

CITY OF HARRISON

AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

Year Ended September 30, 2021

Prepared by

ANDERSONBROS.CPA

TABLE OF CONTENTS

Independent Auditors' Report	1-2
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements:	
Balance Sheet – Governmental Funds	5
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	6
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Fund Types	7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	8
Statement of Net Position – Proprietary Funds	9
Statement of Revenues, Expenses, and Changes in Fund Net Position Proprietary Fund Types	10
Combined Statement of Cash Flows – Proprietary Funds	11
Statement of Fiduciary Net Position – Fiduciary Fund Types	12
Statement of Changes in Fiduciary Net Position – Fiduciary Fund Types	13
Notes to Financial Statements	14-29
Required Supplementary Information:	
Schedule of City's Share of Net Pension Liability	30
Schedule of the City's Contributions	30
Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	31
Notes to Budget and Actual Schedule	32
Independent Auditors' Report	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in <i>Accordance with Government Auditing Standards</i>	33-34
Schedule of Findings & Responses	35-36

INDEPENDENT AUDITORS' REPORT

ANDERSONBROS.CPA

1810 E Schneidmiller Ave. Ste. 310
Post Falls, Idaho 83854
208-777-1099

INDEPENDENT AUDITORS' REPORT

Mayor and City Council
City of Harrison, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Harrison, Idaho, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Harrison, Idaho's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinions

The financial statements of the City's fiduciary fund have not been audited, as the information was not available to perform sufficient audit procedures to form an opinion on this fund. The fiduciary fund financial statements are included in the City's basic financial statements as aggregate remaining fund information.

The City has not presented their major enterprise funds as separate combining financial statements as required by generally accepted government auditing standards.

Opinions

In our opinion, except for the possible effects of the matters discussed in the “Basis for Qualified Opinion” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, the business-type activities, and each major fund of the City of Harrison, Idaho, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated June 25, 2024, on our consideration of the City of Harrison, Idaho’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 to provide an opinion on the effectiveness of the City of Harrison, Idaho’s 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 City of Harrison, Idaho’s internal control over financial reporting and compliance.



Anderson Bros. CPAs
Post Falls, Idaho
June 25, 2024

BASIC FINANCIAL STATEMENTS

CITY OF HARRISON
Statement of Net Position
September 30, 2021

	<u>Government Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash & Investments	\$ 191,557	\$ 194,043	\$ 385,600
Receivables:			
Charges for Services	-	29,634	29,634
Property Taxes	10,458	-	10,458
Due from Other Governments	24,649	-	24,649
Other Receivables	132,090	-	132,090
Prepaid Expenses	3,224	3,224	6,448
Capital Assets, net	849,323	1,287,676	2,136,999
Other Assets:			
Interfund Balances	(48,308)	48,308	-
Net Pension Asset	2,211	1,428	3,639
Total Assets	<u>1,165,204</u>	<u>1,564,313</u>	<u>2,729,517</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Plan	<u>57,397</u>	<u>37,032</u>	<u>94,429</u>
LIABILITIES			
Accounts Payable	17,389	175,741	193,130
Payroll, Benefits, and Taxes Payable	28,887	4,311	33,198
Compensated Absences Payable	410	3,991	4,401
Sales Tax Payable	2,055	-	2,055
Interfund Payable - Fiduciary Fund	8,788	-	8,788
Customer Deposits	-	725	725
Deferred Revenue	-	29,740	29,740
Total Liabilities	<u>57,529</u>	<u>214,508</u>	<u>272,037</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Plan	<u>70,740</u>	<u>45,639</u>	<u>116,379</u>
NET POSITION			
Net Investment in Capital Assets	849,323	1,287,676	2,136,999
Restricted	-	-	-
Unrestricted	245,009	53,522	298,531
Total Net Position	<u>\$ 1,094,332</u>	<u>\$ 1,341,198</u>	<u>\$ 2,435,530</u>

See accompanying notes to financial statements and independent auditors' report.

CITY OF HARRISON
Statement of Activities
Year Ended September 30, 2021

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Governmental Activities							
General Government	\$ 210,592	\$ 1,253	\$ -	\$ -	\$ (209,339)	\$ -	\$ (209,339)
Highways and Streets	41,631	11,317	-	-	(30,314)	-	(30,314)
Parks and Recreation	59,371	102,428	-	-	43,057	-	43,057
Cemetery	30,780	2,514	-	-	(28,266)	-	(28,266)
Depreciation - Unallocated	76,539	-	-	-	(76,539)	-	(76,539)
Total Governmental Activities	<u>418,913</u>	<u>117,512</u>	<u>-</u>	<u>-</u>	<u>(301,401)</u>	<u>-</u>	<u>(301,401)</u>
Business-type Activities							
Water	153,705	146,183	-	-	-	(7,522)	(7,522)
Sewer	270,271	103,750	-	-	-	(166,521)	(166,521)
Sanitation	48,228	46,793	-	-	-	(1,435)	(1,435)
Total Business-type Activities	<u>472,204</u>	<u>296,726</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(175,478)</u>	<u>(175,478)</u>
Total Activities	<u>\$ 891,117</u>	<u>\$ 414,238</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(301,401)</u>	<u>(175,478)</u>	<u>(476,879)</u>
General Revenues:							
					140,771	-	140,771
					71,838	-	71,838
					38,821	-	38,821
					39,991	-	39,991
					353	289	642
					(142,000)	142,000	-
					<u>149,774</u>	<u>142,289</u>	<u>292,063</u>
					(151,627)	(33,189)	(184,816)
					<u>1,245,959</u>	<u>1,374,387</u>	<u>2,620,346</u>
					<u>\$ 1,094,332</u>	<u>\$ 1,341,198</u>	<u>\$ 2,435,530</u>

See accompanying notes to financial statements and independent auditors' report.

