CITY OF HARRISON

AUDITED FINANCIAL STATEMENTS

AND OTHER FINANCIAL INFORMATION

Year Ended September 30, 2025

Prepared by

ALPINE SUMMIT CPAs

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INDEPENDENT AUDITORS ‘REPORT

INDEPENDENT AUDITORS' REPORT

Mayor and City Council
City of Harrison, Idaho

Qualified and Unmodified Opinions

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, 2025, 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.

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Business-type Activities	Unmodified
General Fund	Unmodified
Enterprise Fund - Water	Qualified
Enterprise Fund - Sewer	Qualified
Enterprise Fund - Sanitation	Qualified
Fiduciary Fund	Qualified

Qualified Opinion on the Enterprise Funds

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the enterprise funds of the City of Harrison, Idaho, as of September 30, 2025, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Qualified Opinion on the Fiduciary Fund

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the fiduciary fund of the City of Harrison, Idaho, as of September 30, 2025, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Governmental Activities, Business-type Activities, and General Fund

In our opinion, 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 the general fund of the City of Harrison, Idaho, as of September 30, 2025, 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.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Harrison, Idaho, 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 qualified and unmodified audit opinions

Matter Giving Rise to the Qualified Opinion on the Enterprise Funds

The City's accounting records were not sufficient to allow management to present or the auditors to audit the assets, liabilities, deferred outflows/inflows, and net position of each individual enterprise fund as required by generally accepted government auditing standards, and as a result balance sheets are not able to be produced for each enterprise fund separately. The amount by which this departure would affect the assets, deferred inflows of resources, fund balances, and revenues of the enterprise funds has not been determined.

Matter Giving Rise to the Qualified Opinion on the Fiduciary Funds

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 amount by which this departure would affect the assets, deferred inflows of resources, fund balances, and revenues of the aggregate remaining fund information has not been determined.

Responsibilities of Management 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, 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 Harrison, Idaho'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 generally accepted auditing standards 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 generally accepted auditing standards 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 Harrison, Idaho'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 Harrison, Idaho's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Organization's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2026, 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 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 Harrison, Idaho's internal control over financial reporting and compliance.

Alpine Summit CPAs

Alpine Summit CPAs
Post Falls, Idaho
June 29, 2026

BASIC FINANCIAL STATEMENTS

CITY OF HARRISON
Statement of Net Position
September 30, 2025

	Government Activities	Business-Type Activities	Total
ASSETS			
Cash & Investments	$ 138,582	$ 73,356	$ 211,938
Receivables:			
Charges for Services	-	48,308	48,308
Property Taxes	13,618	-	13,618
Due from Other Governments	64,596	-	64,596
Other Receivables	33,798	223,207	257,005
Interfund Receivable - Fiduciary Fund	9,975	-	9,975
Prepaid Expenses	501	503	1,004
Capital Assets:			
Construction in Progress	-	1,918,870	1,918,870
Depreciable Capital Assets, net	591,150	1,099,542	1,690,692
Total Assets	852,220	3,363,786	4,216,006
DEFERRED OUTFLOWS OF RESOURCES			
Pension Plan	23,952	16,762	40,714
LIABILITIES			
Accounts Payable	21,412	236,155	257,567
Payroll, Benefits, and Taxes Payable	96,993	1,063	98,056
Compensated Absences Payable	5,957	18,533	24,490
Sales Tax Payable	2,505	-	2,505
Internal Balances	(391,819)	391,819	-
Customer Deposits	-	725	725
Long-Term Liabilities:			
Net Pension Liability	78,268	54,767	133,035
Total Liabilities	(186,684)	703,062	516,378
DEFERRED INFLOWS OF RESOURCES			
Deferred Grant Income	41,096	-	41,096
Pension Plan	41,657	29,149	70,806
Total Deferred Inflows of Resources	82,753	29,149	111,902
NET POSITION			
Net Investment in Capital Assets	591,150	3,018,412	3,609,562
Unrestricted	388,953	(370,075)	18,878
Total Net Position	$ 980,103	$ 2,648,337	$ 3,628,440

