>7,000</b>	<b>7,000</b>	<b>-</b>	<b>18,300</b>
<b>Net change in fund balance</b>	<b>19,935</b>	<b>19,935</b>	<b>7,735</b>	<b>(12,200)</b>	<b>42,985</b>
Fund balance, beginning	124,220	124,220	124,220	-	81,235
<b>Fund balance, ending</b>	<b>\$ 144,155</b>	<b>\$ 144,155</b>	<b>\$ 131,955</b>	<b>\$ (12,200)</b>	<b>\$ 124,220</b>

**City of Harmony, Minnesota**

**Arts Fund  
Schedule of Revenues, Expenditures,  
and Changes in Fund Balance - Budget and Actual  
For the Year Ended December 31, 2025  
With Comparative Totals for the Year Ended December 31, 2024**

	<u>Budgeted Amounts</u>		<u>261</u> 2025 Actual Amounts	Variance with Final Budget - Positive (Negative)	2024 Actual Amounts
	Original	Final			
<b>Revenues</b>					
Property taxes	\$ 9,000	\$ 9,000	\$ 8,978	\$ (22)	\$ 9,000
Interest income	480	480	561	81	479
Miscellaneous revenue					
Contributions and donations	250	250	55	(195)	475
Other	-	-	-	-	40
Total miscellaneous revenue	250	250	55	(195)	515
Total revenues	9,730	9,730	9,594	(136)	9,994
<b>Expenditures</b>					
Culture and recreation					
Salaries and benefits	2,100	2,100	1,500	600	1,775
Other services and charges	7,000	7,000	6,824	176	6,250
Total expenditures	9,100	9,100	8,324	776	8,025
Net change in fund balance	630	630	1,270	640	1,969
Fund balance, beginning	16,199	16,199	16,199	-	14,230
Fund balance, ending	\$ 16,829	\$ 16,829	\$ 17,469	\$ 640	\$ 16,199

**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, 2025  
With Comparative Totals for the Year Ended December 31, 2024**

	<u>Budgeted Amounts</u>		<u>620</u> 2025 Actual Amounts	Variance with Final Budget - Positive (Negative)	2024 Actual Amounts
	Original	Final			
<b>Revenues</b>					
<b>Taxes</b>					
Property taxes	\$ 120,488	\$ 120,488	\$ 120,078	\$ (410)	\$ 114,750
Special assessments	1,750	1,750	-	(1,750)	-
Total taxes	122,238	122,238	120,078	(2,160)	114,750
Interest income	3,585	3,585	6,098	2,513	3,568
Miscellaneous revenue	-	-	20	20	700
Total revenues	125,823	125,823	126,196	373	119,018
<b>Expenditures</b>					
<b>Economic development</b>					
Salaries and benefits	12,515	12,515	12,224	291	4,809
Operating supplies	60	60	237	(177)	6
Professional services	84,025	84,025	74,856	9,169	62,630
Other services and charges	37,660	37,660	45,315	(7,655)	88,809
Capital outlay	500	500	-	500	-
Total expenditures	134,760	134,760	132,632	2,128	156,254
<b>Other financing sources</b>					
Sale of assets	-	-	-	-	50,000
Transfers in	15,000	15,000	15,000	-	15,000
Total other financing sources	15,000	15,000	15,000	-	65,000
Net change in fund balance	6,063	6,063	8,564	2,501	27,764
Fund balance, beginning	304,668	304,668	304,668	-	276,904
Fund balance, ending	\$ 310,731	\$ 310,731	\$ 313,232	\$ 2,501	\$ 304,668