CITY OF HARRISON
Balance Sheet - Governmental Funds
September 30, 2021

ASSETS

Cash & Investments	\$	191,557
Prepaid Expenses		3,224
Receivables:		
Property Taxes (net)		10,458
Other Governments (net)		24,649
Other Receivables (net)		132,090
Total Assets	\$	<u>361,978</u>

LIABILITIES

Accounts Payable	\$	17,389
Wages, Benefits, and Taxes Payable		28,887
Compensated Absences Payable		410
Sales Tax Payable		2,055
Interfund Payable		57,095
Total Liabilities	\$	<u>105,836</u>

DEFERRED INFLOWS OF RESOURCES

Unavailable Revenue - Property Taxes		10,086
Total Deferred Inflows of Resources		<u>10,086</u>

FUND BALANCE (DEFICITS)

Nonspendable:		
Prepaid Expenses		3,224
Assigned:		
Equipment Replacement		20,000
Unassigned:		222,832
Total Fund Balance		<u>246,056</u>
Total Liabilities, Deferred Inflows, and Fund Balance	\$	<u>361,978</u>

See accompanying notes to financial statements and independent auditors' report.

CITY OF HARRISON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2021

Total fund balances at September 30, 2021 - Governmental Funds		\$	246,056
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds:			
Cost of capital assets at September 30, 2021		\$	1,626,507
Less: Accumulated depreciation as of September 30, 2021			<u>(777,184)</u>
			849,323
Deferred outflows of resources represent a consumption of fund equity that will be reported as an outflow of resources in a future period and therefore, are not reported in the funds:			
Deferred outflows of resources-pension plan			57,397
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds:			
Elimination of unavailable revenue - property taxes			<u>10,086</u>
Deferred inflows of resources represent an acquisition of fund equity that will be recognized as an inflow of resources in a future period and therefore, are not reported in the funds:			
Deferred inflows of resources-pension plan			(70,740)
Some liabilities are not due and payable in the current period and therefore, are not reported in the funds. Those liabilities consist of:			
Net pension (liability) asset		2,210	
Compensated absences		<u>-</u>	2,210
Net position of governmental activities at September 30, 2021			<u><u>\$ 1,094,332</u></u>

See accompanying notes to financial statements and independent auditors' report.

CITY OF HARRISON
Combined Statement of Revenues, Expenditures, and Changes
in Fund Balances - All Governmental Fund Types
Year Ended September 30, 2021

Revenues:	
Property Taxes	\$ 145,296
Other Governmental	71,838
Charges for Services	117,512
Licenses & Permits	38,821
Other Income	39,991
Interest Income	353
Total Revenues	413,811
 Expenditures:	
General Government	218,440
Highways and Streets	41,631
Parks and Recreation	59,371
Cemetary	30,780
Capital Expenditures	19,105
Total Expenditures	369,327
Excess (Deficiency) of Revenues Over Expenditures	44,484
 Other Financing Sources (Uses):	
Interfund Transfers	(142,000)
Total Other Financing Sources (Uses)	(142,000)
Net Change in Fund Balance	(97,516)
Fund Balance - October 1	343,572
Fund Balance - September 30	\$ 246,056

See accompanying notes to financial statements and independent auditors' report.

CITY OF HARRISON
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended September 30, 2021

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

Net Change in Fund Balances - total governmental funds	\$ (97,516)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expenses. This is the amount by which capital outlays exceeded depreciation expense in the current period.</p>	
Capital Outlay	19,105
Depreciation	(76,539)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Property Taxes	4,525
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>	
Changes in Pension Plan	(1,202)
Change in net position of governmental activities	\$ (151,627)

See accompanying notes to financial statements and independent auditors' report.

CITY OF HARRISON
Statement of Net Position
All Proprietary Funds
September 30, 2021

ASSETS

Current Assets:	
Cash & Investments	\$ 194,043
Accounts Receivable (net)	29,634
Interfund Receivable	48,308
Prepaid Expenses	3,224
Total Current Assets	<u>275,209</u>
Noncurrent Assets:	
Capital Assets, net	1,287,676
Total Capital Assets	<u>1,287,676</u>
Other Assets:	
Net Pension Asset	1,428
Total Other Assets	<u>1,428</u>
Total Assets	<u>1,564,313</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension Plan	37,032
Total Deferred Outflows of Resources	<u>37,032</u>

LIABILITIES

Current liabilities:	
Accounts Payable	175,741
Accrued Wages Payable	4,311
Compensated Absences Payable	3,991
Customer Deposits	725
Deferred Revenue	29,740
Total Current Liabilities	<u>214,508</u>

DEFERRED INFLOWS OF RESOURCES

Pension Plan	45,639
Total Deferred Inflows of Resources	<u>45,639</u>

NET POSITION

Net Investment in Capital Assets	1,287,676
Unrestricted:	53,522
Total Net Position	<u>\$ 1,341,198</u>

See accompanying notes to financial statements and independent auditors' report.

