CITY OF HARRISON
CLARE COUNTY, MICHIGAN

FINANCIAL STATEMENTS
DECEMBER 31, 2025

WEINLANDER FITZHUGH
Certified Public Accountants & Advisors

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INDEPENDENT AUDITOR'S REPORT

June 24, 2026

City Council
City of Harrison
Clare County, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of City of Harrison (City), as of and for the year ended December 31, 2025 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of City of Harrison as of December 31, 2025 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

WEINLANDER FITZHUGH
Certified Public Accountants & Advisors

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of Harrison'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 City of Harrison'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.

WEINLANDER FITZHUGH
Certified Public Accountants & Advisors

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for the 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 GAAS. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards are 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 24, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Weinlander Fitzhugh

CITY OF HARRISON
Management's Discussion and Analysis
For the Year Ended December 31, 2025

Our discussion and analysis of the City of Harrison's (City) financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2025.

Financial Highlights

The General Fund reported an increase in fund balance of $168,212 resulting in a balance of $1,354,832 at the end of the year. Ending fund balance for the Fire Fund was $211,101, a decrease of $173,384.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City financially as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the City's operations in more detail than the Government-wide financial statements by providing information about the City's most significant funds – the General Fund and Fire Fund, with all other funds presented in one column as nonmajor funds. Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail for major enterprise funds. The remaining statement, the statement of fiduciary net position, presents financial information about activities for which the City acts solely as an agent or trustee. The following summarizes the presentation included in this annual financial report.

- Management's Discussion and Analysis (MD&A) (Required Supplemental Information)
- Basic Financial Statements
    - Government-wide Financial Statements
    - Fund Financial Statements
    - Notes to the Basic Financial Statements
- Budgetary Information for the Major Governmental Funds (Required Supplemental Information)
- Pension Schedules (Required Supplemental Information)
- OPEB Schedules (Required Supplemental Information)
- Other Supplemental Information

Reporting the City as a Whole

The Statement of Net Position and Statement of Activities
One of the most important questions asked about the City's finances is, "Is the City better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the City's net position as a way to measure the City's financial position. The change in net position provides the reader a tool to assist in determining whether the City's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as property tax base and facility conditions in arriving at their conclusion regarding the overall health of the City.

In the Statement of Net Position and the Statement of Activities, the City is divided into three kinds of activities:

- Governmental Activities – Most of the City's basic services are reported here, including the major streets fund, local streets fund and general administration. Sales taxes (state shared revenues), property taxes and franchise fees finance most of these activities.

- Business Type Activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer systems and garbage collections are reported here.

- Component Unit – The City includes a separate legal entity in its report – Downtown Development Authority. Although legally separate, this component unit is important because the City is financially accountable for it.

Reporting the City's Most Significant Funds

Fund Financial Statements

The City's fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other sources of revenue. The City's three types of funds, governmental, proprietary and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

Governmental Funds

Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the City's programs. The relationship (or differences) between Governmental activities (reported in the Statement of Net Position and the Statement of Activities) and Governmental funds is reconciled in the basic financial statements.

Proprietary Funds

These funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as the water and sewer utilities and garbage collection.

Fiduciary Funds

The City is the trustee, or fiduciary, for tax collections. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We excluded these activities from the City's other financial statements because the assets cannot be utilized by the City to finance its operations.

Government-wide Financial Analysis

Financial position - The statement of net position provides the perspective of the City as a whole. Exhibit A provides a summary of the City's net position as of December 31, 2025 and 2024.

Exhibit A	Governmental Activities (In thousands)		Business-type Activities (In thousands)		Total (In thousands)	
	2025	2024	2025	2024	2025	2024
Assets						
Current and other assets	$ 2,738	$ 2,602	$ 1,774	$ 1,792	$ 4,512	$ 4,394
Capital assets - less accumulated depreciation	6,812	5,999	18,693	17,878	25,505	23,877
Total Assets	9,550	8,601	20,467	19,670	30,017	28,271
Deferred Outflows of Resources						
Related to pensions	88	221	40	45	128	266
Liabilities						
Current liabilities	274	272	387	612	661	884
Long-term liabilities	4,682	5,041	6,439	6,828	11,121	11,869
Total Liabilities	4,956	5,313	6,826	7,440	11,782	12,753
Deferred Inflows of Resources						
Unavailable revenue - leases	206	244	0	0	206	244
Related to pensions	87	0	39	0	126	0
	293	244	39	0	332	244
Net Position						
Net investment in capital assets	3,514	2,485	12,565	11,445	16,079	13,930
Restricted	1,135	1,131	469	383	1,604	1,514
Unrestricted	(260)	(351)	608	447	348	96
Total Net Position	$ 4,389	$ 3,265	$ 13,642	$ 12,275	$ 18,031	$ 15,540

Exhibit A, on the previous page, focuses on net position. The City's total net position was approximately $18 million at December 31, 2025. The net investment in capital assets, totaling approximately $16 million compares the original costs, less depreciation of the City's capital assets to long-term debt used to finance the acquisition of those assets. Restricted net position of $469,000 for the Water and Sewer Funds are reported separately to show legal constraints from debt requirements and legislation that limit the City's ability to use the net position for day-to-day operations. Restricted net position for governmental funds of $211,000 is for fire operations, $796,000 are for streets and $128,000 is for Budd Lake Improvements.

The $348,000 of unrestricted net position of governmental and business-type activities represents the *accumulated* results of all past years' operations. The operating results of the General and Enterprise Funds will have a significant impact on the change in unrestricted net position from year to year.

The City implemented GASB Statement No. 68 in 2015. The effects of this Statement required the City to report in the summary of net position, a net pension liability of $2.0 million for 2025 and $2.2 million for 2024.

The City implemented GASB Statement No. 75 in 2018. The effects of this Statement required the City to report in the summary of net position, an OPEB liability of $180,000 for 2025 and $207,000 for 2024.

CITY OF HARRISON
Management's Discussion and Analysis
For the Year Ended December 31, 2025

Results of operations - The results of this year's operations for the City as a whole are reported in the statement of activities, which shows the changes in net position for the year ended December 31, 2025. Exhibit B provides a summary of the changes in net position for the years ended December 31, 2025 and 2024.

	Governmental Activities (In thousands)		Business-Type Activities (In thousands)		Total (In thousands)	
Exhibit B	2025	2024	2025	2024	2025	2024
Program revenue:						
Charges for services	$ 779	$ 719	$ 1,381	$ 1,272	$ 2,160	$ 1,991
Special assessments	66	65	0	0	66	65
Operating grants and contributions	3	29	1,325	2,544	1,328	2,573
Capital grants and contributions	1,122	189	0	0	1,122	189
General revenue:						
Taxes	1,162	1,130	0	0	1,162	1,130
State revenue sharing	750	703	0	0	750	703
Gain on sale of assets	10	24	0	94	10	118
Interest and investment earnings	119	149	96	0	215	149
Miscellaneous	105	61	0	0	105	61
Total revenue	4,116	3,069	2,802	3,910	6,918	6,979
Function/Program Expenses						
General government	724	747	0	0	724	747
Public safety	779	617	0	0	779	617
Public works	467	426	0	0	467	426
Highways and streets	225	208	0	0	225	208
Community development	467	319	0	0	467	319
Recreation and cultural	219	101	0	0	219	101
Sewer	0	0	754	761	754	761
Water	0	0	501	641	501	641
Garbage and rubbish	0	0	180	173	180	173
Interest on long-term debt	111	94	0	0	111	94
Total expenses	2,992	2,512	1,435	1,575	4,427	4,087
Change in Net Position	$ 1,124	$ 557	$ 1,367	$ 2,335	$ 2,491	$ 2,892

As reported in the statement of activities, the cost of all of our *governmental and business-type* activities this year was $4.4 million. Certain activities were partially funded by $2.2 million from those who benefited from the programs and $2.4 million in grants and contributions. We paid for the remaining "public benefit" portion of our governmental and business-type activities with approximately $1.2 million in taxes, $750,000 in State revenue sharing and with our other revenues, such as interest and miscellaneous revenues.

The City experienced an increase in net position of $2.5 million. The increase was primarily due to business-type activities, including grant revenue recognized in the Sewer Fund for sewer project costs that were capitalized during the year. This increase was partially offset by depreciation expense and pension-related items. Because net position is reported on the government-wide statements, it differs from the change in governmental fund balance reported in the fund financial statements.

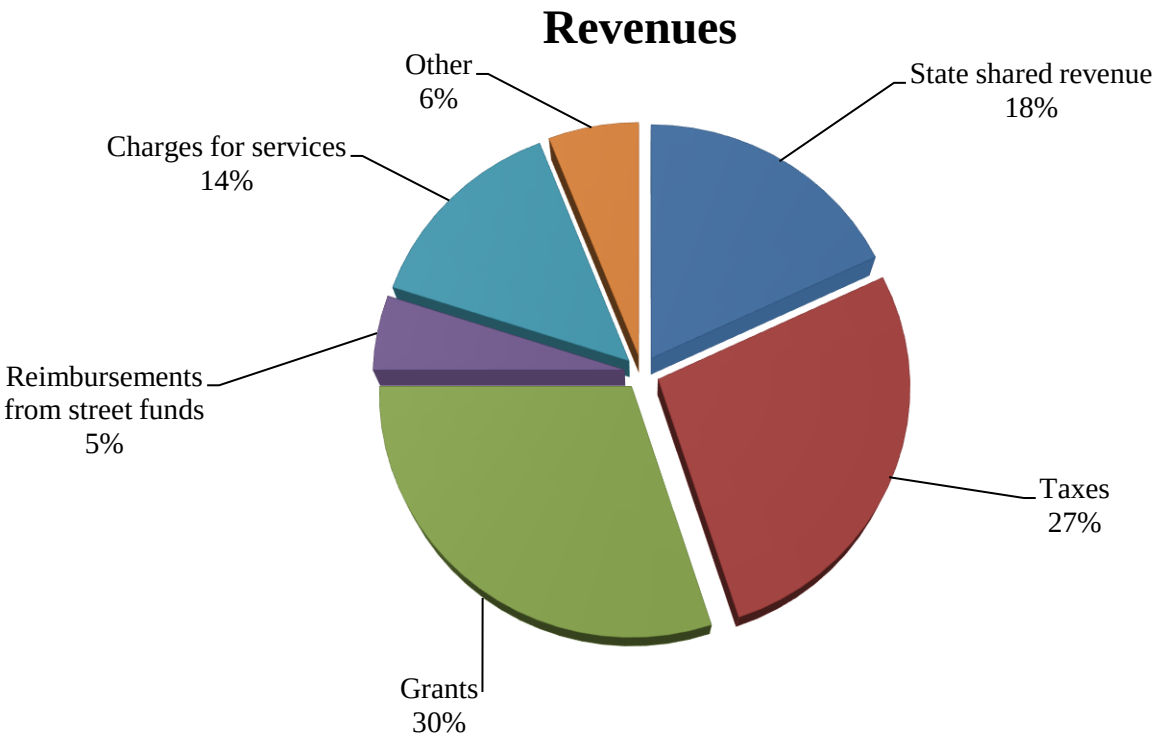
The City's Funds

The City uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the City is being accountable for the resources taxpayers and others provide to it and may provide more insight into the City's overall financial health.

