

**CITY OF HARRISON, ARKANSAS
WATER AND SEWER FUND
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**



CITY OF HARRISON, ARKANSAS WATER AND SEWER FUND
DECEMBER 31, 2024 AND 2023

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Independent Auditor's Report

To the Honorable Mayor and City Council
City of Harrison, Arkansas Water and Sewer Fund
Harrison, Arkansas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the City of Harrison, Arkansas Water and Sewer Fund, as of and for the years December 31, 2024, and the related notes to the 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 financial position of City of Harrison, Arkansas Water and Sewer Fund as of December 31, 2024, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 City of Harrison, Arkansas Water and Sewer Fund 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 opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the water and sewer department enterprise fund and do not purport to, and do not, present fairly the financial position of the City of Harrison, Arkansas, as of December 31, 2024, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Management has omitted the management's discussion and analysis and certain required supplemental information for cost-sharing employer pension plans that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the 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 statement in an appropriate operational,

economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the information on cost-sharing pension plans on pages 26 and 27 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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.

Other Information

The financial statements of the City of Harrison, Arkansas Water and Sewer Fund as of December 31, 2023 were audited by another auditor whose report dated November 30, 2024, expressed a qualified opinion on those statements due to exclusion of pension assets, liabilities and activity as required by GASB Statement No. 68. This standard was implemented in 2024 and certain amounts in the 2023 financial statements have been restated.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2026, on our consideration of the City of Harrison, Arkansas Water and Sewer Fund'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Harrison, Arkansas Water and Sewer Fund'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 Council's internal control over financial reporting and compliance.



Przybysz & Associates, CPAs, P.C.
Fayetteville, Arkansas
February 12, 2026

FINANCIAL STATEMENTS

CITY OF HARRISON, ARKANSAS WATER AND SEWER FUND

STATEMENTS OF NET POSITION

AS OF DECEMBER 31,	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,116,927	\$ 637,630
Restricted cash	663,257	647,883
Accounts receivable, net	1,381,710	1,318,538
Due from other funds	517,393	135,033
Inventory	655,606	618,745
Prepaid expense	-	1,869
Total Current Assets	4,334,893	3,359,698
Net Capital Assets	18,118,923	18,310,992
Total Assets	22,453,816	21,670,690
Deferred Outflows of Resources		
Deferred outflows of resources related to pension	445,519	605,850
Total Deferred Outflows of Resources	445,519	605,850
Total Assets and Deferred Outflows of Resources	\$ 22,899,335	\$ 22,276,540
Liabilities and Net Position		
Current Liabilities		
Trade accounts payable	\$ 1,307,975	\$ 633,760
Due to other funds	133,325	32,655
Accrued liabilities	121,862	94,652
Accrued interest	5,635	7,460
Accrued compensated absences	78,559	99,435
Customer meter deposits	663,257	647,883
Current portion of long-term debt	188,839	189,767
Total Current Liabilities	2,499,452	1,705,612
Noncurrent liabilities:		
Accrued compensated absences	140,882	62,883
Long-term debt	786,562	969,580
Net pension liability	1,924,349	2,075,675
Total Noncurrent Liabilities	2,851,793	3,108,138
Total Liabilities	5,351,245	4,813,750
Deferred Inflows of Resources		
Deferred inflows of resources related to pension	112,415	77,673
Total Deferred Inflows of Resources	112,415	77,673
Net Position		
Net investment in capital assets	17,143,522	17,151,645
Unrestricted	292,153	233,472
Total Net Position	17,435,675	17,385,117
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 22,899,335	\$ 22,276,540

See accompanying notes to financial statements.

CITY OF HARRISON, ARKANSAS WATER AND SEWER FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED DECEMBER 31,	2024	2023
Operating Revenue		
Water revenues	\$ 4,604,938	\$ 4,118,055
Sewer revenues	2,662,998	2,541,928
Sanitation revenues	2,488,553	2,295,124
Other income	264,221	188,660
Total Operating Revenue	10,020,710	9,143,767
Operating Expenses		
Water purchases	2,887,292	2,478,254
Sanitation services	2,409,388	2,143,466
Bad debt	214,466	35,765
Salaries and wages	1,864,807	1,614,206
Employee benefits	547,731	497,925
Payroll taxes	128,814	116,471
Repairs and maintenance	530,138	399,267
Small equipment and tools	89,118	50,483
Depreciation expense	578,894	571,265
Chemicals and testing	42,918	48,077
Billing and postage	43,908	43,783
Professional fees	502,987	36,299
Contracted services	35,408	41,326
Utilities	139,932	165,925
Fuel	70,287	71,672
Conservation	154,549	150,960
Allocated overhead	138,677	152,430
Insurance	98,266	75,335
Information technology	59,031	34,986
Memberships, licenses, and permits	46,756	45,075
Travel and training	21,014	12,792
Bank and credit card fees	104,464	98,355
Miscellaneous expense	4,687	-
Total Operating Expenses	10,713,532	8,884,117
Net Income (Loss) From Operations	(692,822)	259,650
Nonoperating Revenue (Expenses)		
Interest income	29,534	31,207
Infrastructure sales tax revenue	344,033	1,136,430
Grant income	400,000	-
Interest expense	(30,187)	(35,158)
Total Net Nonoperating Revenue	743,380	1,132,479
Change in Net Position	50,558	1,392,129
Net Position at Beginning of Year, as originally stated	17,385,117	17,462,479
Prior period adjustment	-	(1,469,491)
Net Position at Beginning of Year	17,385,117	15,992,988
Net Position at End of Year	\$ 17,435,675	\$ 17,385,117