CITY OF HARRISON
Statement of Revenues, Expenses, and Changes in Fund Net Position
All Enterprise Funds
Year Ended September 30, 2021

	Water Fund	Sewer Fund	Sanitation Fund	Total
Operating Revenues:				
Charges for Services	\$ 114,660	\$ 69,571	\$ 46,793	\$ 231,024
Hookups	27,922	34,076	-	61,998
Grant Revenues	-	-	-	-
Miscellaneous	3,601	103	-	3,704
Total Operating Revenues	<u>146,183</u>	<u>103,750</u>	<u>46,793</u>	<u>296,726</u>
Operating Expenses:				
Wages, Taxes & Benefits	56,903	77,081	-	133,984
Maintenance & Operations	59,767	132,052	48,304	240,123
Supplies	16,703	11,020	-	27,723
Other Expenses	6,750	1,476	-	8,226
Depreciation	13,659	48,719	-	62,378
Pension Plan (Revenue) Expense	(77)	(77)	(76)	(230)
Total Operating Expenses	<u>153,705</u>	<u>270,271</u>	<u>48,228</u>	<u>472,204</u>
Operating Income (Loss)	<u>(7,522)</u>	<u>(166,521)</u>	<u>(1,435)</u>	<u>(175,478)</u>
Non-Operating Revenues (Expenses):				
Interest Income	63	62	164	289
Transfer from General Fund	-	142,000	-	142,000
Total Non-Operating Revenue/(Expense)	<u>63</u>	<u>142,062</u>	<u>164</u>	<u>142,289</u>
Change in Net Position	(7,459)	(24,459)	(1,271)	(33,189)
Net Position - October 1				1,374,387
Net Position - September 30				<u>\$ 1,341,198</u>

See accompanying notes to financial statements and independent auditors' report.

CITY OF HARRISON
Combined Statement of Cash Flows
All Enterprise Funds
Year Ended September 30, 2021

	Proprietary Fund Types			Total
	Water	Sewer	Sanitation	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers and Users	\$ 142,442	\$ 99,099	\$ 45,074	\$ 286,615
Payments to Employees	(55,334)	(75,821)	(510)	(131,665)
Payments to Suppliers	(13,566)	(43,463)	(54,005)	(111,034)
Net Cash from Operating Activities	<u>73,542</u>	<u>(20,185)</u>	<u>(9,441)</u>	<u>43,916</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Interfund Transfers	-	142,000	-	142,000
Interfund Loan	13,692	-	-	13,692
Net Cash from Capital and Related Financing Activities	<u>13,692</u>	<u>142,000</u>	<u>-</u>	<u>155,692</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Payments for Capital Asset Acquisitions	(22,787)	(2,617)	-	(25,404)
Net Cash from Capital and Related Financing Activities	<u>(22,787)</u>	<u>(2,617)</u>	<u>-</u>	<u>(25,404)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on Investments	63	62	164	289
Net Cash from Investing Activities	<u>63</u>	<u>62</u>	<u>164</u>	<u>289</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	64,510	119,260	(9,277)	174,493
Cash and Cash Equivalents, October 1				<u>19,550</u>
Cash and Cash Equivalents, September 30				<u>\$ 194,043</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATIONS:				
Operating Income (Loss)	\$ (7,522)	\$(166,521)	\$ (1,435)	\$ (175,478)
Adjustments to Reconcile to Cash Flow:				
Depreciation	13,659	48,719	-	62,378
(Increase)/Decrease in Receivables	(3,741)	(4,651)	(1,719)	(10,111)
(Increase)/Decrease in Prepaid Expenses	(172)	(173)	-	(345)
Increase/(Decrease) in Accounts Payable	69,826	101,258	(5,701)	165,383
Increase/(Decrease) in Accrued Wages	1,113	1,113	-	2,226
Increase/(Decrease) in Compensated Absences	1,656	1,657	-	3,313
Increase/(Decrease) in Pension Plan	(1,277)	(1,587)	(586)	(3,450)
Total Adjustments	<u>81,064</u>	<u>146,336</u>	<u>(8,006)</u>	<u>219,394</u>
Net Cash from Operating Activities	<u>\$ 73,542</u>	<u>\$ (20,185)</u>	<u>\$ (9,441)</u>	<u>\$ 43,916</u>

See accompanying notes to financial statements and independent auditors' report.

CITY OF HARRISON
Statement of Fiduciary Net Position
September 30, 2021

	"Unaudited"
ASSETS	
Cash & Investments	\$ 36,091
Interest Receivable	-
Interfund Receivable	8,788
Assessments Receivable	99,097
TOTAL ASSETS	\$ 143,976
 LIABILITIES	
Interest Payable	\$ 5,761
Current Portion Long Term Debt	22,610
Long Term Debt (net of current portion)	187,184
TOTAL LIABILITIES	215,555
 NET POSITION	
Restricted	(71,579)
TOTAL NET POSITION	\$ (71,579)

See accompanying notes to financial statements and independent auditors report.

CITY OF HARRISON
Statement of Changes in Fiduciary Net Position
All Fiduciary Fund Types
Year Ended September 30, 2021

	"Unaudited"
Operating Revenues:	
Interest & Assessments	\$ 7,231
Other Income	2,594
Total Revenues	9,825
Operating Expenses:	
Administrative Expenses	20
Interest Expense	10,669
Total Expenses	10,689
Operating Income (Loss)	(864)
 Net Position - Reserved, October 1	(70,715)
 Net Position - Reserved, September 30	\$ (71,579)

See accompanying notes to financial statements and independent auditors report.

CITY OF HARRISON
Notes to Financial Statements
September 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City's combined financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) Codification of Government Accounting and Financial Reporting Standards, include whether:

- ✓ the organization is legally separate (can sue and be sued in their own name)
- ✓ the City holds the corporate powers of the organization
- ✓ the City appoints a voting majority of the organization's board
- ✓ the City is able to impose its will on the organization
- ✓ the organization has the potential to impose a financial benefit/burden on the City
- ✓ there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City does have one component unit, the Harrison Urban Renewal Agency. However, the financial transactions of this entity for the fiscal year ended September 30, 2021 are immaterial to the financial statements of the City, and therefore have not been included in the City's basic financial statements.