The City's Governmental funds reported a combined fund balance of $2.5 million which is more than last year's total of $2.3 million. The schedule below details the fund balance and the total change in fund balances as of December 31, 2025 and 2024.

	Fund Balance December 31, 2025	Fund Balance December 31, 2024	Increase (Decrease)
General	$ 1,355,000	$ 1,186,000	$ 169,000
Major Streets	345,000	278,000	67,000
Local Streets	451,000	341,000	110,000
Budd Lake	128,000	128,000	0
Fire	211,000	385,000	(174,000)
Total	$ 2,490,000	$ 2,318,000	$ 172,000

The graph below details the major sources of the City's governmental fund revenue.

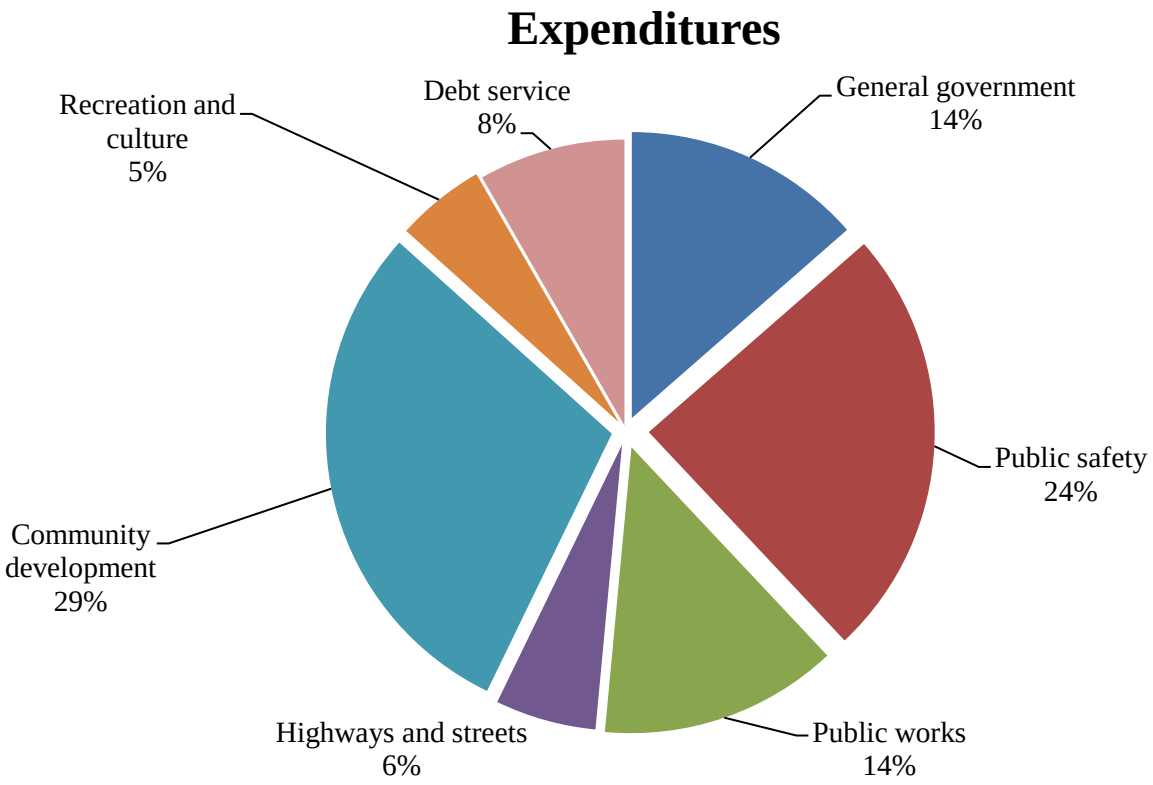


The chart below compares current year revenues with last year.

	2025	2024
Revenues by Function		
State shared revenue	$ 750,000	$ 702,000
Grants	1,125,000	219,000
Taxes and special assessments	1,227,000	1,195,000
Cable franchise	26,000	26,000
Reimbursements from street funds	190,000	190,000
Charges for services	590,000	529,000
Other	111,000	74,000
Interest and investment earnings	87,000	110,000
Total	$ 4,106,000	$ 3,045,000

Revenues increased $1,061,000 from the prior year. The increase was primarily due to higher grant revenue recognized during 2025 for several ongoing City projects. The City also received increases in state shared revenue, taxes and special assessments, charges for services, and other revenue.

The graph below details the major expenditure categories of the City's governmental funds.



The chart below compares current year expenditures with last year.

	2025	2024
Expenditures by Function		
General government	$ 530,000	$ 473,000
Public safety	963,000	706,000
Public works	537,000	573,000
Highways and streets	225,000	208,000
Community development	1,162,000	318,000
Recreation and culture	199,000	143,000
Debt service	327,000	325,000
Capital outlay	0	401,000
Total	$ 3,943,000	$ 3,147,000

Expenditures have increased $796,000 from the prior year. The increase was primarily related to Fire Fund activity, including payment for a previously budgeted fire truck ordered in a prior year, along with grant-funded projects, park improvements, and increased City event and recreation activity. These increases were partially offset by decreases in capital outlay and public works.

Business-Type Activities -The City's Proprietary Funds show the activity of the Water Fund, Sewer Fund and Garbage Collection Fund. The Water Fund reported ending net position of $4.1 million and a net increase in net position of $11,000, primarily due to a decrease in building and equipment maintenance expense. The Sewer Fund reported ending net position of $9.5 million and a net increase in net position of $1.4 million, primarily due to grant income recognized for expenses that were capitalized. The Garbage Collection Fund reported ending net position of $64,000, with an insignificant change in net position.

General Fund Budgetary Highlights

Over the course of the year, the City revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the City's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

- Budgeted revenues increased from the original budget by $1,342,000. This was due to increases in federal and other grants, interest income, and state shared revenue. These increases were offset by decreases in reimbursements from street funds and cable franchise fees.

- Budgeted expenditures increased from the original budget by $1,390,000. This was due to increases in economic development and all other general government, offset by decreases in police and planning and zoning.

- Final revenues were less than budget by $266,000. This was due to federal grants, state grants, taxes and penalties, and state shared revenue being less than budgeted.

- Final expenditures were less than budget by $501,000. This was due to economic development, all other general government, public works, and buildings and grounds expenditures being less than budgeted.

Capital Assets

At December 31, 2025, the City had $25.5 million invested in a broad range of capital assets, including land, buildings, furniture, equipment, sewer, and water systems. This amount represents a net increase (including additions and disposals) of approximately $1.6 million or 6% from last year. The amounts below are shown in thousands.

	Governmental Activities (in thousands)		Business-Type Activities (in thousands)		Totals (in thousands)	
	2025	2024	2025	2024	2025	2024
Land	$ 366	$ 366	$ 337	$ 337	$ 703	$ 703
Construction in process	0	210	0	0	0	210
Buildings and improvements	6,385	5,449	3,955	3,955	10,340	9,404
Land improvements	314	314	958	958	1,272	1,272
Vehicles	2,499	2,124	0	0	2,499	2,124
Machinery and equipment	1,840	1,651	1,154	1,154	2,994	2,805
Water system	0	0	8,229	8,229	8,229	8,229
Sewer system	0	0	15,313	13,995	15,313	13,995
Total capital assets	11,404	10,114	29,946	28,628	41,350	38,742
Less accumulated depreciation	4,592	4,115	11,253	10,750	15,845	14,865
Net capital assets	$ 6,812	$ 5,999	$ 18,693	$ 17,878	$ 25,505	$ 23,877

This year's governmental activities additions of $1,331,000 included DPW equipment, Fire Department vehicle, Parks & Recreation improvements and a new software purchase.

This year's business-type activities additions of $1.3 million consisted of sewer project costs.

We present more detail on capital assets in the notes to the financial statements.

Debt

At the end of this year, the City had $9.4 million in long-term bonds outstanding versus $9.9 million in the previous year – a decrease of $519,000. This debt is summarized as follows:

	2025 (in thousands)	2024 (in thousands)
Revenue Bonds	$ 5,393	$ 5,630
General Obligation Bonds	2,402	2,517
Direct borrowings	1,571	1,738
	$ 9,366	$ 9,885

We present more detail on our debts in the notes to the financial statements.

Factors Expected to Have an Effect on Future Operations

The City expects several factors to affect future operations. Rising costs for materials, equipment, fuel, and utilities are expected to continue placing pressure on capital projects and basic operations. Fuel costs are a particular concern because the City's 2026 budget did not anticipate the current level of fuel pricing.

Health care costs are also expected to continue increasing faster than general cost-of-living adjustments, adding pressure to personnel-related expenditures. The City expects to review health care options through a request for proposals during the upcoming year.

Lead service line replacement requirements remain a significant concern. These requirements continue to affect the City's utility funds, capital planning, and rate structure. The City has already increased utility rates once to support these obligations and may need to evaluate additional rate adjustments as replacement costs and funding availability become clearer.

Statutory revenue sharing and operating millage capacity remain long-term concerns. Although the City has continued to levy 16.1000 mills and is not currently increasing its operating levy, the maximum authorized operating millage has been reduced over time due to Headlee rollbacks. Continued reductions could limit the City's ability to maintain current operating revenue without voter approval of a Headlee override or other revenue adjustments.

The City is also monitoring uncertainty related to property tax policy and potential voter-driven tax limitation efforts. Changes that reduce or restrict local property tax revenue could affect the City's ability to fund general municipal services, capital improvements, and long-term infrastructure needs.

Contacting The City's Management

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City Manager/Clerk's Office at 2105 Sullivan Drive, Harrison, Michigan 48625.