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

CITY OF HARRISON
Statement of Activities
Year Ended September 30, 2025

		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	$ 180,673	$ 6,636	$ -	$ -	$ (174,037)	$ -	$ (174,037)
Highways and Streets	89,636	7,598	-	-	(82,038)	-	(82,038)
Parks and Recreation	84,303	179,945	-	-	95,642	-	95,642
Cemetery	22,997	1,738	-	-	(21,259)	-	(21,259)
Depreciation - Unallocated	73,764	-	-	-	(73,764)	-	(73,764)
Total Governmental Activities	451,373	195,917	-	-	(255,456)	-	(255,456)
Business-type Activities							
Water	177,905	105,334	-	382,695	-	310,124	310,124
Sewer	170,435	149,660	-	802,328	-	781,553	781,553
Sanitation	67,443	77,710	-	-	-	10,267	10,267
Total Business-type Activities	415,783	332,704	-	1,185,023	-	1,101,944	1,101,944
Total Activities	$ 867,156	$ 528,621	$ -	$ 1,185,023	(255,456)	1,101,944	846,488
General Revenues:							
Property Taxes					138,415	-	138,415
Other Governmental					129,296	-	129,296
Licenses and Permits					24,810	-	24,810
Other Income					16,151	-	16,151
Interest Income					3,454	1,098	4,552
Total general revenues and transfers					312,126	1,098	313,224
Change in Net Position					56,670	1,103,042	1,159,712
Net position-beginning					923,433	1,545,295	2,468,728
Net position-ending					$ 980,103	$ 2,648,337	$ 3,628,440

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

CITY OF HARRISON
Balance Sheet - Governmental Funds
September 30, 2025

ASSETS		
Cash & Investments	$	138,582
Prepaid Expenses		501
Receivables:		
Property Taxes (net)		13,618
Other Governments (net)		64,596
Other Receivables (net)		33,798
Interfund Receivable		401,794
Total Assets	$	652,889
LIABILITIES		
Accounts Payable	$	21,412
Wages, Benefits, and Taxes Payable		96,993
Compensated Absences Payable		5,957
Sales Tax Payable		2,505
Total Liabilities		126,867
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue - Property Taxes		11,217
Unavailable Revenue - Deferred Grant Income		41,096
Total Deferred Inflows of Resources		52,313
FUND BALANCE (DEFICITS)		
Nonspendable:		
Prepaid Expenses		501
Assigned:		
Equipment Replacement		20,000
Unassigned:		453,208
Total Fund Balance		473,709
Total Liabilities, Deferred Inflows, and Fund Balance	$	652,889

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, 2025

Total fund balances at September 30, 2025 - Governmental Funds		$ 473,709
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, 2025	$ 1,649,631	
Less: Accumulated depreciation as of September 30, 2025	(1,058,481)	591,150
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		23,952
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		11,217
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		(41,657)
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	(78,268)	
	-	(78,268)
Net position of governmental activities at September 30, 2025		$ 980,103

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, 2025

Revenues:		
Property Taxes	$	138,696
Other Governmental		129,296
Charges for Services		195,917
Licenses & Permits		24,810
Interest Income		3,454
Total Revenues		508,324
Expenditures:		
General Government		182,535
Highways and Streets		89,636
Parks and Recreation		84,303
Cemetery		22,997
Capital Expenditures		17,082
Total Expenditures		396,553
Excess (Deficiency) of Revenues Over Expenditures		111,771
Other Financing Sources (Uses):		
Interfund Transfers		-
Total Other Financing Sources (Uses)		-
Net Change in Fund Balance		111,771
Fund Balance - October 1		361,938
Fund Balance - September 30	$	473,709

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, 2025

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

Net Change in Fund Balances - total governmental funds	$ 111,771
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.	
Capital Outlay	17,082
Depreciation	(73,764)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Property Taxes	(281)
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.	
Changes in Pension Plan	1,862
Change in net position of governmental activities	$ 56,670

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

CITY OF HARRISON
Statement of Net Position
All Proprietary Funds
September 30, 2025