**City of Harmony, Minnesota**

**Debt Service Fund  
Combining Balance Sheet  
December 31, 2025**

	<u>315</u>	<u>318</u>	<u>319</u>	<u>321</u>	<u>322</u>	Total
	2013A G.O.	2017A G.O.	2020A G.O.	2021A/B	2024A G.O.	Debt
	Tax Abatement	Improvement	Improvement	Mi Energy	Improvement	Service
	Bond Fund	Bond Fund	Bond Fund	Loans Fund	Bond Fund	Fund
<b>Assets</b>						
Cash and investments	\$ -	\$ 228,340	\$ 341,332	\$ -	\$ 159,335	\$ 729,007
Special assessment receivables:						
Deferred	-	37,358	139,841	-	406,765	583,964
Delinquent	-	-	2,575	-	129	2,704
Due from other governments	-	572	901	-	825	2,298
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 266,270</b>	<b>\$ 484,649</b>	<b>\$ -</b>	<b>\$ 567,054</b>	<b>\$ 1,317,973</b>
<b>Deferred inflows of resources and fund balances</b>						
Deferred inflows of resources Unavailable:						
Special assessments	\$ -	\$ 37,358	\$ 142,416	\$ -	\$ 406,894	\$ 586,668
<b>Fund balances</b>						
Restricted:						
Debt service	-	228,912	342,233	-	160,160	731,305
<b>Total deferred inflows of resources and fund balances</b>	<b>\$ -</b>	<b>\$ 266,270</b>	<b>\$ 484,649</b>	<b>\$ -</b>	<b>\$ 567,054</b>	<b>\$ 1,317,973</b>

**City of Harmony, Minnesota**

**Debt Service Fund  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
For the Year Ended December 31, 2025**

	<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 Fund
Revenues						
Property taxes	\$ -	\$ 80,654	\$ 70,837	\$ -	\$ 125,743	\$ 277,234
Special assessments	-	19,517	29,526	-	60,451	109,494
Interest income	-	1,095	6,207	-	214	7,516
Total revenues	-	101,266	106,570	-	186,408	394,244
Expenditures						
Debt service:						
Principal	-	96,000	192,850	34,408	-	323,258
Interest and other fiscal costs	-	4,433	26,111	3,762	90,715	125,021
Total expenditures	-	100,433	218,961	38,170	90,715	448,279
Excess (deficiency) of revenues over (under) expenditures	-	833	(112,391)	(38,170)	95,693	(54,035)
Other financing sources (uses)						
Transfers in	-	-	100,000	38,170	-	138,170
Transfers out	(39,956)	-	-	-	-	(39,956)
Total other financing sources (uses)	(39,956)	-	100,000	38,170	-	98,214
Net change in fund balances	(39,956)	833	(12,391)	-	95,693	44,179
Fund balances, beginning	39,956	228,079	354,624	-	64,467	687,126
Fund balances, ending	\$ -	\$ 228,912	\$ 342,233	\$ -	\$ 160,160	\$ 731,305

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**City of Harmony, Minnesota**

**Supplementary Information**

**December 31, 2025**

**City of Harmony, Minnesota**

**Water Fund  
Statements of Net Position  
December 31, 2025 and 2024**

	2025	2024
Assets and deferred outflows of resources		
Current assets		
Cash and investments	\$ 97,176	\$ 156,887
Accounts receivable	45,523	42,084
Special assessments receivable:		
Deferred	33,525	21,547
Delinquent	3,074	-
Due from other governments	106	207
Inventories	15,584	42,487
Prepaid items	5,601	5,181
Total current assets	<u>200,589</u>	<u>268,393</u>
Capital assets		
Nondepreciable	17,015	17,015
Depreciable	3,700,365	3,687,618
Less: accumulated depreciation	941,163	853,771
Total capital assets, net	<u>2,776,217</u>	<u>2,850,862</u>
Deferred outflows of resources		
Deferred outflows from pension activity	8,279	7,959
Total assets and deferred outflows of resources	<u>\$ 2,985,085</u>	<u>\$ 3,127,214</u>
Liabilities, deferred inflows of resources, and net position		
Current liabilities		
Current maturities of bonds payable	\$ 62,487	\$ 63,323
Accounts payable	1,343	5,417
Due to other governments	1,156	2,369
Salaries and wages payable	926	812
Accrued compensated absences payable	8,224	6,850
Accrued sales tax payable	224	208
Accrued interest payable	2,470	2,779
Total current liabilities	<u>76,830</u>	<u>81,758</u>
Noncurrent liabilities		
Net pension liability	23,005	24,210
Bonds payable, net of current maturities	472,022	534,509
Total liabilities	<u>571,857</u>	<u>640,477</u>
Deferred inflows of resources		
Deferred inflows from pension activity	16,178	13,747
Net position		
Net investment in capital assets	2,241,708	2,253,030
Unrestricted	155,342	219,960
Total net position	<u>2,397,050</u>	<u>2,472,990</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 2,985,085</u>	<u>\$ 3,127,214</u>