CITY OF HARRISON
Statement of Net Position
December 31, 2025

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Unit
Assets				
Cash and investments	$ 1,849,259	$ 1,076,756	$ 2,926,015	$ 340,132
Cash and investments - USDA RRI reserve	0	146,360	146,360	0
Cash and investments - Bond reserve	0	322,549	322,549	0
Receivables (net):				
Accounts receivable	49,882	215,675	265,557	0
Grants	0	1,357	1,357	0
Taxes	120,125	0	120,125	8,269
Leases	216,514	0	216,514	0
Prepaid expenses	2,122	400	2,522	0
Due from other governments	511,674	0	511,674	0
Internal balances	(11,558)	11,558	0	0
Capital assets - less accumulated depreciation	6,812,408	18,692,995	25,505,403	50,919
Total Assets	9,550,426	20,467,650	30,018,076	399,320
Deferred Outflows of Resources				
Related to pensions	87,629	39,554	127,183	0
Liabilities				
Accounts payable	41,867	11,271	53,138	0
Unearned revenue	65	13,168	13,233	0
Interest payable	16,095	43,021	59,116	0
Noncurrent liabilities:				
Due within one year	224,414	319,218	543,632	0
Due in more than one year	3,057,122	5,765,509	8,822,631	0
Compensated absences	79,347	43,155	122,502	0
OPEB liability	179,798	0	179,798	0
Net pension liability	1,357,492	630,646	1,988,138	0
Total Liabilities	4,956,200	6,825,988	11,782,188	0
Deferred Inflows of Resources				
Unavailable revenue - leases	206,241	0	206,241	0
Related to pensions	86,731	39,149	125,880	0
	292,972	39,149	332,121	0
Net Position				
Net investment in capital assets	3,514,777	12,565,247	16,080,024	50,919
Restricted for debt reserve	0	468,909	468,909	0
Restricted for other purposes	1,135,013	0	1,135,013	0
Unrestricted	(260,907)	607,911	347,004	348,401
Total Net Position	$ 4,388,883	$ 13,642,067	$ 18,030,950	$ 399,320

See accompanying notes to financial statements

CITY OF HARRISON
Statement of Activities
For the Year Ended December 31, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital Grants and Contributions	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit
Primary government:								
General government	$ 724,000	$ 39,837	$ 0	$ 0	$ (684,163)	$ 0	$ (684,163)	$ (276,909)
Public safety	779,779	549,790	0	0	(229,989)	0	(229,989)	0
Public works	466,789	255,052	0	0	(211,737)	0	(211,737)	0
Highways and streets	224,970	0	0	0	(224,970)	0	(224,970)	0
Community development	466,690	0	0	0	(466,690)	0	(466,690)	0
Recreation and cultural	218,964	0	1,122,124	3,350	906,510	0	906,510	0
Interest on long-term debt	110,503	0	0	0	(110,503)	0	(110,503)	0
Total governmental activities	2,991,695	844,679	1,122,124	3,350	(1,021,542)	0	(1,021,542)	(276,909)
Business-type activities:								
Sewer	753,922	758,807	0	1,318,670	0	1,323,555	1,323,555	0
Water	500,833	439,895	0	6,357	0	(54,581)	(54,581)	0
Garbage collections	180,034	182,133	0	0	0	2,099	2,099	0
Total business-type activities	1,434,789	1,380,835	0	1,325,027	0	1,271,073	1,271,073	0
Total primary government	$ 4,426,484	$ 2,225,514	$ 1,122,124	$ 1,328,377	(1,021,542)	1,271,073	249,531	(276,909)
General Revenues:								
Taxes and penalties					1,161,790	0	1,161,790	210,273
State shared revenues					750,174	0	750,174	0
Rental and interest income					118,554	95,436	213,990	13,420
Gain on sale of assets					9,600	0	9,600	0
Miscellaneous					105,118	0	105,118	23,893
Total general revenues					2,145,236	95,436	2,240,672	247,586
Change in net position					1,123,694	1,366,509	2,490,203	(29,323)
Net position - beginning of year					3,265,189	12,275,558	15,540,747	428,643
Net position - end of year					$ 4,388,883	$ 13,642,067	$ 18,030,950	$ 399,320

See accompanying notes to financial statements

CITY OF HARRISON
Governmental Funds
Balance Sheet
December 31, 2025

	General Fund	Fire Fund	Other Nonmajor Governmental Funds	Total
Assets				
Cash and investments	$ 784,476	$ 202,790	$ 861,993	$ 1,849,259
Receivables - net				
Accounts receivable	49,632	250	0	49,882
Taxes	85,204	0	34,921	120,125
Leases	12,553	203,961	0	216,514
Prepaid expenditures	872	1,250	0	2,122
Due from other governments	477,026	0	34,648	511,674
Total Assets	$ 1,409,763	$ 408,251	$ 931,562	$ 2,749,576
Liabilities, Deferred Inflows and Fund Balance				
Liabilities				
Accounts payable	$ 31,253	$ 2,964	$ 7,650	$ 41,867
Due to other funds	11,558	0	0	11,558
Unearned revenue	65	0	0	65
Total Liabilities	42,876	2,964	7,650	53,490
Deferred Inflows				
Unavailable revenue - leases	12,055	194,186	0	206,241
Fund Balance				
Nonspendable - prepaid expenditures	872	1,250	0	2,122
Restricted for:				
Fire	0	209,851	0	209,851
Streets	0	0	795,750	795,750
Budd Lake Improvement	0	0	128,162	128,162
Committed for:				
Road patrol	11,000	0	0	11,000
Healthcare expenditures	35	0	0	35
Unassigned	1,342,925	0	0	1,342,925
Total fund balance	1,354,832	211,101	923,912	2,489,845
Total liabilities, deferred inflows and fund balance	$ 1,409,763	$ 408,251	$ 931,562	$ 2,749,576

See accompanying notes to financial statements

CITY OF HARRISON
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2025

Total fund balance - governmental funds	$ 2,489,845
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of the capital assets	11,404,756
Accumulated depreciation	(4,592,348)
Deferred outflows used in governmental activities are not financial resources and therefore are not reported in governmental funds	
Related to pensions	87,629
Accrued interest payable is not included as a liability in governmental activities	(16,095)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Bonds payable	(2,402,000)
Direct borrowings	(879,536)
Compensated absences	(79,347)
Other post retirement benefits	(179,798)
Net pension liability	(1,357,492)
Deferred inflows used in governmental activities are not recognized as current resources and therefore are not reported in the governmental funds:	
Related to pensions	(86,731)
Total net position - governmental activities	$ 4,388,883

See accompanying notes to financial statements

CITY OF HARRISON
Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended December 31, 2025

	General Fund	Fire Fund	Other Nonmajor Governmental Funds	Total
Revenues				
State shared revenue	$ 381,581	$ 0	$ 368,593	$ 750,174
Taxes and penalties	1,161,790	0	0	1,161,790
Grants:				
Federal	1,022,954	0	0	1,022,954
Other	102,520	0	0	102,520
Special assessments	0	0	65,514	65,514
Cable franchise	26,253	0	0	26,253
Reimbursements from street funds	189,538	0	0	189,538
Charges for services	39,837	549,790	0	589,627
Miscellaneous	53,512	15,853	9,500	78,865
Rent	5,549	25,891	0	31,440
Interest income	36,100	22,607	28,407	87,114
Total revenues	3,019,634	614,141	472,014	4,105,789
Expenditures				
General government	530,246	0	0	530,246
Public safety	279,001	683,925	0	962,926
Public works	467,505	0	69,670	537,175
Highways and streets	0	0	224,970	224,970
Community development	1,161,732	0	0	1,161,732
Recreation and cultural	199,370	0	0	199,370
Debt service:				
Principal	57,115	43,530	115,000	215,645
Interest	27,185	14,338	69,600	111,123
Total expenditures	2,722,154	741,793	479,240	3,943,187
Excess (deficiency) of revenues over expenditures	297,480	(127,652)	(7,226)	162,602
Other Financing Sources (Uses)				
Proceeds from sale of assets	9,600	0	0	9,600
Operating transfers in	0	0	279,515	279,515
Operating transfers (out)	(138,868)	(45,732)	(94,915)	(279,515)
Total other financing sources (uses)	(129,268)	(45,732)	184,600	9,600
Net change in fund balance	168,212	(173,384)	177,374	172,202
Fund balance - beginning of year	1,186,620	384,485	746,538	2,317,643
Fund balance - end of year	$ 1,354,832	$ 211,101	$ 923,912	$ 2,489,845

See accompanying notes to financial statements

CITY OF HARRISON
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2025

Net change in fund balance - total governmental funds	$ 172,202
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated	
Depreciation expense	(518,113)
Capital outlay	1,331,042
Certain 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 funds:	
Decrease in accrued interest payable on bonds	620
The issuance of long-term debt (e.g. bonds) provides current financial resources consumes the current financial resources of governmental funds. Neither transactions, however, has any effect of premiums, discounts and similar items when debt is first issued, where as these amounts are deferred and amortized in the statement of activities. The effect of these difference is the treatment of long-term debt and related items as follows:	
Compensated absences	(40,271)
Repayment of debt	215,645
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	
Pension related items	(64,274)
OPEB related items	26,843
Change in net position - governmental activities	$ 1,123,694

See accompanying notes to financial statements

CITY OF HARRISON
Proprietary Funds
Statement of Net Position
December 31, 2025

	Water Fund	Sewer Fund	Garbage Collection Fund	Total
Assets				
Current assets:				
Cash and investments	$ 468,711	$ 585,478	$ 22,567	$ 1,076,756
Cash and investments - Bond reserve	128,093	194,456	0	322,549
Cash and investments - USDA RRI reserve	70,762	75,598	0	146,360
Receivables:				
Accounts	52,821	121,765	41,089	215,675
Grants	1,357	0	0	1,357
Due from other funds	2,372	6,369	2,817	11,558
Prepaid expense	200	200	0	400
Total current assets	724,316	983,866	66,473	1,774,655
Non-current assets:				
Capital assets less accumulated depreciation of $11,253,953	6,148,318	12,544,677	0	18,692,995
Total Assets	6,872,634	13,528,543	66,473	20,467,650
Deferred Outflows of Resources				
Related to pensions	14,550	25,004	0	39,554
Liabilities				
Current liabilities:				
Accounts payable	4,505	6,766	0	11,271
Unearned revenue	3,982	6,369	2,817	13,168
Accrued interest	19,587	23,434	0	43,021
Current portion of long-term debt	124,071	195,147	0	319,218
Total current liabilities	152,145	231,716	2,817	386,678
Long-term Liabilities				
Bonds payable	2,152,996	2,994,008	0	5,147,004
Compensated absences	19,634	23,521	0	43,155
Notes payable	194,894	423,611	0	618,505
Net pension liability	297,589	333,057	0	630,646
Total long-term liabilities	2,665,113	3,774,197	0	6,439,310
Total Liabilities	2,817,258	4,005,913	2,817	6,825,988
Deferred Inflows of Resources				
Related to pensions	14,401	24,748	0	39,149
Net Position				
Net investment in capital assets	3,656,770	8,908,477	0	12,565,247
Restricted for:				
Bond reserve	128,093	194,456	0	322,549
USDA - RRI reserve	70,762	75,598	0	146,360
Unrestricted	199,900	344,355	63,656	607,911
Total Net Position	$ 4,055,525	$ 9,522,886	$ 63,656	$ 13,642,067

See accompanying notes to financial statements

CITY OF HARRISON
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2025

	Water Fund	Sewer Fund	Garbage Collection Fund	Total
Operating Revenues				
Charges for services	$ 427,226	$ 749,189	$ 175,698	$ 1,352,113
Miscellaneous	12,669	9,618	6,435	28,722
Total operating revenues	439,895	758,807	182,133	1,380,835
Operating Expenses				
Wages and salaries	88,014	91,372	0	179,386
Fringe benefits	51,972	72,897	0	124,869
Operating expenses	17,663	31,511	0	49,174
Contractual services	31,723	32,014	176,223	239,960
Building and equipment maintenance	15,082	33,972	0	49,054
Utilities	23,539	70,276	0	93,815
Insurance	10,500	9,500	0	20,000
Depreciation	194,374	309,404	0	503,778
Education and training	1,814	1,744	0	3,558
Other expenses	6,533	8,035	3,811	18,379
Total operating expenses	441,214	660,725	180,034	1,281,973
Operating income (loss)	(1,319)	98,082	2,099	98,862
Nonoperating Revenues (Expenses)				
Federal grants	6,357	1,318,670	0	1,325,027
Rental income	42,835	0	0	42,835
Interest income	22,291	29,382	928	52,601
Interest expenses and fees	(59,619)	(93,197)	0	(152,816)
Total nonoperating revenues (expenses)	11,864	1,254,855	928	1,267,647
Change in net position	10,545	1,352,937	3,027	1,366,509
Net position - beginning of year	4,044,980	8,169,949	60,629	12,275,558
Net position - end of year	$ 4,055,525	$ 9,522,886	$ 63,656	$ 13,642,067