ASSETS	
Current Assets:	
Cash & Investments	$ 73,356
Accounts Receivable (net)	48,308
Grant Receivable	223,207
Prepaid Expenses	503
Total Current Assets	345,374
Noncurrent Assets:	
Work in Progress	1,918,870
Capital Assets, net	1,099,542
Total Capital Assets	3,018,412
Total Assets	3,363,786
DEFERRED OUTFLOWS OF RESOURCES	
Pension Plan	16,762
Total Deferred Outflows of Resources	16,762
LIABILITIES	
Current liabilities:	
Accounts Payable	14,944
Grant Expenditures Payable	221,211
Accrued Wages Payable	1,063
Compensated Absences Payable	18,533
Interfund Payable	391,819
Customer Deposits	725
Total Current Liabilities	648,295
Noncurrent liabilities:	
Net Pension Liability	54,767
Total Noncurrent Liabilities	54,767
Total Liabilities	703,062
DEFERRED INFLOWS OF RESOURCES	
Pension Plan	29,149
Total Deferred Inflows of Resources	29,149
NET POSITION	
Net Investment in Capital Assets	3,018,412
Unrestricted:	(370,075)
Total Net Position	$ 2,648,337

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, 2025

	Water Fund	Sewer Fund	Sanitation Fund	Total
Operating Revenues:				
Charges for Services	$ 105,214	$ 149,060	$ 77,710	$ 331,984
Miscellaneous	120	600	-	720
Total Operating Revenues	105,334	149,660	77,710	332,704
Operating Expenses:				
Wages, Taxes & Benefits	82,431	56,654	-	139,085
Maintenance & Operations	65,558	49,180	53,664	168,402
Supplies	6,513	6,541	-	13,054
Other Expenses	-	4,470	8,180	12,650
Depreciation	17,803	47,990	-	65,793
Pension Plan (Revenue) Expense	5,600	5,600	5,599	16,799
Total Operating Expenses	177,905	170,435	67,443	415,783
Operating Income (Loss)	(72,571)	(20,775)	10,267	(83,079)
Non-Operating Revenues (Expenses):				
Interest Income	-	-	1,098	1,098
Grant Revenues	382,695	802,328	-	1,185,023
Total Non-Operating Revenue/(Expense)	382,695	802,328	1,098	1,186,121
Change in Net Position	310,124	781,553	11,365	1,103,042
Net Position - October 1				1,545,295
Net Position - September 30				$ 2,648,337

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, 2025

	Proprietary Fund Types			
	Water	Sewer	Sanitation	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from Customers and Users	$ 102,815	$ 146,422	$ 76,271	$ 325,508
Payments to Employees	(80,950)	(55,050)	(5,352)	(141,352)
Payments to Suppliers	(71,702)	(61,615)	(57,096)	(190,413)
Net Cash used by Operating Activities	(49,837)	29,757	13,823	(6,257)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Interfund Loan	43,724	-	-	43,724
Net Cash from Capital and Related Financing Activities	43,724	-	-	43,724
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Grant Contributions	377,244	685,904	-	1,063,148
Payments for Capital Asset Acquisitions	(379,358)	(685,908)	-	(1,065,266)
Net Cash used by Capital and Related Financing Activities	(2,114)	(4)	-	(2,118)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on Investments	-	-	1,098	1,098
Net Cash from Investing Activities	-	-	1,098	1,098
Net Increase/(Decrease) in Cash and Cash Equivalents	(8,227)	29,753	14,921	36,447
Cash and Cash Equivalents, October 1				36,909
Cash and Cash Equivalents, September 30				$ 73,356
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATIONS:				
Operating Income (Loss)	$ (72,571)	$ (20,775)	$ 10,267	$ (83,079)
Adjustments to Reconcile to Cash Flow:				
Depreciation	17,803	47,990	-	65,793
(Increase)/Decrease in Receivables	(2,519)	(3,238)	(1,439)	(7,196)
(Increase)/Decrease in Prepaid Expenses	28	28	-	56
Increase/(Decrease) in Accounts Payable	341	(1,452)	4,748	3,637
Increase/(Decrease) in Deferred Revenues	-	-	-	-
Increase/(Decrease) in Accrued Wages	462	462	-	924
Increase/(Decrease) in Compensated Absences	6,187	6,187	-	12,374
Increase/(Decrease) in Pension Plan	432	555	247	1,234
Total Adjustments	22,734	50,532	3,556	76,822
Net Cash used by Operating Activities	$ (49,837)	$ 29,757	$ 13,823	$ (6,257)