**City of Harmony, Minnesota**

**Water Fund  
Statements of Revenues, Expenses, and  
Changes in Net Position  
For the Years Ended December 31, 2025 and 2024**

	2025	2024
Operating revenues		
Charges for services	\$ 279,466	\$ 259,019
Operating expenses		
Salaries and benefits	100,075	76,375
Chemicals and supplies	46,729	17,662
Insurance	9,556	8,082
Utilities	11,895	17,977
Repairs and maintenance	4,648	13,314
Other services and charges	20,310	18,444
Depreciation	87,392	79,378
Total operating expenses	280,605	231,232
Operating income (loss)	(1,139)	27,787
Nonoperating revenues (expenses)		
Interest expense	(6,275)	(7,506)
Interest income	6,659	10,685
Total nonoperating revenues (expenses)	384	3,179
Income (loss) before transfers and capital contributions	(755)	30,966
Transfers out	(101,000)	(66,000)
Capital contributions	25,815	6,600
Change in net position	(75,940)	(28,434)
Net position, beginning	2,472,990	2,501,424
Net position, ending	\$ 2,397,050	\$ 2,472,990

**City of Harmony, Minnesota**

**Sewer Fund  
Statements of Net Position  
December 31, 2025 and 2024**

	2025	2024
Assets and deferred outflows of resources		
Current assets		
Cash and investments	\$ 1,438,034	\$ -
Accounts receivable	58,252	50,800
Special assessments receivable:		
Deferred	7,359	25,293
Delinquent	642	-
Due from other governments	23	45
Prepaid items	7,128	6,983
Total current assets	<u>1,511,438</u>	<u>83,121</u>
Capital assets		
Nondepreciable	714,234	168,965
Depreciable	3,977,767	3,972,222
Less: accumulated depreciation	2,402,380	2,264,472
Total capital assets, net	<u>2,289,621</u>	<u>1,876,715</u>
Deferred outflows of resources		
Deferred outflows from pension activity	8,267	10,540
Total assets and deferred outflows of resources	<u>\$ 3,809,326</u>	<u>\$ 1,970,376</u>
Liabilities, deferred inflows of resources, and net position		
Current liabilities		
Current maturities of bonds payable	\$ 1,863	\$ 1,827
Accounts payable	233,111	85,366
Due to other governments	7,952	11,031
Salaries and wages payable	644	1,196
Accrued compensated absences	6,033	10,514
Accrued interest payable	30,144	109
Total current liabilities	<u>279,747</u>	<u>110,043</u>
Noncurrent liabilities		
Net pension liability	22,969	24,843
Bonds payable, net of current maturities	1,772,169	10,791
Total liabilities	<u>2,074,885</u>	<u>145,677</u>
Deferred inflows of resources		
Deferred inflows from pension activity	16,154	3,555
Net position		
Net investment in capital assets	1,807,039	1,864,097
Unrestricted	(88,752)	(42,953)
Total net position	<u>1,718,287</u>	<u>1,821,144</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 3,809,326</u>	<u>\$ 1,970,376</u>

**City of Harmony, Minnesota**

**Sewer Fund  
Statements of Revenues, Expenses, and  
Changes in Net Position  
For the Years Ended December 31, 2025 and 2024**

	2025	2024
Operating revenues		
Charges for services	\$ 404,819	\$ 305,623
Operating expenses		
Salaries and benefits	103,714	76,571
Chemicals and supplies	50,154	55,670
Insurance	12,091	9,774
Utilities	64,120	67,004
Repairs and maintenance	43,911	53,056
Professional services	32,066	42,410
Training and travel	2,514	4,079
Other services and charges	19,201	18,959
Depreciation	137,908	132,043
Total operating expenses	465,679	459,566
Operating loss	(60,860)	(153,943)
Nonoperating revenues (expenses)		
Interest and other fiscal expense	(78,686)	(252)
Interest income	29,898	-
Other income	103	177
Total nonoperating revenues (expense)	(48,685)	(75)
Loss before transfers and capital contributions	(109,545)	(154,018)
Transfers in	-	332,057
Capital contributions	6,688	1,449
Change in net position	(102,857)	179,488
Net position, beginning	1,821,144	1,641,656
Net position, ending	\$ 1,718,287	\$ 1,821,144