See accompanying notes to financial statements

CITY OF HARRISON
Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2025

	Water Fund	Sewer Fund	Garbage Collection Fund	Total
Cash flows from operating activities				
Cash received from customers	$ 435,278	$1,003,857	$ 171,880	$ 1,611,015
Cash payments to suppliers for goods and services	(106,854)	(187,052)	(180,034)	(473,940)
Cash payments to employees for services	(147,341)	(434,147)	0	(581,488)
Net cash flows from operating activities	181,083	382,658	(8,154)	555,587
Cash flows from capital and related financing activities				
Purchase of fixed asset	0	(1,318,670)	0	(1,318,670)
Proceeds from issuance of debt	0	0	0	0
Principal paid on long-term debt	(116,276)	(185,024)	0	(301,300)
Interest paid on long-term debt	(59,619)	(93,197)	0	(152,816)
Net cash flows from capital and related financing activities	(175,895)	(1,596,891)	0	(1,772,786)
Cash flows from noncapital and related financing activities				
Grant income	6,357	1,318,670	0	1,325,027
Rental and other income	42,835	0	0	42,835
Net cash flows from noncapital and related financing activities	49,192	1,318,670	0	1,367,862
Cash flows from investing activities				
Interest income	22,291	29,382	928	52,601
Net (decrease) in cash and investments	76,671	133,819	(7,226)	203,264
Cash, restricted cash and investments - beginning of year	590,895	721,713	29,793	1,342,401
Cash, restricted and investments - end of year	$ 667,566	$ 855,532	$ 22,567	$ 1,545,665
Reconciliation to the Statement of Net Position				
Cash and investments	$ 468,711	$ 585,478	$ 22,567	$ 1,076,756
Cash and investments - Bond reserve	128,093	194,456	0	322,549
Cash and investments - USDA RRI reserve	70,762	75,598	0	146,360
	$ 667,566	$ 855,532	$ 22,567	$ 1,545,665
Reconciliation of Cash Flows from Operations				
Operating income (loss)	$ (1,319)	$ 98,082	$ 2,099	$ 98,862
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:				
Depreciation	194,374	309,404	0	503,778
Changes in operating assets and liabilities:				
Accounts receivable	(850)	(17,401)	(10,253)	(28,504)
Prepaid expenses	(38)	(38)	0	(76)
Grants receivable	(1,357)	262,488	0	261,131
Due from other funds	(2,372)	(6,369)	(2,817)	(11,558)
Deferred outflows	(1,627)	7,287	0	5,660
Accounts payable	4,504	(255,723)	0	(251,219)
Unearned revenue	2,372	6,370	2,817	11,559
Net pension liability	(25,963)	(45,100)	0	(71,063)
Accrued expenses	(1,042)	(1,090)	0	(2,132)
Deferred inflows	14,401	24,748	0	39,149
Net cash flows from operating activities	$ 181,083	$ 382,658	$ (8,154)	$ 555,587

See accompanying notes to financial statements.

CITY OF HARRISON
Fiduciary Fund
Statement of Fiduciary Net Position
December 31, 2025

	Custodial Fund (Property Tax Collection Fund)
Assets	
Cash	$ 99,986
Liabilities	
Due to other governments	$ 99,986

See accompanying notes to financial statements

CITY OF HARRISON
Fiduciary Fund
Statement of Changes in Fiduciary Net Position
December 31, 2025

	Custodial Fund (Property Tax Collection Fund)
Additions	
Property tax collections for other governments	$ 2,267,785
Deductions	
Payments of property taxes to other governments	2,265,988
Change in net position	1,797
Net position - beginning of year	98,189
Net position - end of year	$ 99,986

See accompanying notes to financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Harrison (City) conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Harrison:

Reporting Entity

The City is governed by an elected council with a City Clerk/Manager overseeing daily operations. The accompanying financial statements present the financial position and results of operations for the City.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

Discretely Presented Component Unit - The component unit column in the basic financial statements, which represents the financial data of the City of Harrison Downtown Development Authority (Authority), is reported in a separate column to emphasize that it is legally separate from the City. The governing body of the Downtown Development Authority consists of the Chief Executive Officer of the City of Harrison and nine (9) members as provided by Act 197. The Authority was established to serve all the citizens of the government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The non-major funds are presented in a single column in the fund financial statements and are detailed in the other supplemental information.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

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

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal period. All other revenue items are considered to be available only when cash is received by the City.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City reports the following major governmental funds:

General Fund - The General Fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

Fire Fund – The Fire Fund is used to operate the City's fire protection and rescue services.

The City reports the following major proprietary funds:

Water Fund – The Water Fund accounts for the activities of the water distribution system.

Sewer Fund – The Sewer Fund accounts for the activities of the sewage collection system.

Garbage Collection Fund – The Garbage Collection Fund accounts for the activities of garbage collection for the City.

Assets, Liabilities and Net Position or Equity

Cash and Investments **–** Cash and investments are considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Restricted Cash - $468,909 of the Enterprise Funds' cash and investments is restricted for required bond reserves (Note 10).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets – Capital assets, which include land, buildings, equipment and infrastructure assets, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add value or materially extend asset lives are not capitalized.

Land, building, vehicles, equipment and infrastructure are depreciated using the straight-line method over the following useful lives:

Water system	25 to 30 Years
Sewer system	50 Years
Buildings and improvements	20 to 40 Years
Vehicles	5 to 7 Years
Machinery and equipment	3 to 12 Years

Long-term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed as incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as expenditures.

Fund Equity – The fund balance classifications are reported primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. The fund balances are classified as nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balance represents amounts that are not in a spendable form. The City's nonspendable fund balance represents prepaid expenditures. In the fund financial statements, governmental funds report restrictions on fund balances for amounts that are legally restricted by outside parties for a specific purpose. Committed fund balance represents funds formally set aside by the City Council for a particular purpose. The use of committed funds would be approved by the City Council through the budget process or official Council action.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assigned fund balance would represent tentative management plans that are subject to change which at the present time the City does not have any assigned fund balance. The City's intent would be to spend uncommitted/unassigned funds prior to the use of committed 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.

Leases - The City is a lessor for a noncancelable lease of a building. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payment received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include for the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncanceable portion of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require remeasurement of its lease, and will remeasure the lease receivable and deferred inflow of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Deferred outflows – 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 that qualifies for reporting in this category. It is differences in experience reported in the government-wide and the Proprietary Funds statement of net position. The future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results and for pension investment return when the actual return on investment was less than what was expected. The amounts are amortized over a period determined by the actuary.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred inflows – 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. There is three items that qualifies for this category. This is the recognition of unavailable revenue for leases. The revenue is amortized over the straight line method over the remaining term of the lease. They are future resources yet to be recognized in relation to the pension actuarial calculation and deficit investment return reported in the government-wide and the Proprietary Funds statement of net position. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results and for pension investment return when the actual return on investment was less than what was expected. The amounts are amortized over a period determined by the actuary.

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Pensions – For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. 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.

Property Taxes—For City taxpayers, properties are assessed as of December 31 and related property taxes are levied and become a lien on July 1. The final collection date is February 28, after which uncollected taxes are added to the County delinquent tax rolls.

The 2025 taxable valuation of the City totaled $73 million, on which ad valorem taxes levied consisted of 16.10 mills for City operating purposes, raising approximately $1,019,000. This amount is recognized in the General Fund financial statements as tax revenue.

Events Occurring After Reporting Date - Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying Independent Auditor's Report, which is the date the financial statements were available to be issued.

NOTE 2 – BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of governments prior to the expenditure of monies in a fiscal year.

1. The City Clerk submits to the City Council a proposed budget prior to December 1 of each year. The budget includes proposed expenditures and the means of financing them.

2. A public hearing is conducted to obtain taxpayer comments.

3. Budgeted amounts are as originally adopted, or as amended, by the City Council throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the fund level, and are adopted on a basis consistent with the accounting policies used in preparation of the financial statements.

4. Appropriations lapse at year-end. These appropriations are re-established at the beginning of the following year.

During the year ended December 31, 2025, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

Function	Total Appropriations	Amount of Expenditures	Budget Variance
General Fund:			
Public safety	$ 181,780	$ 200,091	$ (18,311)
City manager/clerk	153,085	153,674	(589)

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the City Council) for the General Fund and the Fire Fund are presented as Required Supplemental Information.

NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions and savings and loan associations which have an office in Michigan. The City is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rates within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The City's deposits are in accordance with statutory authority.

At year-end, the City's deposits and investments were reported in the basic financial statements in the following categories:

Governmental activities	$ 1,849,259
Business-type activities	1,545,665
Component unit	340,132
Fiduciary funds	99,986
Total	$ 3,835,042

The breakdown of deposits is as follows:

Bank deposits (checking and savings accounts)	$ 1,375,420
Investments	2,459,522
Petty cash and cash on hand	100
Total	$ 3,835,042

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of December 31, 2025, $3,362,877 of the City's bank balance of $3,933,684 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by, limiting investments to the types of securities allowed by law; and prequalifying the financial institutions, broker/dealers, intermediaries and advisors with which the City will do business.

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

In accordance with its investment policy, the City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the City's cash requirements. The Michigan Cooperative Liquid Assets Securities System (Michigan CLASS) investment had a carrying amount equal to its fair value of $2,136,973 at year end.

Concentration of Credit Risk

The City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure by credit quality. As of December 31, 2025, the Michigan CLASS investments are rated AAAm by Standard and Poor's. Foreign currency risk. The City is not authorized to invest in investments which have this type of risk.

The City is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Quoted prices in markets that are not considered to be active or financial statements for which all significant inputs are observable, either directly or indirectly.

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

Investments as of December 31, 2025 consisted of certificates of deposits totaling $322,549. The certificates of deposit were Level 1 in the fair value hierarchy. The City does not have any Level 2 or Level 3 investments.

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

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

The City voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the City is the Michigan Cooperative Liquid Assets Securities System (Michigan CLASS). Michigan CLASS funds are considered external investment pools as defined by the GASB and as such are recorded at net asset value. These funds are not subject to the fair value disclosures.

Investments in Entities that Calculate Net Asset Value per share

The City holds shares or interests in the Michigan CLASS investment pool where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

The Michigan CLASS investment pool invest in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated "A1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

At the year ended December 31, 2025, the net asset value of the City's investment in Michigan CLASS was $2,136,973. The investment pool had no unfunded commitments, specific redemption frequency or redemption notice period required.