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

CITY OF HARRISON
Statement of Fiduciary Net Position
September 30, 2025

		"Unaudited"
ASSETS		
Cash & Investments	$	4,033
Assessments Receivable		50,368
TOTAL ASSETS	$	54,401
LIABILITIES		
Interest Payable	$	3,430
Interfund Payable		9,975
Current Portion Long Term Debt		17,451
Long Term Debt (net of current portion)		114,996
TOTAL LIABILITIES		145,852
NET POSITION		
Restricted		(91,451)
TOTAL NET POSITION	$	(91,451)

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, 2025

	"Unaudited"
Operating Revenues:	
Interest & Assessments	$ 2,027
Other Income	301
Total Revenues	2,328
Operating Expenses:	
Interest Expense	5,039
Total Expenses	5,039
Operating Income (Loss)	(2,711)
Net Position - Restricted, October 1	(88,740)
Net Position - Restricted, September 30	$ (91,451)

See accompanying notes to financial statements and independent auditors report.

NOTE 1 – <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u>

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, 2025 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.

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.

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, 2025, 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".

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

The City accounts for compensated absences in accordance with GASB Statement No. 101, *Compensated Absences.* Compensated absences are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation and sick time when earned for all employees who qualify.

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 ($8,608 at September 30, 2025), which represents normal accumulations, has been recorded in the government-wide statement of net position, allocated between government activities and business-type activities.

See accompanying independent auditors' report.

NOTE 1 – <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)</u>

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

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. The City's liability for accumulated sick leave ($15,882 at September 30, 2025) has been recorded in the government-wide statement of net position, allocated between government activities and business-type activities.

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 one item related to the pension plan that qualifies 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 two such items that qualify under the modified accrual basis of accounting, deferred grant income and deferred outflows related to the pension plan, and two such items that qualify under the accrual basis of accounting, deferred grant income and unearned property taxes. These amounts are deferred and recognized as inflows of resources in the period that the amounts become 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.

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.

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, 2025, 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	$ 71,552
Total deposits without exposure to custodial credit risk	71,552
Deposits with exposure to custodial credit risk:	
Amount collateralized with securities held in trust, but not in City's name	81,706
Amounts uninsured-exposed to custodial credit risk	-
Total deposits with exposure to custodial credit risk	81,706
Total bank balance (deposits)	$ 153,258

The carrying amount is displayed as follows in the financial statements:	
Statement of net position	
Cash and investments	$ 211,938
Restricted cash and investments	-
Total	$ 211,938
Cash and investments at September 30, 2025, consist of the following:	
Cash	
Deposits with financial institutions	$ 130,112
Petty cash on hand	120
Cash equivalents	
Deposits with Idaho state investment pool	81,706
Total	$ 211,938

See accompanying independent auditors' report.

NOTE 2 – DEPOSITS AND INVESTMENT BALANCES (CONTINUED)

Statement of fiduciary net position		
Cash and investments	$	4,033
Restricted cash and investments		-
Total	$	4,033

Cash and investments at September 30, 2025, consist of the following:		
Cash		
Deposits with financial institutions	$	3,264
Cash equivalents		
Deposits with Idaho state investment pool		769
	$	4,033

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 $132 as of September 30, 2025. This unrealized gain has not been reflected in the City's books, as the amount is deemed trivial. The unrealized gain was based on a fair market value adjustment factor of 1.0026 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 9/30/2024	Levy 2024	Adjustments & Collections	Balance 9/30/2025
$ 12,364	$ 139,130	$ 137,876	$ 13,618

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, 2025 is as follows:

Taxes due at September 30, 2025	$	13,618
Received October 2025		(2,240)
Received November 2025		(161)
Total	$	11,217

See accompanying independent auditors' report.