**City of Harmony, Minnesota**

**Electric Fund  
Statements of Net Position  
December 31, 2025 and 2024**

	2025	2024
<hr/>		
Assets and deferred outflows of resources		
Current assets		
Cash and investments	\$ 844,048	\$ 778,485
Accounts receivable	126,606	113,678
Inventories	15,629	90,075
Prepaid items	4,966	5,357
Total current assets	<hr/> 991,249	<hr/> 987,595
Capital assets		
Nondepreciable	5,000	5,000
Depreciable	2,549,425	2,525,065
Less: accumulated depreciation	1,587,254	1,532,940
Total capital assets, net	<hr/> 967,171	<hr/> 997,125
Deferred outflows of resources		
Deferred outflows from pension activity	3,648	3,756
Total assets and deferred outflows of resources	<hr/> \$ 1,962,068	<hr/> \$ 1,988,476
Liabilities, deferred inflows of resources, and net position		
Current liabilities		
Accounts payable	\$ 67,876	\$ 80,210
Due to other governments	2,111	2,168
Deposits payable	15,604	15,182
Salaries and wages payable	823	373
Accrued compensated absences payable	5,320	1,779
Sales tax payable	5,457	4,785
Total current liabilities	<hr/> 97,191	<hr/> 104,497
Noncurrent liabilities		
Net pension liability	10,136	11,472
Total liabilities	<hr/> 107,327	<hr/> 115,969
Deferred inflows of resources		
Deferred inflows from pension activity	7,128	6,394
Net position		
Investment in capital assets	967,171	997,125
Unrestricted	880,442	868,988
Total net position	<hr/> 1,847,613	<hr/> 1,866,113
Total liabilities, deferred inflows of resources, and net position	<hr/> \$ 1,962,068	<hr/> \$ 1,988,476

**City of Harmony, Minnesota**

**Electric Fund  
Statements of Revenues, Expenses, and  
Changes in Net Position  
For the Years Ended December 31, 2025 and 2024**

	2025	2024
Operating revenues		
Charges for services	\$ 1,039,307	\$ 1,082,300
Operating expenses		
Salaries and benefits	46,234	35,508
Supplies	74,443	11,778
Insurance	9,015	9,080
Utilities	18,519	13,580
Repairs and maintenance	25,578	59,071
Purchased power	806,884	735,952
Professional services	17,434	15,884
Other services and charges	9,868	10,078
Depreciation	56,740	55,774
Total operating expenses	1,064,715	946,705
Operating income (loss)	(25,408)	135,595
Nonoperating revenues		
Interest income	32,016	32,528
Other income	1,092	8,524
Total nonoperating revenues	33,108	41,052
Income before transfers	7,700	176,647
Transfers out	(26,200)	(250,396)
Change in net position	(18,500)	(73,749)
Net position, beginning	1,866,113	1,939,862
Net position, ending	\$ 1,847,613	\$ 1,866,113

**City of Harmony, Minnesota**

**Refuse and Recycling Fund  
Statements of Net Position  
December 31, 2025 and 2024**

	2025	2024
Assets and deferred outflows of resources		
Current assets		
Cash and investments	\$ -	\$ 22,501
Accounts receivable	17,015	14,103
Prepaid items	115	341
Total current assets	17,130	36,945
Capital assets		
Depreciable	4,952	4,952
Less: accumulated depreciation	4,952	4,952
Total capital assets, net	-	-
Deferred outflows of resources		
Deferred outflows related to pension activity	2,578	1,814
Total assets and deferred outflows of resources	\$ 19,708	\$ 38,759
Liabilities, deferred inflows of resources, and net position		
Current liabilities		
Accounts payable	\$ 9,324	\$ 8,929
Due to other funds	8,476	-
Salaries and wages payable	297	332
Accrued compensated absences	1,705	1,473
Total current liabilities	19,802	10,734
Noncurrent liabilities		
Net pension liability	7,162	5,569
Total liabilities	26,964	16,303
Deferred inflows of resources		
Deferred inflows related to pension activity	5,037	3,073
Net position		
Unrestricted	(12,293)	19,383
Total liabilities, deferred inflows of resources, and net position	\$ 19,708	\$ 38,759