NOTE 4 - CAPITAL ASSETS

	Beginning Balance	Additions	Disposals and Adjustments	Ending Balance
Governmental activities				
Capital assets not being depreciated:				
Land	$ 366,478	$ 0	$ 0	$ 366,478
Construction in process	210,033	0	(210,033)	0
	576,511	0	(210,033)	366,478
Capital assets being depreciated:				
Buildings and improvements	5,449,374	880,339	55,378	6,385,091
Land improvements	313,944	0	0	313,944
Vehicles	2,123,804	250,720	125,000	2,499,524
Machinery and equipment	1,651,081	199,983	(11,345)	1,839,719
Subtotal	9,538,203	1,331,042	169,033	11,038,278
Less accumulated depreciation for:				
Buildings and improvements	1,460,483	148,008	0	1,608,491
Land improvements	82,776	8,897	0	91,673
Vehicles	1,565,747	195,022	0	1,760,769
Machinery and equipment	1,006,229	166,186	(41,000)	1,131,415
Subtotal	4,115,235	518,113	(41,000)	4,592,348
Net capital assets being depreciated	5,422,968	812,929	210,033	6,445,930
Governmental activities, total capital assets - net of depreciation	$ 5,999,479	$ 812,929	$ 0	$ 6,812,408
Business-type activities				
Capital assets not being depreciated:				
Land	$ 336,997	$ 0	$ 0	$ 336,997
Capital assets being depreciated:				
Water system	8,229,242	0	0	8,229,242
Sewer system	13,994,072	1,318,670	0	15,312,742
Land improvements	958,211	0	0	958,211
Buildings	3,955,286	0	0	3,955,286
Machinery and equipment	1,154,470	0	0	1,154,470
Subtotal	28,291,281	1,318,670	0	29,609,951
Less accumulated depreciation for:				
Water system	2,571,921	170,603	0	2,742,524
Sewer system	5,335,579	214,277	0	5,549,856
Land improvements	71,865	23,955	0	95,820
Buildings	1,674,220	79,236	0	1,753,456
Machinery and equipment	1,096,590	15,707	0	1,112,297
Subtotal	10,750,175	503,778	0	11,253,953
Net capital assets being depreciated	17,541,106	814,892	0	18,355,998
Business-type activities, total capital assets, net of depreciation	$ 17,878,103	$ 814,892	$ 0	$ 18,692,995

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Additions	Disposals and Adjustments	Ending Balance
Component unit activities				
Capital assets not being depreciated:				
Land	$ 36,936	$ 0	$ 0	$ 36,936
Capital assets being depreciated:				
Equipment	20,645	0	0	20,645
Less accumulated depreciation for:				
Equipment	4,524	2,138	0	6,662
Net capital assets being depreciated	16,121	(2,138)	0	13,983
Total capital assets, net of depreciation	$ 53,057	$ (2,138)	$ 0	$ 50,919

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	$ 341,613
Public safety	162,715
Culture and recreation	13,785
Total governmental activities depreciation expense	$ 518,113
Business-type activities:	
Water	$ 194,374
Sewer	309,404
Total business-type activities depreciation expense	$ 503,778

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A summary of inter-fund transfers made during the year ended December 31, 2025 are as follows:

		Transfers out			
		General Fund	Fire Fund	Major Street Fund	Total
Transfer In	Local Street Fund	$ 0	$ 0	$ 94,915	$ 94,915
	Debt Service Fund	138,868	0	0	138,868
	Building Authority Fund	0	45,732	0	45,732
	Total	$ 138,868	$ 45,732	$ 94,915	$ 279,515

The General Fund transferred $138,868 to the Debt Service Fund for repayments of debt.

The Fire Fund transferred $45,732 to the Building Authority Fund for building rent.

The Major Street Fund transferred $94,915 to the Local Streets Fund to cover operational costs.

A summary of inter-fund receivables and payables for the year-ended December 31, 2025 are as follows:

		Payables
		General Fund
Receivables	Water Fund	$ 2,372
	Sewer Fund	6,369
	Garbage Collection Fund	2,817
	Total	$ 11,558

NOTE 6 - LONG-TERM DEBT

A summary of the City's long term debt is as follows:

Governmental Activities

	Beginning Balance	Increase (Decrease)	Ending Balance
General obligation bonds:			
2016 Building Authority Bonds, due in annual installments of $60,000 to $135,000 through December 1, 2046, with an interest rate of 2.875%.	$ 2,259,000	$ (75,000)	$ 2,184,000
2020 Refunding of the 2002 Building Authority Bonds, due in annual installments of $38,000 to $46,000 through December 1, 2030, with an interest rate of 1.80% to 2.35%.	258,000	(40,000)	218,000
	2,517,000	(115,000)	2,402,000
Notes from direct borrowing			
2024 Street sweeper financing lease agreement due in annual installments of $69,861 through September 2030, with an interest rate of 6.978%.	333,222	(46,609)	286,613
2018 Fire Fund note for the purchase of a tanker truck, due in annual installments of $19,000 to $31,000 through June 1, 2033, with an interest rate of 3.5%.	238,000	(23,000)	215,000
2022 Fire Fund note for the purchase of a tanker truck, due in annual installments of $16,000 to $22,000 through January 1, 2037, with an interest rate of 2.125%.	248,000	(17,000)	231,000
2020 Solar panel agreement due in annual installments of $50,586 to $154,201 through September 2032, with an interest rate of 3.264%.	160,959	(14,036)	146,923
	980,181	(100,645)	879,536
Total Governmental Activities	$ 3,497,181	$ (215,645)	$ 3,281,536

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Business-Type Activities

	Beginning Balance	Increase (Decrease)	Ending Balance
Revenue bonds:			
2024 Revenue bonds due in annual installments of $29,000 to $37,000 through April 1, 2064 with an interest rate of 1.25%	$ 1,504,000	$ (29,000)	1,475,000
2020 Refunding water revenue bonds due in annual installments of $19,000 to $55,000 through July 1, 2037 with an interest rate of 2.50% to 3.75%.	1,170,000	(73,000)	1,097,000
2022 Revenue bonds due in annual installments of $24,000 to $39,000 through June, 2062 with an interest rate of 1.25%.	1,181,000	(24,000)	1,157,000
2020 Refunding sewer revenue bonds due in annual installments of $41,000 to $83,000 through September 1, 2037 with an interest rate of 2.50% to 3.75%.	1,775,000	(111,000)	1,664,000
	5,630,000	(237,000)	5,393,000
Notes from direct borrowing			
2020 Solar panel agreement due in annual installments of $50,586 to $154,201 through September 2032, with an interest rate of 3.264%.	757,796	(66,069)	691,727
Total Business-Type Activities	$ 6,387,796	$ (303,069)	$ 6,084,727

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Long-term obligation activity can be summarized as follows:

Governmental Activities	Balance January 1, 2025	Additions and Adjustments	Retirements Payments and Adjustments	Balance December 31, 2025	Due Within One Year
General obligation bonds	$ 2,517,000	$ 0	$ 115,000	$ 2,402,000	$ 118,000
Direct borrowings	980,181	0	100,645	879,536	106,414
Compensated absences	39,076	40,271	0	79,347	0
	$ 3,536,257	$ 40,271	$ 215,645	$ 3,360,883	$ 224,414
Business-Type Activities					
Revenue bonds	$ 5,630,000	$ 0	$ 237,000	$ 5,393,000	$ 246,000
Compensated absences	41,385	1,770	0	43,155	0
Direct borrowings	757,796	0	66,069	691,727	73,218
	$ 6,429,181	$ 1,770	$ 303,069	$ 6,127,882	$ 319,218

Compensated absences change is reported at the net change.

Annual requirements to amortize direct borrowings as of December 31, 2025 including interest payments are as follows:

Year Ended December 31,	Government-Type Activities Principal	Government-Type Activities Interest	Business-Type Activities Principal	Business-Type Activities Interest
2026	$ 106,414	$ 36,630	$ 73,218	$ 22,578
2027	112,514	31,424	80,848	20,188
2028	118,966	25,894	88,989	17,549
2029	125,792	20,021	97,671	14,644
2030	134,017	13,763	106,926	11,456
2031-2035	238,833	15,543	244,075	12,121
2036-2037	43,000	924	0	0
Total	$ 879,536	$ 144,199	$ 691,727	$ 98,536

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Annual requirements to amortize bonds as of December 31, 2025 including interest payments are as follows:

Year Ended	Government-Type Activities		Business-Type Activities	
December 31,	Principal	Interest	Principal	Interest
2026	$ 118,000	$ 67,702	$ 246,000	$ 124,499
2027	121,000	64,606	253,000	118,512
2028	126,000	61,412	259,000	112,202
2029	129,000	58,064	268,000	105,441
2030	132,000	57,029	275,000	98,232
2031-2035	472,000	228,938	1,498,000	360,285
2036-2040	543,000	157,120	854,000	144,110
2041-2045	494,000	66,728	336,000	98,325
2046-2050	267,000	11,558	357,000	76,694
2051-2055	0	0	380,000	53,688
2056-2060	0	0	404,000	29,201
2061-2064	0	0	263,000	5,644
Total	$ 2,402,000	$ 773,157	$ 5,393,000	$ 1,326,833

Under the terms of the personnel handbook with the City Council of the City of Harrison, the City is contingently liable for compensated absences (sick pay). The amount of compensated absences, calculated based on accrued time, amounts to $122,502 at December 31, 2025.

NOTE 7 – DEFINED BENEFIT PENSION PLAN (MICHIGAN MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM)

General Information about the Pension Plan

Plan Description – The City's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and their beneficiaries. The City of Harrison participates in the Municipal Employees' Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained accessing the MERS website at www.mersofmich.com.

Benefits Provided -

01 - HC: Open Division

	2024 Valuation	2023 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)	2.25% Multiplier (80% max)
Normal Retirement Age:	60	60
Vesting:	10 years	10 years
Early Retirement (Unreduced):	0	0
Early Retirement (Reduced):	50/25	50/25
	55/15	55/15
Final Average Compensation:	5 years	5 years
COLA for Future Retirees	2.50% (Non-Compound)	2.50% (Non-Compound)
COLA for Current Retirees	2.50% (Non-Compound)	2.50% (Non-Compound)
Employee Contributions:	3%	3%
Act 88:	Yes (Adopted 12/7/1970)	Yes (Adopted 12/7/1970)

NOTE 7 – DEFINED BENEFIT PENSION PLAN (MICHIGAN MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM) (CONTINUED)

Employees covered by benefit terms – At the December 31, 2025 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	5
Active employees	10
	28

Contributions – The City is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

Employer contributions were 45.67% based on annual payroll for open divisions.

Net Pension Liability – The City's Net Pension Liability was measured as of December 31, 2024, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions – The total pension liability in the December 31, 2024 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary increases: 3.00% plus merit and longevity: 3.0% in the long-term

Investment rate of return: 7.00%, net of investment and administrative expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 3.0% long-term wage inflation assumption would be consistent with a price inflation of 3% - 4%.

Mortality rates used were based on a version of Pub – 2010 and fully generational MP – 2019.

NOTE 7 – DEFINED BENEFIT PENSION PLAN (MICHIGAN MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM) (CONTINUED)

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2014-2018.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Target Allocation Gross Rate of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-Term Expected Real Rate of Return
Global Equity	60.0%	7.00%	4.20%	2.50%	2.70%
Global Fixed Income	20.0%	4.66%	0.93%	2.50%	0.43%
Private Investments	20.0%	9.00%	1.80%	2.50%	1.30%
	100.00%		6.93%		4.43%

Discount rate – The discount rate used to measure the total pension liability is 7.18%. The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because, for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. 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.