CITY OF HARRISON
Notes to Financial Statements
September 30, 2025

NOTE 3 – RECEIVABLES (CONTINUED)

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

GENERAL FUND		
Due from other governments		
State Revenue Sharing	$	58,562
State Liquor		3,231
Highway Users		2,803
Total	$	64,596
Other receivables		
Other receivable	$	29,754
1% local sales tax		4,044
Less: Allowance for doubtful accounts		-
Total	$	33,798

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, 2025.

PROPRIETARY FUNDS		
Accounts receivable		
User Fees Receivable	$	48,308
Less: Allowance for doubtful accounts		-
Total	$	48,308

NOTE 4 – SPECIAL ASSESSMENTS RECEIVABLE

Assessments Receivable as of September 30, 2025 is as follows:

FIDUCIARY FUND ("Unaudited")		
Accounts receivable		
User Fees Receivable	$	50,368
Less: Allowance for doubtful accounts		-
Total	$	50,368

See accompanying independent auditors' report.

CITY OF HARRISON
Notes to Financial Statements
September 30, 2025

NOTE 5 – CAPITAL ASSETS

The change in capital assets used in governmental activities during fiscal year 2024/25 was as follows:

	Balance 9/30/2024	Additions	Transfers and Disposals	Balance 9/30/2025
Governmental Activities				
Capital assets being depreciated:				
Buildings	274,153	-	-	274,153
Office Equipment	29,591	-	-	29,591
Community Center Equipment	945	-	-	945
Park Equipment	33,035	-	-	33,035
Cemetery Equipment	-	-	-	-
Public Works Equipment	61,162	-	-	61,162
Licensed Vehicles	43,420	13,496	-	56,916
Equipment	50,410	3,586	-	53,996
RV Park Improvements	670,086	-	-	670,086
Infrastructure	469,747	-	-	469,747
Total capital assets being depreciated	1,632,549	17,082	-	1,649,631
Total accumulated depreciation	984,717	73,764	-	1,058,481
Total capital assets being depreciated, net	647,832	(56,682)	-	591,150
Total governmental activities capital assets, net	$ 647,832	$ (56,682)	$ -	$ 591,150

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 $73,764 has not been charged to functions/programs of the primary government.

The change in capital assets used in business-type activities during fiscal year 2024/25 follows:

	Balance 9/30/2024	Additions	Disposals	Balance 9/30/2025
Business-type Activities				
Capital assets not being depreciated:				
Construction in Progress	$ 735,737	$ 1,183,133	$ -	$ 1,918,870
Total capital assets not being depreciated	735,737	1,183,133	-	1,918,870
Capital assets being depreciated:				
Administrative Equipment	$ 4,438	$ -	$ -	$ 4,438
Automotive	29,426	-	-	29,426
Backhoe	23,755	-	-	23,755
System Improvements	3,404,924	-	-	3,404,924
Buildings	24,434	-	-	24,434
Equipment	56,942	2,012	-	58,954
Total capital assets being depreciated	3,543,919	2,012	-	3,545,931
Total accumulated depreciation	2,380,596	65,793	-	2,446,389
Total capital assets being depreciated, net	1,163,323	(63,781)	-	1,099,542
Total business-type activities capital assets, net	$ 1,899,060	$ 1,119,352	$ -	$ 3,018,412

See accompanying independent auditors' report.