The City of Harrison is a municipality of the State of Idaho. The City has oversight responsibility and control over all activities related to The City's functions. The City is not included in any other governmental "reporting entity" as defined in GASB pronouncements, since the public elects the City council members.

Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government (the City). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or part by fees charged to external parties.

The statement of activities presents a comparison between direct and program revenues for the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not received for a specific purpose and classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category, *governmental, enterprise, and fiduciary*, are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

See accompanying independent auditors' report.

CITY OF HARRISON
Notes to Financial Statements
September 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Enterprise fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

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

The City reports the following major enterprise funds:

Water Enterprise Fund. The Water Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water services to the general public on a continuing basis are financed through user charges.

Sewer Enterprise Fund. The Sewer Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing sewer services to the general public on a continuing basis are financed through user charges.

Sanitation Enterprise Fund. The Sanitation Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing sewer services to the general public on a continuing basis are financed through user charges.

The City reports the following fiduciary fund:

Fiduciary Funds. These funds account for resources received and held by the City in a fiduciary capacity. Disbursements from these funds are made in accordance with the trust agreement or applicable legislative enactment for each particular fund. The fund included in this category is a special assessment local improvement district. This fund accounts for the financial resources of the City, which pertain to a local improvement district (LID) of the City. The City of Harrison functions as an agent for the property owners of the LID by collecting assessments, and forwarding collections to special assessment debt-holders.

Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements. The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donation is recognized in the fiscal year in which all eligibility requirements have been satisfied.

See accompanying independent auditors' report.

CITY OF HARRISON
Notes to Financial Statements
September 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Use of Restricted Funds

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.

Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the City Treasurer for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at September 30, 2021, based on market prices. The individual funds' portions of the pool's fair value are presented as "Cash and Investments." Earnings on the pooled funds are apportioned and paid or credited to the funds monthly based on the average daily balance of each participating fund.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the City considers all highly liquid investment with a maturity of three months or less when purchased to be cash equivalents. All cash and investments of the proprietary fund types are pooled with the City's pooled cash and investments.

The City considers cash and cash equivalents in enterprise funds to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

Receivables and Payables

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Receivables for State Highway User's Tax, State Liquor, and State Revenue Sharing are recorded as revenue in the general fund.

The City records enterprise fund charges as earned, not when collected.

Property Tax Calendar

Property taxes are levied on the third Monday of September and attach as an enforceable lien on property. They are payable in two installments on December 20 of the current calendar year and June 20 of the next calendar year. The taxes are collected and remitted to the City by Kootenai County.

Interfund Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" or "interfund balances".

See accompanying independent auditors' report.

CITY OF HARRISON
Notes to Financial Statements
September 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories and Prepaid Items

The City has adopted the purchase method for recording and classifying material and supply purchases. Under this method, purchases of materials and supplies are recognized as expenditures when the goods are received and the transaction is vouchered. Because on hand materials and supplies of the City are not considered significant, no amount is reflected on the balance sheet and no portion of fund balance is reserved.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Capital Assets

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Purchased or constructed assets are reported at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation. In connection with the implementation of GASB Statement No. 34, the City established a threshold of \$500 for capitalization of depreciable assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Infrastructure	30 - 50
Buildings	30 - 50
Building Improvements	15 - 30
Vehicles	2 - 10
Office Equipment	5 - 10
Computer Equipment	5

Compensated Absences

Employees eligible for vacation leave include full-time equivalent employees that have been employed by the City for one year.

The City's vacation leave policy permits the accumulation of twelve (12) vacation days per year with a maximum of twelve (12) to be accumulated for employees with 0-10 years of service, and accumulation of thirteen (13) vacation days with a maximum of fifteen (15) to be accumulated for employees with greater than 10 years of service. Upon termination of employment from the City, an employee will be paid for unused vacation leave not to exceed the maximum allowed carryover. The liability for accumulated vacations (\$4,401 at September 30, 2021), which represents normal accumulations, has been recorded in the government-wide statement of net position, allocated between government activities and business-type activities.

Employees eligible for sick leave include full-time equivalent employees that have been employed by the City for ninety days.

See accompanying independent auditors' report.

CITY OF HARRISON
Notes to Financial Statements
September 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City's sick leave policy permits the accumulation of twelve (12) sick days per year with a maximum of twelve (12) to be accumulated for employees with 0-10 years of service, and accumulation of fifteen (15) sick days with a maximum of fifteen (15) to be accumulated for employees with greater than 10 years of service. Employees are not paid for unused sick days upon termination of employment. Accordingly, sick pay is charged to expenditures when taken. No provision has been made in the financial statements for unused sick leave.

Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position 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 position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has no items that qualify for reporting in this category at this time.

In addition to liabilities, the statement of net position 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 position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Net Position Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

See accompanying independent auditors' report.

CITY OF HARRISON
Notes to Financial Statements
September 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitation on the use of resources through either a committed (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes by do not meet the criteria to be classified as committed. The council may assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Fund balances are classified as follows:

Nonspendable—Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted—Amounts that can be spent only for specific purposes because of the state or federal laws, or externally imposed conditions by grantors or creditors.

Committed—Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution. This includes the budget reserve account.

Assigned—Amounts that are designated by the City Council for a specific purpose but are not spendable until a budget ordinance is passed by the Council.

Unassigned—All amounts not included in other spendable classifications.

The details of the fund balances are included in the Governmental Funds Balance Sheet. Restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the City Council or the Assignment has been changed by the Council. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned Fund Balance becomes zero, then Assigned and Committed Fund Balances are used in that order. The City reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

NOTE 2 – DEPOSITS AND INVESTMENT BALANCES

General

State statutes authorize the City's investments. The City is authorized to invest in demand deposits, savings accounts, U.S. Government obligations and its agencies, obligations of Idaho and its agencies, fully collateralized repurchase agreements, prime domestic commercial paper, prime domestic bankers acceptances, bonds, debentures or notes of any corporation organized, controlled, and operating in the U.S. which have at their purchase an "A" rating or higher, government pools, and money market funds consisting of any of these securities listed. No violations of these categories have occurred during the year.