NOTE 7 – DEFINED BENEFIT PENSION PLAN (MICHIGAN MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM) (CONTINUED)

Changes in Net Pension Liability

Calculating Net Pension Liability

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/24	$ 5,043,422	$ 2,827,901	$ 2,215,521
Changes for the Year			
Service cost	75,364	0	75,364
Interest on total pension liability	356,100	0	356,100
Changes in benefits	0	0	0
Difference between expected and actual experience	79,952	0	79,952
Changes in assumptions	(17,192)	0	(17,192)
Employer contributions	0	265,797	(265,797)
Employee contributions	0	17,278	(17,278)
Net investment income	0	433,863	(433,863)
Benefit payments, including employee refunds	(338,768)	(338,768)	0
Administrative expense	0	(5,704)	5,704
Other changes	(10,373)	0	(10,373)
Net changes	145,083	372,466	(227,383)
Balances as of 12/31/25	$ 5,188,505	$ 3,200,367	$ 1,988,138

NOTE 7 – DEFINED BENEFIT PENSION PLAN (MICHIGAN MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM) (CONTINUED)

Sensitivity of the Net Pension Liability to changes in the discount rate – The following presents the Net Pension Liability of the City, calculated using the discount rate of 7.18%, as well as what the City's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.18%) or 1% higher (8.18%) than the current rate.

	1% Decrease 6.18%	Current Discount Rate 7.18%	1% Increase 8.18%
Net Pension Liability at 12/31/25	$ 2,586,310	$ 1,988,138	$ 1,486,838

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2025 the City recognized pension expense of $303,816. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	$ 127,183	$ 0
Differences in assumptions	0	(473)
Excess (deficit) investment returns	0	(125,407)
Total	$ 127,183	$ (125,880)

NOTE 7 – DEFINED BENEFIT PENSION PLAN (MICHIGAN MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM) (CONTINUED)

Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Amount
2026	$ 130,852
2027	(51,341)
2028	(31,994)
2029	(46,214)
	$ 1,303

NOTE 8 – LEASE RECEIVABLE

The City leases office and storage space in its fire station to the Department of Natural Resources under an operating lease that expires in June 2028. The City will receive monthly payments of $2,645. The City recognized $25,891 in lease revenue and $9,066 in interest revenue during the year related to this lease. As of December 31, 2025, the City receivable for lease payments was $203,961. Also, the City has deferred inflow of resources associated with this lease that will be recognized over the lease term. As of December 31, 2025, the balance of the deferred inflow of resources was $194,186.

The City leases space in the City Market to the Longer Table under an operating lease that expires in December 2026. The City will receive monthly payments of $990. The City recognized $12,171 in lease revenue and $714 in interest revenue during the year related to this lease. As of December 31, 2025, the City receivable for lease payments was $12,553. Also, the City has deferred inflow of resources associated with this lease that will be recognized over the lease term. As of December 31, 2025, the balance of the deferred inflow of resources was $12,055.

NOTE 9 - RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts and errors and omissions. The City has purchased commercial insurance for claims relating to general liability and property/casualty claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three years.

NOTE 10 - NET POSITION - RESTRICTED

As required by various bond ordinances, the City has established and funded reserves for bond retirement of $128,093 for the Water Fund and $194,456 for the Sewer Fund for the 2020 bond refunding. The City also has restrictions related to the 2021 water improvement bond of $70,762 for the Water Fund and the 2023 sewer improvement bond of $75,598 in the Sewer Fund.

Net position includes restrictions for the governmental funds which include $211,101 for fire services, $795,750 for street maintenance and $128,162 for Budd Lake improvements.

NOTE 11 – POST-EMPLOYMENT BENEFITS

Plan Description - The City's defined benefit other post-employment benefit (OPEB) plan is a single employer plan established and administered by the City and can be amended at its discretion. It provides post-employment healthcare benefits to certain retirees. The City employees become eligible in accordance with contractual language, to all employees hired before June 5, 2006 who retire at age 65 with a minimum of 15 years or with 85 points on policy scale with a minimum age of 55. The plan became closed to all new hires as of December 31, 2007. Anyone hired after December 31, 2007 will not be eligible for retiree healthcare benefits provided by the City. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the City. No assets are accumulated in a trust that meets the criteria of paragraph 4 of statement 75.

Benefits provided – The City pays healthcare benefits for retirees. The benefit terms provide for a maximum of $350 per month towards the retirees health insurance costs.

Summary of Plan Participants – At December 31, 2025, retirement plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	4
Active employees	0
	4

Contributions – The City of Harrison OPEB Other Post-Employment Benefit Plan was established and is being funded under the authority of the Employer's governing body and under agreements with the unions representing various classes of employees. The Plan's funding policy is to pay expected plan benefits from general operating funds – pay-as-you-go. Active participants do not make contributions to prefund the plan. There are no long term contracts for contributions to the plan. The plan has no legally required reserves.

Total OPEB Liability

The City's total OPEB liability of $179,798 was measured as of December 31, 2025.

NOTE 11 – POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions – The total OPEB liability was determined by an actuarial valuation as of December 31, 2025 and the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	None, the plan is not pre-funded
Salary increases	3.00%
Investment rate of return	None, the plan is not pre-funded
20-year Aa Municipal bond rate	4.28% (S&P Municipal Bond 20-Year High Grade Rate Index)
Mortaility	2010 Public General Headcount-weighted Employee and Healthy Retirees, Headcount weighted MP-2021

Discount Rate – The discount rate used to measure the total OPEB liability was 2.25%. Because the plan does note have a dedicated OPEB trust, there are not assets projected to be sufficient to make projected benefit payments of current plan members. For fiscal years subsequent to the valuation date, projected benefits were discounted at a rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield and is used to determine the Total OPEB Liability. The discount rate used as of December 31, 2024 was 3.68%.

Changes in the Total OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Total OPEB Liability (a) - (b)
Balance at December 31, 2024	$ 206,641	$ 0	$ 206,641
Changes during the year:			
Interest	9,545	0	9,545
Experience (gains/losses)	(6,864)	0	(6,864)
Change in actuarial assumptions	(10,944)	0	(10,944)
Contributions/benefit paid from general operating funds	0	15,600	(15,600)
Other changes	(2,980)	0	(2,980)
Benefit payments	(15,600)	(15,600)	0
Net changes	(26,843)	0	(26,843)
Balance at December 31, 2025	$ 179,798	$ 0	$ 179,798

NOTE 11 – POST-EMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the City, calculated using trend and discount rates 1% higher and lower than base assumptions. The benefit is a fixed monthly payment, so the liability is unaffected by trend.

	1% Decrease 2.68%	Current Discount Rate 3.68%	1% Increase 4.68%
Total OPEB Liability	$ 183,170	$ 179,798	$ 149,087

Sensitivity of the total OPEB liability to changes in healthcare trend rates – The OPEB liability for the City is not sensitive to changes in the healthcare trend rates. The City has capped the amount paid for retiree health insurance at $350 per month.

The City does not report Deferred Outflows of Resources or Deferred Inflows of Resources Related to OPEB.

For the year ended December 31, 2025, the City recognized OPEB expense of $15,600. At December 31, 2025, the City did not reported any deferred outflows of resources or deferred inflows of resources related to OPEB due to the measurement date being the same as their yearend. Since the City has a closed plan, the remaining service life would be the estimate reaming service life of the active employees.

NOTE 12 – TAX ABATEMENTS

Brownfield Redevelopment Authority Capture

The City entered into property tax abatement agreements with local businesses under the Brownfield Redevelopment Financing Act, PA 381 of 1996, as amended, provides a tax incentive to taxpayers for specific environmental remediation. The taxes captured are then used to reimburse the taxpayer for those remediation costs.

For the year ended December 31, 2025, the City abated property tax revenue total $1.401 under this program.

NOTE 13 – RELATED PARTY TRANSACTION

The City purchased goods during the year from businesses owned by a relative of Council member in the amount of $4,856 for the year ended December 31, 2025.

NOTE 15 - UPCOMING ACCOUNTING PRONOUNCEMENT

In April 2024, the GASB issued Statement No. 103, Financial Reporting Model Improvements. This Statement establishes new accounting and financial reporting requirements—or modifies existing requirements—related to the following:

- Management's discussion and analysis (MD&A);
  - Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
    - Overview of the Financial Statements,
    - Financial Summary,
    - Detailed Analyses,
    - Significant Capital Asset and Long-Term Financing Activity,
    - Currently Known Facts, Decisions, or Conditions;
  - Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
  - Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- Unusual or infrequent items;
- Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
  - Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
  - Requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
- Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI;

The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2026 calendar year.

NOTE 8 – UPCOMING ACCOUNTING PRONOUNCEMENT - CONTINUED

In September 2024, the GASB issued Statement No. 104, Disclosure of Certain Capital Assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription asset recognized in accordance with Statement No. 96, Subscription-based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires additional disclosures for capital assets held for sale.

The City is currently evaluating the impact these standards will have on the financial statements when adopted during the 2026 calendar year.

CITY OF HARRISON
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended December 31, 2025

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
Revenues				
State shared revenue	$ 383,300	$ 390,600	$ 381,581	$ (9,019)
Taxes and penalties	1,187,216	1,192,491	1,161,790	(30,701)
Grants:				
Federal	0	1,305,000	1,022,954	(282,046)
State	22,000	22,000	0	(22,000)
Other	30,000	55,000	102,520	47,520
Cable franchise	28,000	26,250	26,253	3
Reimbursements from street funds	180,000	173,090	189,538	16,448
Charges for services	45,601	33,056	39,837	6,781
Miscellaneous	44,100	49,400	53,512	4,112
Rent	0	3,500	5,549	2,049
Interest income	23,000	35,000	36,100	1,100
Total revenues	1,943,217	3,285,387	3,019,634	(265,753)
Expenditures				
General government:				
City council	19,225	17,350	17,274	76
City manager/clerk	158,959	153,085	153,674	(589)
Board of review	2,710	2,710	1,287	1,423
City treasurer	139,788	136,100	134,715	1,385
Assessor	30,000	25,100	24,285	815
Elections	6,502	5,910	5,796	114
Buildings and grounds	107,288	114,914	102,896	12,018
Cemetery	34,311	29,511	28,135	1,376
All other general government	110,850	157,440	62,184	95,256
Public safety:				
Police	202,000	181,780	200,091	(18,311)
Fire	62,100	62,100	62,035	65
All other public safety	16,875	16,875	16,875	0
Public works:				
Department of public works	514,853	467,113	395,746	71,367
Street lights	41,500	42,800	40,287	2,513
All other public works	28,000	34,250	31,472	2,778
Community development:				
Planning and zoning	86,295	59,570	54,484	5,086
Economic development	25,000	1,389,000	1,067,235	321,765
All other community development	44,675	41,375	40,013	1,362

CITY OF HARRISON
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended December 31, 2025