**City of Harmony, Minnesota**

**Refuse and Recycling Fund  
Statements of Revenues, Expenses, and  
Changes in Net Position  
For the Years Ended December 31, 2025 and 2024**

	2025	2024
Operating revenues		
Charges for services	\$ 119,465	\$ 117,240
Operating expenses		
Salaries and benefits	32,866	18,223
Supplies	4,416	1,254
Disposal services	100,362	101,304
Professional services	10,928	11,707
Other services and charges	865	982
Total operating expenses	149,437	133,470
Operating loss	(29,972)	(16,230)
Nonoperating revenues		
Interest income	296	1,121
Other	-	100
Total nonoperating revenues	296	1,221
Loss before transfers	(29,676)	(15,009)
Transfers out	(2,000)	(2,000)
Change in net position	(31,676)	(17,009)
Net position, beginning	19,383	36,392
Net position, ending	\$ (12,293)	\$ 19,383

**City of Harmony, Minnesota**

**Storm Water Fund  
Statements of Net Position  
December 31, 2025 and 2024**

	2025	2024
Assets and deferred outflows of resources		
Current assets		
Cash and cash equivalents	\$ 156,447	\$ 111,481
Accounts receivable	6,505	5,486
Prepaid items	645	851
Total current assets	<u>163,597</u>	<u>117,818</u>
Capital assets		
Depreciable	936,055	936,055
Less: accumulated depreciation	558,716	531,957
Total capital assets, net	<u>377,339</u>	<u>404,098</u>
Deferred outflows of resources		
Deferred outflows related to pension activity	266	995
Total assets and deferred outflows of resources	<u>\$ 541,202</u>	<u>\$ 522,911</u>
Liabilities, deferred inflows of resources, and net position		
Current liabilities		
Accounts payable	\$ -	\$ 868
Salaries and wages payable	67	57
Accrued compensated absences	465	386
Total current liabilities	<u>532</u>	<u>1,311</u>
Noncurrent liabilities		
Net pension liability	737	3,227
Total liabilities	<u>1,269</u>	<u>4,538</u>
Deferred inflows of resources		
Deferred inflows related to pension activity	517	1,395
Net position		
Investment in capital assets	377,339	404,098
Unrestricted	162,077	112,880
Total net position	<u>539,416</u>	<u>516,978</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 541,202</u>	<u>\$ 522,911</u>

**City of Harmony, Minnesota**

**Storm Water Fund  
Statements of Revenues, Expenses, and  
Changes in Net Position  
For the Years Ended December 31, 2025 and 2024**

	2025	2024
Operating revenues		
Charges for services	\$ 48,178	\$ 41,370
Operating expenses		
Salaries and benefits	604	12,018
Insurance	1,465	2,050
Repairs and maintenance	3,396	594
Depreciation	26,759	26,760
Miscellaneous	-	915
Total operating expenses	32,224	42,337
Operating income (loss)	15,954	(967)
Nonoperating revenues		
Interest income	5,017	3,444
Miscellaneous income	4,467	-
Total nonoperating revenues	9,484	3,444
Income before transfers	25,438	2,477
Transfers out	(3,000)	(2,500)
Change in net position	22,438	(23)
Net position, beginning	516,978	517,001
Net position, ending	\$ 539,416	\$ 516,978

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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, 2025, 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 June 25, 2026.

*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.

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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiency.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2025-002 to be a material weakness.

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 to those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2025-001 to be a significant deficiency.

### *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 these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and responses as item 2025-003.

### *Minnesota Legal Compliance*

In connection with our audit, we noted that the City of Harmony, Minnesota failed to comply with provisions of depositories of public funds and public investments of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statutes § 6.65, insofar as it relates to accounting matters as described in the schedule of findings and responses as item 2025-003. Also, 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, 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 Minnesota Statutes § 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 responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

### *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.



Rochester, Minnesota  
June 25, 2026

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**City of Harmony, Minnesota**

**Schedule of Findings and Responses  
Year Ended December 31, 2025**

Finding 2025-001	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 GAAP. 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 City 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, it has 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 its 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.