See accompanying independent auditors' report.

CITY OF HARRISON
Notes to Financial Statements
September 30, 2021

NOTE 2 – DEPOSITS AND INVESTMENT BALANCES (CONTINUED)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of a financial institution, the City's deposits and investments may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of September 30, 2021, the City's deposits and investments were exposed to custodial credit risk according to the table below.

Deposits without exposure to custodial credit risk:

Amount insured by FDIC or other agencies	\$ 130,480
Total deposits without exposure to custodial credit risk	130,480

Deposits with exposure to custodial credit risk:

Amount collateralized with securities held in trust, but not in City's name	277,967
Amounts uninsured-exposed to custodial credit risk	-
Total deposits with exposure to custodial credit risk	277,967
Total bank balance (deposits)	\$ 408,447

The carrying amount is displayed as follows in the financial statements:

Statement of net position	
Cash and investments	\$ 385,600
Restricted cash and investments	-
Total	\$ 385,600

Cash and investments at September 30, 2021, consist of the following:

Cash	
Deposits with financial institutions	\$ 105,661
Petty cash on hand	910
Cash equivalents	
Deposits with Idaho state investment pool	279,029
Total	\$ 385,600

Statement of fiduciary net position

Cash and investments	\$ 36,091
Restricted cash and investments	-
Total	\$ 36,091

Cash and investments at September 30, 2021, consist of the following:

Cash	
Deposits with financial institutions	\$ 35,424
Cash equivalents	
Deposits with Idaho state investment pool	667
Total	\$ 36,091

See accompanying independent auditors' report.

CITY OF HARRISON
Notes to Financial Statements
September 30, 2021

NOTE 2 – DEPOSITS AND INVESTMENT BALANCES (CONTINUED)

Investments

Investments in 2a7-like pools are valued based upon the value of pool shares. The City invests in one 2a7-like pool, the Idaho State Investment Pool. The advisory board of the Idaho State Investment Pool is composed of members appointed pursuant to the requirements of the Public Funds Investment Act. The State Investment Pool is duly chartered and administered by the State Treasurer’s Office and consists of US Treasury bills and notes, collateralized certificates of deposit and repurchase agreements. The pool does not include any involuntary participants.

The balances that the City has in the State Investment Pool are carried at fair value and calculated on a monthly basis. The City’s portion (including Fiduciary Fund) of the State Investment Pool had an unrealized gain of \$641 as of September 30, 2021. This unrealized gain has not been adjusted in the City’s books, which reflect an unrealized gain of \$1,034 in total. The unrealized gain was based on a fair market value adjustment factor of 1.0023 that was calculated by the State of Idaho’s Treasurer’s Office.

GASB Statement No. 40 requires the City to assign risk categories for its investments, except those in which securities are not used as evidence of the investment. Credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. The City’s exposure to credit risk is not available.

NOTE 3 – RECEIVABLES

The following is a schedule of property taxes assessed for the year, collected and remaining to be received.

Balance 9/30/2020	Lewy 2020	Adjustments & Collections	Balance 9/30/2021
\$ 36,667	\$ 139,132	\$ 165,341	\$ 10,458

In accordance with NCGA Interpretation #3, revenue, which is not received within 60 days of the year-end, has been reflected as deferred revenue. The balance as of September 30, 2021 is as follows:

Taxes due at September 30, 2021	\$ 10,458
Received October 2021	(198)
Received November 2021	(174)
Total	\$ 10,086

The analysis of accounts receivable and due from other governments is as follows:

GENERAL FUND	
<u>Due from other governments</u>	
State Revenue Sharing	\$ 17,219
State Liquor	4,608
Highway Users	2,822
Total	\$ 24,649
<u>Other receivables</u>	
Other receivable	\$ 132,090
Less: Allowance for doubtful accounts	-
Total	\$ 132,090

See accompanying independent auditors’ report.

CITY OF HARRISON
Notes to Financial Statements
September 30, 2021

NOTE 3 – RECEIVABLES (CONTINUED)

Accounts receivable include amounts from various customers generally for user fees. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles, which was \$0 for the year ended September 30, 2021.

PROPRIETARY FUNDS

<u>Accounts receivable</u>	
User Fees Receivable	\$ 29,634
Less: Allowance for doubtful accounts	-
Total	<u>\$ 29,634</u>

NOTE 4 – SPECIAL ASSESSMENTS RECEIVABLE

Assessments Receivable as of September 30, 2021 is as follows:

FIDUCIARY FUND ("Unaudited")

<u>Accounts receivable</u>	
User Fees Receivable	\$ 99,097
Less: Allowance for doubtful accounts	-
Total	<u>\$ 99,097</u>

NOTE 5 – CAPITAL ASSETS

The change in capital assets used in governmental activities during fiscal year 2020/21 was as follows:

	Balance 9/30/2020	Additions	Transfers and Disposals	Balance 9/30/2021
Governmental Activities				
Capital assets not being depreciated:				
Construction in Progress	\$ -	\$ -	\$ -	\$ -
Total capital assets not being depreciated	-	-	-	-
Capital assets being depreciated:				
Buildings	274,453	-	-	274,453
Office Equipment	34,966	-	-	34,966
Community Center Equipment	945	-	-	945
Park Equipment	37,481	4,855	-	42,336
Cemetery Equipment	1,534	-	-	1,534
Public Works Equipment	61,162	-	-	61,162
Licensed Vehicles	43,152	3,000	-	46,152
Equipment	20,876	4,250	-	25,126
RV Park Improvements	663,086	7,000	-	670,086
Infrastructure	469,747	-	-	469,747
Total capital assets being depreciated	1,607,402	19,105	-	1,626,507
Total accumulated depreciation	700,645	76,539	-	777,184
Total capital assets being depreciated, net	906,757	(57,434)	-	849,323
Total governmental activities capital assets, net	\$ 906,757	\$ (57,434)	\$ -	\$ 849,323

See accompanying independent auditors' report.