NOTE 5 – CAPITAL ASSETS (CONTINUED)

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

Business-type Activities		
Water Fund	$	17,803
Sewer Fund		47,990
Total business-type activities depreciation	$	65,793

NOTE 6 – LONG-TERM OBLIGATIONS

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

Fiduciary Funds	Balance 9/30/2024	Increases	Decreases	Balance 9/30/2025	Due in one year
Bonds Payable	$ 150,678	$ -	$ (18,231)	$ 132,447	$ 17,451
	$ 150,678	$ -	$ (18,231)	$ 132,447	$ 17,451

The interest rate on the City's fiduciary fund bonds payable is 4.75 percent. For the year ended September 30, 2025, interest expense was $5,039. Accrued but unpaid interest on outstanding bonds payable as of September 30, 2025 is $3,430. 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, 2025, are as follows:

Fiduciary Fund

	Bonds Payable		
Year Ended September 30,	Principal	Interest	Total
2026	17,451	6,291	23,742
2027	18,280	5,462	23,742
2028	19,148	4,594	23,742
2029	20,057	3,685	23,742
2030	21,010	2,732	23,742
2031-2032	36,501	2,422	38,923
	$ 132,447	$ 25,186	$ 157,633

NOTE 7 – PENSION PLAN

Plan Description
The City of Harrison 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.

See accompanying independent auditors' report.

NOTE 7 – PENSION PLAN (CONTINUED)

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.

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 base plan 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, 2025 the employee rate was 7.18% for general employees and 10.63% for police and firefighters. The employer contribution rate as a percentage of covered payroll is set by the Retirement Board and was 11.96% for general employees and 13.98% for police and firefighters.

The City's contributions were $37,808 for the year ended September 30, 2025.

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

At September 30, 2025, the City reported a liability for its proportionate share of the net pension liability. 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 share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2025, the City's proportion was 0.00550155%.

NOTE 7 – PENSION PLAN (CONTINUED)

For the year ended September 30, 2025, the City recognized pension expense of $37,183. At September 30, 2025, 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	$ 25,070	$ -
Changes in assumptions or other inputs	-	23,394
Net difference between projected and actual earnings on pension plan investments	-	34,199
Change in the City's proportion and differences between the City's contributions and the City's proportionate contributions	10,060	13,213
City's contrbutions subsequent to the mearsurement date	5,584	-
Total	$ 40,714	$ 70,806

$1,652 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, 2025.

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, 2023, the beginning of the measurement period ended June 30, 2024 is 4.4 and 4.4 for the measurement period June 30, 2025.

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

Year ended September 30:	
2026	21,407
2027	(25,251)
2028	(19,890)
2029	(11,948)

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.

The total pension liability in the July 1, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases including inflation	3.15%
Investment rate of return	6.55% - net of investment expenses
Cost-of-living adjustments	1.00%

See accompanying independent auditors' report.

NOTE 7 – PENSION PLAN (CONTINUED)

Mortality

Several different sets of mortality rates are used in the valuation for contributing members, members retired for service and beneficiaries, as well as for the Judicial members. These rates were adopted for the valuation dated July 1, 2025.

Contributing Members, Service Retirement Members, and Beneficiaries

General Employees and All Beneficiaries - Males Pub-2010 General Tables, increased 11%.
General Employees and All Beneficiaries - Females Pub-2010 General Tables, increased 21%.
Teachers - Males Pub-2010 Teacher Tables, increased 12%.
Teachers - Females Pub-2010 Teacher Tables, increased 21%.
Fire & Police - Males Pub-2010 Safety Tables, increased 21%.
Fire & Police - Females Pub-2010 Safety Tables, increased 26%.
Disabled Members - Males Pub-2010 Disabled Tables, increased 38%.
Disabled Members - Females Pub-2010 Disabled Tables, increased 36%.

An experience study was performed for the period 2020 through 2024 which reviewed all economic and demographic assumptions including mortality. The total pension liability as of June 30, 2025 is based on the results of an actuarial valuation date of July 1, 2025.

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.

Capital Market Assumptions

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Cash	0.00%	0.00%
Large Cap	22.00%	4.75%
Small/Mid Cap	10.00%	4.95%
International Equity	11.00%	4.75%
Emerging Markets Equity	11.00%	4.95%
Domestic Fixed	20.00%	2.25%
TIPS	10.00%	2.05%
Real Estate	8.00%	3.75%
Private Equity	8.00%	6.00%

See accompanying independent auditors' report.

NOTE 7 – PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 6.55%. 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.