**City of Harmony, Minnesota**

**Schedule of Findings and Responses  
Year Ended December 31, 2025**

Finding 2025-002	Material Audit Adjustments
Condition:	During our audit we proposed audit adjustments that resulted in material changes to the City's financial statements. These audit adjustments related to incorrect coding in various accounts, corrections of improper receivable and payable balances, and various balance sheet accounts that were not analyzed.
Criteria:	The City's Administrator/Clerk should review journal entries throughout the year and activity subsequent to year end to ensure that correct accounts are affected.
Context:	In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements.
Effect:	A control deficiency 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 misstatements of the financial statements in a timely basis. One control deficiency that typically is considered significant is identification by the auditor of a misstatement in the financial statements not initially identified by the entity's internal controls. This could affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.
Cause:	The condition is primarily caused by oversight in reviewing activity in various accounts for proper coding and ending balances, and a lack of understanding in calculating year end accrual and conversion account balances.
Recommendation:	We recommend the City's Administrator/Clerk receive additional training for proper recording of transactions and proper review of account balances specifically as they relate to the year end process. The City Administrator/Clerk should review journal entries posted to the general ledger to ensure proper accounting coding is used, and review year end account balances to ensure appropriate adjustments are made for year end accruals. The City Administrator/Clerk should review financial activity subsequent to year end in order to properly record receivables and payables. We also recommend the City's Administrator/Clerk critically review financial variance reports to help identify accounts that have the potential of improper balances.
Views of Responsible Officials and Planned Corrective Action:	Management agrees with the recommendation. See corresponding Corrective Action Plan.

**City of Harmony, Minnesota**

**Schedule of Findings and Responses  
Year Ended December 31, 2025**

Finding 2025-003	Compliance - Insufficient Collateral
Condition:	In accordance with the depositories of public funds and public investments section of the <i>Minnesota Legal Compliance Audit Guide for Cities</i> , the City did not have sufficient collateral coverage.
Criteria:	The City should have controls in place to ensure proper collateral coverage is obtained for all City bank accounts over the FDIC limit of \$250,000.
Context:	The City informed us they will implement proper controls to ensure compliance with the <i>Minnesota Legal Compliance Audit Guide for Cities</i> and perform internal review to ensure compliance is monitored and changes are made as necessary.
Effect:	No effect on the financial statements.
Cause:	There is not a proper review process to ensure the City's bank accounts have proper collateral coverage.
Recommendation:	We recommend the City adopt a policy to comply with the <i>Minnesota Legal Compliance Audit Guide for Cities</i> and perform internal review to ensure compliance is monitored and changes are made as necessary.
Views of Responsible Officials and Planned Corrective Action:	Management agrees with the recommendation. See corresponding Corrective Action Plan.



## **Corrective Action Plan (CAP):**

The City respectfully submits the following corrective action plan for the year ended December 31, 2025.

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 2025-001

### Corrective Action Plan:

Management and accounting personnel will 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, 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.

### Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

### 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 the City Administrator/Clerk and reviewing the draft of the financial statements.



## **Corrective Action Plan (CAP):**

The City respectfully submits the following corrective action plan for the year ended December 31, 2025.

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 2025-002

### Corrective Action Plan:

The City Administrator/Clerk will review the financial information which includes ensuring correct account codes are used and review the financial information at year end, and subsequent to year end, to ensure receivables and payables are appropriately recorded in the proper period. The City Administrator/Clerk will receive training from an accredited organization and review journal entries on a regular basis.

### Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

### Official Responsible for Ensuring CAP:

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

### Planned Completion Date for CAP:

Change will be done immediately.

### Plan to Monitor Completion of CAP:

Steve Donney, Mayor, along with the members of the City Council will monitor this process.



## **Corrective Action Plan (CAP):**

The City respectfully submits the following corrective action plan for the year ended December 31, 2025.

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 2025-003

### Corrective Action Plan:

The City will adopt a policy to comply with the *Minnesota Legal Compliance Audit Guide for Cities* as it relates to depositories of public funds and public investments.

### Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

### Official Responsible for Ensuring CAP:

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

### Planned Completion Date for CAP:

Changes will be done immediately.

### Plan to Monitor Completion of CAP:

Steve Donney, Mayor, will monitor this process.



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