CITY OF HARRISON
Notes to Financial Statements
September 30, 2021

NOTE 5 – CAPITAL ASSETS (CONTINUED)

Because the City is a Phase 3 government (governments with total annual revenues of less than \$10 million), the City is encouraged but not required to report major infrastructure assets retroactively. The City has not yet made a determination as to whether or not to record infrastructure assets retroactively.

Depreciation expense for the general fund in the amount of \$76,539 has not been charged to functions/programs of the primary government.

The change in capital assets used in business-type activities during fiscal year 2020/21 follows:

	Balance 9/30/2020	Additions	Disposals	Balance 9/30/2021
Business-type Activities				
Capital assets being depreciated:				
Administrative Equipment	\$ 4,438	\$ -	\$ -	\$ 4,438
Automotive	29,426	-	-	29,426
Backhoe	23,755	-	-	23,755
System Improvements	3,356,952	23,358	-	3,380,310
Buildings	24,434	-	-	24,434
Equipment	9,471	2,046	-	11,517
Total capital assets being depreciated	<u>3,448,476</u>	<u>25,404</u>	<u>-</u>	<u>3,473,880</u>
Total accumulated depreciation	<u>2,123,826</u>	<u>62,378</u>	<u>-</u>	<u>2,186,204</u>
Total governmental activities capital assets, net	<u>\$ 1,324,650</u>	<u>\$ (36,974)</u>	<u>\$ -</u>	<u>\$ 1,287,676</u>

Depreciation expense for the water and sewer funds was charged as follows:

Business-type Activities		
Water Fund		\$ 13,659
Sewer Fund		48,719
Total business-type activities depreciation		<u>\$ 62,378</u>

NOTE 6 – LONG-TERM OBLIGATIONS

Changes in long-term obligations during fiscal year 2020/21 are as follows:

	Balance 9/30/2020	Increases	Decreases	Balance 9/30/2021	Due in one year
Governmental Activities					
Compensated Absences	\$ 318	\$ 92	\$ -	\$ 410	\$ 410
	<u>\$ 318</u>	<u>\$ 92</u>	<u>\$ -</u>	<u>\$ 410</u>	<u>\$ 410</u>

Compensated absences typically have been liquidated in the general and enterprise fund.

	Balance 9/30/2020	Increases	Decreases	Balance 9/30/2021	Due in one year
Business-type Activities					
Compensated Absences	\$ 678	\$ 3,313	\$ -	\$ 3,991	\$ 3,991
	<u>\$ 678</u>	<u>\$ 3,313</u>	<u>\$ -</u>	<u>\$ 3,991</u>	<u>\$ 3,991</u>

See accompanying independent auditors' report.

CITY OF HARRISON
Notes to Financial Statements
September 30, 2021

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

Below are long-term obligations of the fiduciary fund (“Unaudited”):

Fiduciary Funds	Balance 9/30/2020	Increases	Decreases	Balance 9/30/2021	Due in one year
Bonds Payable	\$ 227,191	\$ -	\$ (17,397)	\$ 209,794	\$ 22,610
	<u>\$ 227,191</u>	<u>\$ -</u>	<u>\$ (17,397)</u>	<u>\$ 209,794</u>	<u>\$ 22,610</u>

The interest rate on the City’s fiduciary fund bonds payable is 4.75 percent. For the year ended September 30, 2021, interest expense was \$10,669. Accrued but unpaid interest on outstanding bonds payable as of September 30, 2021 is \$5,761. The outstanding bonds payable represent special assessment debt of the City.

These bonds payable are backed by assessments receivable of the local improvement district and are not backed by the full faith and guarantee of the City. The City acts as an agent for the property owners by collecting assessments, forwarding collections to special assessment debt-holders and, if necessary, beginning foreclosures.

Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2021, are as follows:

Fiduciary Fund		
Year Ended September 30,	Bonds Payable	
	Principal	Interest
2022	22,610	9,615
2023	23,684	8,541
2024	24,809	8,541
2025	25,987	6,238
2026	27,222	5,003
2027-2029	85,482	7,488
	<u>\$ 209,794</u>	<u>\$ 45,426</u>

NOTE 7 – PENSION PLAN

Plan Description

The City contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Responsibility for administration of the Base Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

See accompanying independent auditors’ report.

CITY OF HARRISON
Notes to Financial Statements
September 30, 2021

NOTE 7 – PENSION PLAN (CONTINUED)

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2020, it was 7.16% for general employees and 9.13% for police and firefighters. The employer contribution rate as a percentage of covered payroll is set by the Retirement Board and was 11.94% general employees and 12.28% for police and firefighters. The City's contributions were \$22,742 for the year ended September 30, 2021.

Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2021, the City reported an asset for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2021, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The City's proportion of the net pension asset was based on the City's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2021, the City's proportion was 0.00460631 percent.

See accompanying independent auditors' report.