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
Expenditures (continued)				
Recreation and cultural:				
Parks and recreation	$ 188,560	$ 202,325	$ 199,370	$ 2,955
Debt service	14,442	84,305	84,300	5
Total expenditures	1,833,933	3,223,613	2,722,154	501,459
Excess (deficiency) of revenues over expenditures	109,284	61,774	297,480	235,706
Other Financing Sources (Uses)				
Proceeds from sale of assets	10,000	9,600	9,600	0
Operating transfers (out)	(143,870)	(145,960)	(138,868)	7,092
	(133,870)	(136,360)	(129,268)	7,092
Net change in fund balance	(24,586)	(74,586)	168,212	242,798
Fund balance - beginning of year	1,186,620	1,186,620	1,186,620	0
Fund balance - end of year	$ 1,162,034	$ 1,112,034	$1,354,832	$ 242,798

CITY OF HARRISON
Required Supplemental Information
Budgetary Comparison Schedule - Fire Fund
For the Year Ended December 31, 2025

	Original Budget	Final Amended Budget	Actual	Variances with Final Budget Favorable (Unfavorable)
Revenues				
Charges for service	$ 547,000	$ 547,000	$ 549,790	$ 2,790
Interest income	2,500	13,500	22,607	9,107
Rent	30,800	30,800	25,891	(4,909)
Miscellaneous	2,500	2,500	15,853	13,353
Total revenues	582,800	593,800	614,141	20,341
Expenditures				
Public safety:				
Fire	478,238	744,238	683,925	60,313
Debt service	57,872	57,872	57,868	4
Total expenditures	536,110	802,110	741,793	60,317
Excess (deficiency) of revenues over expenditures	46,690	(208,310)	(127,652)	80,658
Other Financing Sources (Uses)				
Operating transfers (out)	(45,732)	(45,732)	(45,732)	0
Total other financing sources (uses)	(45,732)	(45,732)	(45,732)	0
Net change in fund balance	958	(254,042)	(173,384)	80,658
Fund balance - beginning of year	384,485	384,485	384,485	0
Fund balance - end of year	$ 385,443	$ 130,443	$ 211,101	$ 80,658

CITY OF HARRISON

Required Supplemental Information

Schedule of Changes in the Employer's Net Pension Liability and Related Ratios

Last 10 Reporting Unit Fiscal Years (Amounts were determined as of the measurement date 12/31)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Service cost	$ 75,364	$ 66,489	$ 56,767	$ 54,174	$ 46,968	$ 46,672	$ 49,503	$ 48,280	$ 54,070	$ 60,314
Interest	356,100	339,393	327,758	322,854	297,522	254,067	285,610	272,585	263,687	274,592
Difference between expected and actual experience	79,952	124,564	102,792	44,616	131,116	401,064	(344,329)	75,226	(14,852)	(419,222)
Changes of assumptions	(17,192)	37,263	0	166,767	147,795	133,943	0	0	0	211,241
Benefit payments including employee refunds	(338,768)	(332,676)	(325,807)	(292,489)	(292,870)	(243,906)	(240,602)	(220,932)	(180,607)	(128,784)
Other	(10,373)	(5,985)	(2,459)	(7,830)	(1,012)	4,266	25,745	(3,114)	11,979	(1,408)
Net change in total pension liability	145,083	229,048	159,051	288,092	329,519	596,106	(224,073)	172,045	134,277	(3,267)
Total pension liability beginning	5,043,422	4,814,374	4,655,323	4,367,231	4,037,712	3,441,606	3,665,679	3,493,634	3,359,357	3,362,624
Total pension liability ending	$ 5,188,505	$ 5,043,422	$ 4,814,374	$ 4,655,323	$ 4,367,231	$ 4,037,712	$ 3,441,606	$ 3,665,679	$ 3,493,634	$ 3,359,357
Plan Fiduciary Net Position										
Contributions-employer	$ 265,797	$ 256,976	$ 219,469	$ 221,607	$ 166,609	$ 132,665	$ 111,020	$ 101,866	$ 86,154	$ 102,809
Contributions-employee	17,278	15,942	14,772	13,909	12,173	13,630	11,517	13,241	13,358	15,959
Net investment income	433,863	200,240	275,560	(296,693)	364,044	300,596	301,038	(93,659)	295,165	233,119
Benefit payments including employee refunds	(338,768)	(332,676)	(325,807)	(292,489)	(292,870)	(243,906)	(240,602)	(220,932)	(180,607)	(128,784)
Administrative expense	(5,704)	(5,954)	(5,849)	(5,269)	(4,178)	(4,828)	(5,183)	(4,705)	(4,677)	(4,597)
Transfer	0	0	0	0	0	0	0	0	0	(143,262)
Net change in plan fiduciary net position	372,466	134,528	178,145	(358,935)	245,778	198,157	177,790	(204,189)	209,393	75,244
Plan fiduciary net position beginning	2,827,901	2,693,373	2,515,228	2,874,163	2,628,385	2,430,228	2,252,438	2,456,627	2,247,234	2,171,990
Plan fiduciary net position ending	$ 3,200,367	$ 2,827,901	$ 2,693,373	$ 2,515,228	$ 2,874,163	$ 2,628,385	$ 2,430,228	$ 2,252,438	$ 2,456,627	$ 2,247,234
Employer net pension liability	$ 1,988,138	$ 2,215,521	$ 2,121,001	$ 2,140,095	$ 1,493,068	$ 1,409,327	$ 1,011,378	$ 1,413,241	$ 1,037,007	$ 1,112,123
Plan fiduciary net position as a percentage of the total pension liability	62%	56%	56%	54%	66%	65%	71%	61%	70%	67%
Covered employee payroll	550,140	494,655	417,214	415,122	374,381	378,979	397,618	397,059	460,385	552,949
Employer's net pension liability as a percentage of covered employee payroll	361%	448%	508%	516%	399%	372%	254%	356%	225%	201%

Notes to the Schedule:

Benefit changes (if any) can be found in the actuarial valuation section titled: "Benefit Provision History"

Changes in assumptions: There were no changes in actuarial assumptions or methods affecting the 2020 valuation. (This information can be found in the actuarial valuation section titled: "Plan Provision, Actuarial Assumptions and Actuarial Funding Method; and also in the Appendix link of the actuarial valuation.

CITY OF HARRISON

Required Supplemental Information

Schedule of Employer's Contributions

Last 10 Reporting Unit Fiscal Years (Amounts were determined as of the measurement date 12/31)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarial determined contributions	$265,797	$256,976	$219,469	$221,607	$ 166,609	$ 132,665	$ 111,020	$ 101,867	$ 86,154	$102,809
Contributions in relation to the actuarially determined contribution	265,797	256,976	219,469	221,607	166,609	132,665	111,020	101,867	86,154	102,809
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Covered employee payroll	$550,140	$494,655	$417,214	$415,122	$ 374,381	$ 378,979	$ 397,618	$ 397,059	$ 460,385	$552,949
Contributions as a percentage of covered employee payroll	48%	52%	53%	53%	45%	35%	28%	26%	19%	19%

Notes to Schedule

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	17 years
Asset valuation method	5 year smoothed
Inflation	2.5%
Salary increases	3.0%
Investment rate of return	7.0%
Retirement age	Varies depending on plan adoption
Mortality	Pub-2010 and fully generational MP-2019

Previous actuarial methods and assumptions:

A ten year smoothed asset valuation method was used prior to 2016.

CITY OF HARRISON

Required Supplemental Information

Schedule of Changes in the Employer's Net OPEB and Related Ratios (Plan Totals)

Last 10 Reporting Unit Fiscal Years (Amounts were determined as of the measurement date 12/31)

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Asset								
Service cost	$ 0	$ 2,320	$ 2,320	$ 2,320	$ 2,320	$ 3,249	$ 3,249	$ 2,048
Interest	9,545	8,166	8,926	8,926	8,926	10,555	10,555	0
Differences between expected and actual experience	(6,864)	0	0	0	(56,547)	0	0	0
Changes of assumptions	(10,944)	0	0	0	28,100	0	(18,825)	(20,191)
Other changes	(2,980)	0	0	0	0	0	0	0
Benefit payments	(15,600)	(15,600)	(15,600)	(12,000)	(12,378)	(11,650)	(11,028)	(34,448)
Net change in total OPEB liability	(26,843)	(5,114)	(4,354)	(754)	(29,579)	2,154	(16,049)	(52,591)
Total OPEB liability beginning	206,641	211,755	216,109	216,863	246,442	244,288	260,337	312,928
Total OPEB liability ending	$ 179,798	$ 206,641	$ 211,755	$ 216,109	$ 216,863	$ 246,442	$ 244,288	$ 260,337
Covered employee payroll	$ 0	$ 0	$ 0	$ 73,899	$ 72,987	$ 93,777	$ 114,982	$ 0
Total OPEB liability as a percentage of covered employee payroll	0.00%	0.00%	0.00%	292.44%	297.13%	262.80%	212.46%	0.00%

With the implementation of GASB Statement No. 75 in 2018, the 10 year history will be provided prospectively until a full 10 year history is shown.

No assets are accumulated in a trust that meets the criteria in GASBS No 75, paragraph 4, to pay related benefits.

Changes of benefit terms: There were no changes to the benefit terms.

2018 did not have an actuarial determination and used the alternative calculation method.

CITY OF HARRISON

Required Supplemental Information

Schedule of Employer's Contributions

Last 10 Reporting Unit Fiscal Years (Amounts were determined as of the measurement date 12/31)

	2025	2024	2023	2022	2021	2020	2019
Actuarial determined contributions	$193,808	$ 224,944	$ 224,944	$ 224,944	$ 132,468	$ 133,038	$ 141,590
Contributions in relation to the actuarially determined contribution (benefit payments)	15,600	15,600	15,600	12,000	12,378	11,650	11,028
Contribution deficiency (excess)	$178,208	$ 209,344	$ 209,344	$ 212,944	$ 120,090	$ 121,388	$ 130,562
Covered employee payroll	$ 0	$ 0	$ 0	$ 73,899	$ 72,987	$ 93,777	$ 114,982
Contributions as a percentage of covered employee payroll	0%	0%	0%	304%	181%	142%	123%

Notes to Schedule

Actuarial cost method	Entry age normal (level percentage compensation)
Asset valuation method	Market value of assets
Salary increases	3.0%
Investment rate of return	0% - the plan is not pre-funded
Retirement age	100% retirement is assumed to retire at age of full eligibility
Mortality	2010 Public General Headcount-weighted Employee and Healthy Retirees, Headcount weighted MP-2021
Health Care Trend Rates	Monthly per-capita costs valued
High cost plan excise tax	Not applicable
Marital assumptions	No active employees will have a covered spouse at retirement

Assumption changes since prior valuation

Mortality tables change from - 50% Female/50% Male RP - 2014 Total Dataset Mortality with Scale MP-2014 to the Pub 2010 Headcount weighted mortality table for General and Public Safety, annuitant and non-annuitant, sex distinct with improvement scale MP - 2020

The discount rate changed from 4.09% to 3.68%

Salary Scale changed from 3.0% to 3.5%, which is prescribed under Public Act 202

2018 did not have an actuarial determination and used the alternative calculation method