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 6.55%, 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 (5.55%) or 1-percentage-point higher (7.55%) than the current rate:

	1% Decrease (5.55%)	Current Discount Rate (6.55%)	1% Increase (7.55%)
City's proportionate share of the net pension liability (asset)	$ 320,086	$ 133,035	$ (19,775)

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, 2025, the City reported $17,852 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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HARRISON
Schedule of City's Share of Net Pension Liability
PERSI - Base Plan
Last 10 - Fiscal Years *

	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019
City's portion of the net pension liability	0.00550155%	0.00523353%	0.00584504%	0.00660129%	0.00460631%	0.00431430%	0.00107210%
City's proportionate share of the net pension liability (asset)	$ 133,035	$ 195,768	$ 233,255	$ 260,008	$ (3,639)	$ 100,183	$ 12,238
City's covered-employee payroll	$ 258,502	$ 247,725	$ 270,941	$ 299,435	$ 203,072	$ 150,879	$ 117,214
City's proportional share of the net pension liability as a percentage of its covered-employee payroll	51.46%	79.03%	86.09%	86.83%	-1.79%	66.40%	10.44%
Plan fiduciary net position as a percentage of the total pension liability	90.89%	85.54%	83.83%	83.09%	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, 2025

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

	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019
Statutorily required contribution	$ 34,210	$ 34,042	$ 25,529	$ 30,568	$ 18,187	$ 16,927	$ 4,102
Contributions in relation to the statutorily required contribution	$ 34,210	$ 29,015	$ 30,033	$ 31,450	$ 20,772	$ 18,579	$ 4,182
Contribution (deficiency) excess	$ -	$ 5,026	$ (4,505)	$ (881)	$ (2,585)	$ (1,652)	$ (80)
City's covered-employee payroll	$ 258,502	$ 247,725	$ 270,941	$ 299,435	$ 203,072	$ 150,879	$ 117,214
Contributions as a percentage of covered-employee payroll	13.23%	11.71%	11.08%	10.50%	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, 2025

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, 2025

	General Fund		
	Original Budget	Final Budget	Actual
Revenues:			
Property Taxes	$ 139,130	$ 139,130	$ 138,696
Other Governmental	64,035	64,035	129,296
Grant Income	58,940	58,940	-
Charges for Services	177,270	177,270	195,917
Licenses & Permits	5,000	5,000	24,810
Other Income	300,000	300,000	16,151
Interest Income	5,000	5,000	3,454
Total Revenues	749,375	749,375	508,324
Expenditures:			
General Government	205,693	205,693	182,535
Highways & Streets	118,509	118,509	89,636
Parks & Recreation	92,764	92,764	84,303
Cemetery	32,409	32,409	22,997
Capital Expenditures	300,000	300,000	17,082
Total Expenditures	749,375	749,375	396,553
Excess (Deficiency) of Revenues Over Expenditures	-	-	111,771
Other Financing Sources (Uses):			
Interfund Transfers	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balance	-	-	111,771
Fund Balance - October 1	361,938	361,938	361,938
Fund Balance - September 30	$ 361,938	$ 361,938	$ 473,709

See notes to budget and independent auditor's report.

CITY OF HARRISON
Notes to Budget and Actual – General Fund
Year Ended September 30, 2025

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 2024/25 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

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, 2025, 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 29, 2026.

Report on 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 #2025-1, that we consider to be a material weakness.

Report on 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,* described in the accompanying schedule of findings as item #2025-2.