CITY OF HARRISON
Notes to Financial Statements
September 30, 2021

NOTE 7 – PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – (continued)

For the year ended September 30, 2021, the City recognized pension expense of \$14,444. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Recourses	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,360	\$ 2,115
Changes in assumptions or other inputs	41,759	-
Net difference between projected and actual earnings on pension plan investments	-	114,264
Change in the City's proportion and differences between the City's contributions and the City's proportionate contributions	70,061	-
Amortized change in proportionate share	(31,412)	-
City's contributions subsequent to the measurement date	8,661	-
Total	<u>\$ 94,429</u>	<u>\$ 116,379</u>

\$8,661 was 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 ending September 30, 2021.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2019, the beginning of the measurement period ended June 30, 2020, is 4.8 and 4.6 for the measurement period June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follow:

Year ended September 30:	
2022	(1,646)
2023	(703)
2024	(3,538)
2025	(24,727)

Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

See accompanying independent auditors' report.

CITY OF HARRISON
Notes to Financial Statements
September 30, 2021

NOTE 7 – PENSION PLAN (CONTINUED)

Actuarial Assumptions – (continued)

The total pension liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increase	3.05%
Salary inflation*	3.05%
Investment rate of return**	6.35%
Cost-of-living adjustments	1.00%

* there is an individual additional component of assumed salary grown (on top of the 3.05%) that varies for each individual member based on the years of service.

** net of pension plan investment expense

An experience study was performed for the period July 1, 2015 through June 30, 2020 which reviewed all economic and demographic assumptions other than mortality. The Total Pension Liability as of June 30, 2021 is based on the results of an actuarial valuation date July 1, 2021.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of 2021.

See accompanying independent auditors' report.

CITY OF HARRISON
Notes to Financial Statements
September 30, 2021

NOTE 7 – PENSION PLAN (CONTINUED)

Capital Market Assumption

Capital Market Assumptions from Callan 2021

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return	Long-Term Expected Real Rate of Return
Core Fixed Income	30.00%	1.80%	-0.20%
Broad US Equities	55.00%	8.00%	6.00%
Developed Foreign Equities	15.00%	8.25%	6.25%
Assumed Inflation - Mean		2.00%	2.00%
Assumed Inflation - Standard Deviation		1.50%	1.50%
Portfolio Arithmetic Mean Return		6.18%	4.18%
Portfolio Standard Deviation		12.29%	12.29%
Portfolio Long-Term (Geometric) Expected Rate of Return		5.55%	3.46%
Assumed Investment Expenses		0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expenses		5.15%	3.06%

Investment Policy Assumptions from PERSI Board Nov 2019

Portfolio Long-Term Expected Real Rate of Return, Net of Investment Expenses	4.14%
Portfolio Standard Deviation	14.16%

Economic/Demographic Assumptions from Milliman 2021

<u>Valuation Assumptions Chosen by PERSI Board</u>	
Long-Term Expected Real Rate of Return, Net of Investment Expenses	4.05%
Assumed Inflation	2.30%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses	6.35%

Discount Rate

The discount rate used to measure the total pension liability was 6.35%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

See accompanying independent auditors' report.

CITY OF HARRISON
Notes to Financial Statements
September 30, 2021

NOTE 7 – PENSION PLAN (CONTINUED)

Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate

The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 6.35%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.35%) or 1-percentage-point higher (7.35%) than the current rate:

	1% Decrease (5.35%)	Current Discount Rate (6.35%)	1% Increase (7.35%)
City’s proportionate share of the net pension liability (asset)	\$ 126,464	\$ (3,638)	\$ (110,285)

Pension plan fiduciary net position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Payables to the pension plan

At September 30, 2021, the City reported \$2,800 of payables to the pension plan.

NOTE 8 – RISK MANAGEMENT

The City faces a number of risks of loss including damage to and loss of property and contents, professional liability, i.e. errors and omissions, and health insurance costs of employees. Commercial insurance policies are purchased for health insurance. Coverage for the loss or damage to property and professional liability insurance is provided by the Idaho Counties Risk Management Program (ICRMP). ICRMP provides general liability, property insurance, and public officials’ insurance. The City, along with other participating entities, contributes annual amounts determined by ICRMP management. As claims arise they are submitted to and paid by ICRMP. There were no significant reductions in insurance coverage from the prior year. The City’s workman’s compensation coverage is provided by the Idaho State Insurance Fund.

See accompanying independent auditors’ report.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HARRISON
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended September 30, 2021

	9/30/2021	9/30/2020	09/30/2019
City's portion of the net pension liability	0.00460631%	0.00431430%	0.00107210%
City's proportionate share of the net pension liability (asset)	\$ (3,639)	\$ 100,183	\$ 12,238
City's covered-employee payroll	\$ 203,072	\$ 150,879	\$ 117,214
City's proportional share of the net pension liability as a percentage of its covered-employee payroll	-1.79%	66.40%	10.44%
Plan fiduciary net position as a percentage of the total pension liability	100.36%	88.22%	93.79%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those to use for which information is available.

Data reported is measured as of June 30, 2021

Schedule of City's Contributions
PERSI - Base Plan
Last 10 - Fiscal Years *

	9/30/2020	9/30/2020	09/30/2019
Statutorily required contribution	\$ 18,187	\$ 16,927	\$ 4,102
Contributions in relation to the statutorily required contribution	\$ 20,772	\$ 18,579	\$ 4,182
Contribution (deficiency) excess	\$ (2,585)	\$ (1,652)	\$ (80)
City's covered-employee payroll	\$ 203,072	\$ 150,879	\$ 117,214
Contributions as a percentage of covered-employee payroll	10.23%	12.31%	3.57%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those to use for which information is available.

Data reported is measured as of June 30, 2021

See notes to budget and independent auditor's report.