CITY OF HARRISON
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2025

	Major Streets Fund	Local Streets Fund	Budd Lake Improvement Fund	Building Authority Fund	Debt Service Fund	Totals
Assets						
Cash and investments	$ 325,125	$ 442,804	$ 94,064	$ 0	$ 0	$ 861,993
Taxes receivable	0	0	34,921	0	0	34,921
Due from other governments	22,666	11,982	0	0	0	34,648
Total Assets	$ 347,791	$ 454,786	$ 128,985	$ 0	$ 0	$ 931,562
Liabilities and Fund Balance						
Liabilities						
Accounts payable	2,846	3,981	823	0	0	7,650
Fund Balance						
Restricted for:						
Streets	344,945	450,805	0	0	0	795,750
Budd Lake Improvement	0	0	128,162	0	0	128,162
Total Fund Balance	344,945	450,805	128,162	0	0	923,912
Total Liabilities and Fund Balance	$ 347,791	$ 454,786	$ 128,985	$ 0	$ 0	$ 931,562

CITY OF HARRISON
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes
in Fund Balance - Nonmajor Governmental Funds
For the Year Ended December 31, 2025

	Major Streets Fund	Local Streets Fund	Budd Lake Improvement Fund	Building Authority Fund	Debt Service Fund	Totals
Revenues						
Special assessments	$ 0	$ 0	$ 65,514	$ 0	$ 0	$ 65,514
State shared revenue	233,890	134,703	0	0	0	368,593
Interest income	10,444	13,986	3,977	0	0	28,407
Miscellaneous income	9,500	0	0	0	0	9,500
Total revenues	253,834	148,689	69,491	0	0	472,014
Expenditures						
Public works	0	0	69,670	0	0	69,670
Highways and streets	91,571	133,399	0	0	0	224,970
Debt service:						
Principal	0	0	0	40,000	75,000	115,000
Interest	0	0	0	5,732	63,868	69,600
Total expenditures	91,571	133,399	69,670	45,732	138,868	479,240
Excess (deficiency) of revenues over expenditures	162,263	15,290	(179)	(45,732)	(138,868)	(7,226)
Other Financing Sources (Uses)						
Operating transfers in	0	94,915	0	45,732	138,868	279,515
Operating transfers (out)	(94,915)	0	0	0	0	(94,915)
Total other financing sources (uses)	(94,915)	94,915	0	45,732	138,868	184,600
Net change in fund balance	67,348	110,205	(179)	0	0	177,374
Fund balance - beginning of year	277,597	340,600	128,341	0	0	746,538
Fund balance - end of year	$ 344,945	$ 450,805	$ 128,162	$ 0	$ 0	$ 923,912

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

June 24, 2026

City Council
City of Harrison
Clare County, Michigan

We have audited, in accordance with U.S. generally accepted auditing standards 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, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of City of Harrison (City), as of and for the year ended December 31, 2025 and the related notes to the financial statements, which collectively comprise City of Harrison' basic financial statements and have issued our report thereon dated June 24, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Harrison's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of City of Harrison's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Harrison'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 City's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2025-001 and 2025-002 that we consider to be material weaknesses.

WEINLANDER FITZHUGH
Certified Public Accountants & Advisors

Report on Compliance and Other Matters

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

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on City of Harrison's response to the findings identified in our audit is 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 it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weinlander Fitzhugh

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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

June 24, 2026

City Council
City of Harrison
Clare County, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited 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 City of Harrison's major federal programs for the year ended December 31, 2025. 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, City of Harrison complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; 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* (CFR) 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 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 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 City of Harrison's federal programs.

Auditor's Responsibility 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 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 U.S. 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 City of Harrison's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with U.S. 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 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 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 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 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.

Weinlander Fitzhugh

CITY OF HARRISON
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2025

SECTION I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified opinion

Internal control over financial reporting:

- Material weakness(es) identified? ☑ YES ☐ NO
- Significant deficiency(ies) identified? ☐ YES ☑ NONE REPORTED

Noncompliance material to financial statements noted? ☐ YES ☑ NO

Federal Awards

Internal Control over major programs:

- Material weakness(es) identified? ☐ YES ☑ NO
- Significant deficiency(ies) identified? ☐ YES ☑ NONE REPORTED

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ YES ☑ NO

Identification of major programs:

ALN Number(s)	Name of Federal Program or Cluster
10.766	Community Facilities Loan and Grant
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 ☑ NO

CITY OF HARRISON
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2025

SECTION II - Financial Statement Findings

2025-001 (Repeat Finding)

Criteria or Specific Requirement
Establishment and maintenance of internal controls over the financial reporting process.

Condition
Personnel responsible for financial reporting do not possess the skills necessary to monitor and report annual financial activity without auditor involvement.

Criteria
Internal controls should be in place to provide reasonable assurance to the City that management possesses the skills necessary to monitor and report annual financial activity without auditor involvement.

Effect
The effect of this condition places a reliance on the independent auditor to be a part of the City's internal controls over financial reporting.

Cause
The cause is the result of the complexity of the financial reporting process in accordance with U.S. generally accepted accounting principles and GASB pronouncements.

Recommendation
The City should review and implement the necessary education and procedural activities to monitor and report annual financial activity as funding is available.

Views of the Responsible Officials and Planned Corrective Action
Currently, the City does not have the funding to implement such a program. We intend to re-evaluate once funding becomes available for the additional education and monitoring.

CITY OF HARRISON
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2025

2025-002 (Repeat Finding)

Criteria or Specific Requirement
During the course of the audit, we identified several misstatements, some of which were material to the City's financial statements and provided audit entries to correct these misstatements.

Condition
Auditor identified material misstatements.

Criteria
The finding is a result of observation, inquiry with City administration and testing of the accounts.

Effect
Budget variances and violations could occur due to inaccurate recorded amounts. Material misstatements of the City's financial statements could go undetected.

Cause
The City's personnel do not adequately monitor the financial records to ensure that all transactions were properly recorded in the financial statements in accordance with U.S. GAAP.

Recommendation
The City's personnel should review the audit entries, understand the necessities of the entries and implement controls to ensure that the accounts and transactions affected are reviewed and corrected during the year and at year end.

Views of the Responsible Officials and Planned Corrective Action
Procedures will be implemented to ensure that all transactions are recorded on a timely basis.

SECTION III - Federal Award Findings and Questioned Costs

There are no matters reported.

CITY OF HARRISON
Summary Schedule of Prior Year Findings
For the Year Ended December 31, 2025

2024-001

Audit Finding
Audit finding is a repeat finding in the current year.

Corrective Action Taken
Corrective action plan was not implemented properly.

2024-002

Audit Finding
Audit finding is a repeat finding in the current year.

Corrective Action Taken
Corrective action plan was not implemented properly.

CITY OF HARRISON
Schedule of Expenditures of Federal Awards
December 31, 2025

	Federal Assistance Listing Number	Approved Award, Grant Entitlement Amount	Current Year Expenditures
U.S. Department of Agriculture			
Water and Waste Disposal Systems for Rural Communities :	10.760		
Loan balance - 2024 sewer project		$ 1,504,000	$ 1,504,000 *
Grant - Sewer project		4,496,000	1,318,670
			2,822,670
Communities Facilities Loans and Grants:	10.766		
Loan balance - new city hall		2,789,000	2,259,000 *
Loan balance - 2018 fire truck		360,000	238,000 *
Loan balance - 2022 fire truck		280,000	248,000 *
			2,745,000
Total U. S. Department of Agriculture			5,567,670
U.S. Department of Treasury			
Passed through the Michigan Department of Treasury			
COVID-19 State and local fiscal recovery fund (CSLFRF) :	21.027		
ARPA - General		217,849	26,773
Passed through the Michigan Department of Environment, Great Lakes and Energy			
COVID-19 State and local fiscal recovery fund (CSLFRF) :	21.027		
ARPA- DWAM		180,011	1,357
Passed through the Michigan Department of Labor and Economic Opportunity			
COVID-19 State and local fiscal recovery fund (CSLFRF) :	21.027		
ARPA - Community Center		550,000	519,500

CITY OF HARRISON
Schedule of Expenditures of Federal Awards
December 31, 2025

	Federal Assistance Listing Number	Approved Award, Grant Entitlement Amount	Current Year Expenditures
Passed through the Council of Michigan Foundations			
COVID-19 State and local fiscal recovery			
fund (CSLFRF) :	21.027		
DNR Sparks Grant		$ 747,500	$ 475,682
Total ALN 21.027			1,023,312
Environmental Protection Agency			
Passed through the Michigan Department of Environment,			
Great Lakes, and Energy			
Capitalization Grants for Drinking Water State			
Revolving Funds - Cluster	66.468	5,000	5,000
U.S. Department of Election Assistance Commission			
Passed through State of Michigan - Bureau of Elections:			
Election Security (HAVA Section 101)	90.404		
Election reimbursement grant		1,000	999
			$ 6,596,981

* Loan balance outstanding as of January 1, 2025.

CITY OF HARRISON
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of City of Harrison under programs of the federal government for the year ended December 31, 2025. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* (CFR) 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 City of Harrison, it is not intended to and does not present the financial position or changes in net position of City of Harrison.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the Schedule represent adjustments or credit made in the normal course of business to amounts reported as expenditures.

The City of Harrison has elected not to use the 10 percent de minimus indirect cost rate to recover costs as allowed under the Uniform Guidance.

The City of Harrison does not have any subrecipients.

NOTE 2 - RECONCILIATION OF REVENUE REPORTED IN THE FINANCIAL STATEMENTS

Total federal expenditures per Schedule of Expenditures of Federal Awards	$	6,596,981
Less:		
Outstanding loan balances as of January 1, 2025		4,249,000
Sewer Fund federal revenue		1,325,027
Governmental funds revenues per financial statements - federal sources	$	1,022,954

NOTE 3 - FEDERAL PROGRAM LOANS

The City had outstanding federal loan balances as of December 31, 2025, as follows:

		Balance as of December 31, 2025
Sanitary Sewer System Junior Lien Revenue Bond, Series 2024	$	1,475,000
Building Authority Bonds, series 2016		2,184,000
2018 Pumper tanker Truck		215,000
2022 Tanker Truck		231,000
	$	4,105,000

CITY of HARRISON MI

CORRECTIVE ACTION PLAN
December 31, 2025

Finding Number	Finding	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2025-001 (Repeat Finding)	Personnel responsible for financial reporting does not possess the skills necessary to monitor and report annual financial activity without auditor involvement.	The City will continue maintaining accounting records, monitoring fund activity, reviewing budget amendments, and preparing year-end information for the audit process. Due to the City's size and staffing structure, the City does not have staff dedicated to preparing full GAAP-basis financial statements and related disclosures. The City may continue to rely on auditor assistance for certain year-end financial statement presentation matters and will evaluate practical options to reduce auditor involvement where feasible.	12/31/2026 On-going	Justin Cavanaugh, City Manager
2025-002 (Repeat Funding)	Several misstatements were identified during the audit, some of which were material to the City's financial statements and the auditor provided entries to correct these misstatements.	The City will review audit adjustments provided by the auditor and use them to improve internal year-end review procedures and accounts payable coding references. The City will continue reviewing recurring adjustment areas, including account reconciliations, capital asset activity, fund activity, and other items identified during the audit, with the goal of reducing future audit adjustments.	12/31/2026	Justin Cavanaugh, City Manager