ALPINE SUMMIT CPAs
office (208) 777-1099 fax (208) 773-5108
1810 E Schneidmiller Ave #310
Post Falls, ID 83854

City of Harrison, Idaho's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Alpine Summit CPAs

Alpine Summit CPAs
Post Falls, Idaho
June 29, 2026

SINGLE AUDIT SECTION

ALPINE SUMMIT CPAs

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
the City of Harrison
Coeur d'Alene, ID

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Harrison's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City of Harrison's major federal programs for the year ended September 30, 2025. The City of Harrison's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Harrison complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Harrison and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Harrison's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Harrison's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Harrison's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards,* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Harrison's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 City of Harrison's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the City of Harrison's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Harrison's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Alpine Summit CPAs

Alpine Summit CPAs

Post Falls, Idaho
June 29, 2026

CITY OF HARRISON
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2025

Program Title	Federal CFDA Number	Pass Through Number	Federal Expenditures
Department of the Treasury			
Direct programs			
Coronavirus State and Local Fiscal Recovery Funds	21.027		$ 1,183,133
Total			$ 1,183,133

See notes to schedule of expenditures of federal awards

CITY OF HARRISON
Notes to Schedule of Expenditures of Federal Awards
Year ended September 30, 2025

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of City of Harrison (the Government) under programs of the federal government for the year ended September 30, 2025. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Government, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Government.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

NOTE 3: INDIRECT COST RATE

The Government has elected not to use the 15-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

CITY OF HARRISON
Schedule of Findings and Questioned Costs
Year ended September 30, 2025

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

• Material weakness(es) identified?	__X__ Yes ____ No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)	_____ Yes __X__ None reported
Noncompliance material to financial statements noted	__X__ Yes _____ No

Federal Awards

Internal control over major programs:

• Material weakness(es) identified	_____ Yes __X__ No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)	_____ Yes __X__ None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR-200.516(a)	_____ Yes __X__ No

Identification of major programs:

CFDA Number(s)	*Name of Federal Program or Cluster*
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs:	$1,000,000
Auditee qualified as low-risk auditee	_____ Yes __X__ No

CITY OF HARRISON
Schedule of Findings and Questioned Costs
Year ended September 30, 2025

Section II - Findings – Financial Statement Audit

2025-1

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 receivables, payables, deferred revenues, grant related transactions, and interfund balances.

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. Currently, the city is examining up-to-date reports and bank statements, while the council conducts its own evaluations. Staff will be taking QuickBooks classes to improve accounting practices. Additionally, receivables and payables will be processed daily as received.

2025-2

Late Payment of Payroll Taxes and Persi Retirement Contributions

Criteria

Per Internal Revenue Service (IRS) regulations, employers are required to deposit federal payroll taxes (including income tax withheld and both the employer and employee portions of Social Security and Medicare taxes) on a timely basis according to their applicable deposit schedule. Additionally, Idaho Code §59-1325, employer and employee contributions to the Public Employee Retirement System of Idaho (PERSI) must be remitted by employers no later than the 5th day after each payroll.

Condition

During our audit of fiscal year 2025, it was noted that the City did not remit payroll tax deposits to the IRS within the required timeframes and did not remit PERSI contributions to the state retirement fund on multiple occasions throughout the fiscal year.

Effect

Late payment of payroll taxes can result in penalties and interest assessed by the IRS, which represent an avoidable cost to the City. Late submission of PERSI contributions can result in penalties and interest assessed by PERSI and may negatively impact the timely crediting of retirement service and contributions for employees. Additionally, repeated noncompliance may increase the risk of further scrutiny or enforcement action by taxing authorities or the state.

Cause

The City experienced turnover in key finance department positions, which disrupted regular payroll processing and oversight procedures. These issues contributed to delays in the timely remittance of payroll taxes and PERSI contributions.

Recommendations

We recommend that the City implement stronger internal controls over payroll processing and related remittance of taxes and retirement contributions, including assigning backup personnel and establishing calendar reminders or automated systems to ensure timely payments. Regular reconciliation of payroll and contribution reports to the City general ledger is also advised to identify and correct any issues promptly.

Views of Responsible Officials

The City is aware this issue was present during the last few years and took steps to remedy it. Going forward, the City will monitor payroll taxes and Persi payments more closely and make sure all are paid in a timely manner.

Section III - Findings and Questioned Costs – Major Federal Award Programs Audit

We noted no findings relating to the Federal Awards Programs, which are required to be reported in accordance with generally accepted *Government Auditing Standards.*

Section IV – Summary of Prior Year Audit Findings Relating to Federal Awards

No prior year audit findings relating to Federal Awards.