CITY OF HARRISON
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
Year Ended September 30, 2021

	General Fund		
	Original Budget	Final Budget	Actual
Revenues:			
Property Taxes	\$ 140,000	\$ 140,000	\$ 145,296
Other Governmental	65,511	65,511	71,838
Grant Income	12,078	12,078	-
Charges for Services	114,730	114,730	117,512
Licenses & Permits	9,500	9,500	38,821
Other Income	300,000	300,000	39,991
Interest Income	4,000	4,000	353
Total Revenues	645,819	645,819	413,811
Expenditures:			
General Government	212,278	212,278	218,440
Highways & Streets	37,041	37,041	41,631
Parks & Recreation	64,333	64,333	59,371
Cemetary	32,167	32,167	30,780
Capital Expenditures	300,000	300,000	19,105
Total Expenditures	645,819	645,819	369,327
Excess (Deficiency) of Revenues Over Expenditures	-	-	44,484
Other Financing Sources (Uses):			
Interfund Transfers	-	-	(142,000)
Total Other Financing Sources (Uses)	-	-	(142,000)
Net Change in Fund Balance	-	-	(97,516)
Fund Balance - October 1	343,572	343,572	343,572
Fund Balance - September 30	\$ 343,572	\$ 343,572	\$ 246,056

See notes to budget and independent auditor's report.

CITY OF HARRISON
Notes to Budget and Actual – General Fund
Year Ended September 30, 2021

Budgets are adopted for the general and enterprise fund. The annual budget is a plan of financial operation with an estimate of expenditures and means of financing them. A preliminary budget is prepared in July, budget hearings are held, and the final budget is adopted by October 1.

The adopted budget constitutes the appropriations for the City and is the maximum limit of expenditures in each budgeted fund. The adopted budget may be amended for emergencies and other matters as provided by State law. There were no amendments to the fiscal year 2020/21 budget.

The budget is prepared on the basis of accounting described for its governmental funds in Note 1 to the financial statements. Tax levies are set by expenditure requirements, but are authorized and limited by State law. Transfers of budget authority within a fund are permitted. Appropriations lapse at September 30.

The amounts shown in the budget column of the schedule are the original and final budgeted amounts. State law requires only that a fund's total expenditures not exceed total budgeted expenditures.

See accompanying independent auditors' report.

REPORT REQUIRED BY GAO

ANDERSONBROS.CPA

1810 E Schneidmiller Ave. Ste. 310
Post Falls, Idaho 83854
208-777-1099

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

Mayor and City Council
City of Harrison, Idaho

We have audited, in accordance with 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Harrison, Idaho as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Harrison, Idaho's basic financial statements and have issued our report thereon dated June 25, 2024.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as item #2021-1, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Harrison, Idaho'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 determination of financial statement amounts. However, providing an opinion on compliance

with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item #2021-2.

City of Harrison, Idaho's Response to Findings

The City of Harrison's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City of Harrison's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Anderson Bros. CPAs
Post Falls, Idaho
June 25, 2024

CITY OF HARRISON
Schedule of Findings and Responses
September 30, 2021

2021-1

Internal Controls over Financial Close and Reporting Process

Criteria

A strong system of internal controls and management review requires that general ledger account balances be properly reconciled to subsidiary ledger and supporting documentation on a periodic basis, as well as during the year-end financial close process in order to accurately and completely close the current year general ledger. Management is responsible for maintaining its accounting records in accordance with accounting principles generally accepted in the United States of America (GAAP).

Condition

During the audit of the City's financial statements, we identified material misstatements in the City's general ledger which necessitated the proposal of numerous significant audit adjustments.

Effect

The financial statements of the City were materially misstated when provided to the auditor. Outside of the adjustments related to the nonattest services provided in connection with the audit, there were material adjustments to bank and LGIP balances, payroll liabilities, capital assets, expenses, and interfund transfers.

Overall, the proposed audit adjustments resulted in material corrections to both the fund level and government-wide financial statements.

Cause

The City did not perform an adequate year-end closing process and oversight over financial reporting was lacking. Insufficient time and resources were allocated to ensuring a proper review of general ledger account balances, reconciliations to source documents, and necessary year-end adjustments occurred.

Recommendations

Our recommendation for the City is to create and implement a financial close checklist to aid in the year-end financial close and reporting process. Additionally, we recommend that more time and resources are allocated to the financial close process and preparing for the annual audit. For the upcoming fiscal year, we recommend working with a third-party consultant to assist in closing the general ledger, strengthening controls over financial reporting, and preparing for the audit.

Views of Responsible Officials

The City is in agreement with the recommendation. The City is starting the process to review monthly reports and bank statements. This will begin with fiscal year 2022-2023.

CITY OF HARRISON
Schedule of Findings and Responses
September 30, 2021

2021-2

Untimely Audit Completion

Criteria

Per Idaho State Statute 67-450B, a local government entity whose annual expenditures (from all sources) exceed two hundred fifty thousand dollars (\$250,000) in a fiscal year shall cause a full and complete audit if its financial statements to be made each fiscal year. The entity shall file a completed audit report with the legislative services office within nine months after the end of the audit period.

Condition

The City did not have their fiscal year 2021 audit completed within the 9 month required time frame.

Effect

There is no financial effect of this deficiency; it is a State compliance issue only.

Cause

The City failed to have their annual audit completed in a timely manner. It is noted that the City had significant turnover in their finance staff both during and after fiscal year 2021, which greatly affected the City's ability to complete their audit.

Recommendations

Our recommendation for the City is for the Council and finance personnel to keep up to date on their understanding of Idaho State Statutes and how they apply to the City, ensuring that their year-end close is performed in time for an audit to be completed within the required time frame.

Views of Responsible Officials

The City is in agreement with the recommendation. New processes have been in place beginning in 2022 with the new administrative staff and the City is working to catch up the audits.