See accompanying notes to financial statements.

CITY OF HARRISON, ARKANSAS WATER AND SEWER FUND

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2024	2023
Cash Flows From Operating Activities		
Cash receipts from customers and other sources	\$ 9,934,585	\$ 8,824,901
Cash payments to suppliers for goods and services	(7,458,981)	(6,902,133)
Cash payments to employees for services	(1,807,684)	(1,612,178)
Net Cash Provided By Operating Activities	667,920	310,590
Cash Flows From Noncapital and Related Financing Activities		
Receipts for infrastructure sales tax revenue	-	1,295,848
Grant proceeds	400,000	
Net Cash Provided By Noncapital and Related Financing Activities	400,000	1,295,848
Cash Flows From Investing Activities		
Interest income	29,534	31,207
Net Cash Provided By Investing Activities	29,534	31,207
Cash Flows From Capital and Related Financing Activities		
Additions to property, plant, and equipment	(386,825)	(1,225,540)
Principal paid on long-term debt	(183,946)	(177,028)
Interest paid on long-term debt	(32,012)	(38,932)
Net Cash Used In Capital and Related Financing Activities	(602,783)	(1,441,500)
Net Increase In Cash, Cash Equivalents, and Restricted Cash	494,671	196,145
Cash, Cash Equivalents, and Restricted Cash At Beginning of Year	1,285,513	1,089,368
Cash, Cash Equivalents, and Restricted Cash At End of Year	\$ 1,780,184	\$ 1,285,513
Reconciliation to the Statement of Net Position		
Cash and cash equivalents	\$ 1,116,927	\$ 637,630
Restricted cash	663,257	647,883
Total Cash, Cash Equivalents, and Restricted Cash	\$ 1,780,184	\$ 1,285,513

See accompanying notes to financial statements.

CITY OF HARRISON, ARKANSAS WATER AND SEWER FUND

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2024	2023
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities		
Net income (loss) from operations	\$ (692,822)	\$ 259,650
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	578,894	571,265
(Increase) decrease in:		
Accounts receivable	(63,172)	(339,059)
Inventory	(36,861)	(75,504)
Prepaid expenses	1,869	(1,869)
Deferred outflows of resources related to pension	160,331	(22,768)
Due from other funds	(38,327)	-
Increase (decrease) in:		
Trade accounts payable	674,215	(215,817)
Due to other funds	100,670	6,238
Accrued liabilities	27,210	5,458
Customer deposits	15,374	20,193
Compensated absences	57,123	2,028
Net pension liability	(151,326)	114,884
Deferred inflows of resources related to pension	34,742	(14,109)
Net Cash Provided By Operating Activities	\$ 667,920	\$ 310,590

See accompanying notes to financial statements.

CITY OF HARRISON, ARKANSAS WATER AND SEWER FUND

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

Nature of Business

The City of Harrison Water and Sewer Fund (the Utility) is a proprietary type fund and is a component unit of the City of Harrison, Arkansas (the City). The Utility provides water, sewer, and sanitation services to resident, commercial, and industrial customers in and around Harrison, Arkansas. Activities of the fund include administration, operation and maintenance of the water and sewer system, contracting sanitation services, and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure the integrity of the fund.

1. Summary of Significant Accounting Policies

Basis of Presentation

The Utility's financial statements are prepared in conformity with principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities.

The Utility accounts for its operations as an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The Utility is considered to be a component unit of the City of Harrison, Arkansas. These financial statements reflect only the Water and Sewer Fund of the City of Harrison, Arkansas and, accordingly, do not reflect other activities, funds and account groups of the City.

Financial Reporting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of the Utility. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Income Tax Status

The Utility is exempt from income taxes as a governmental agency.

Cash Equivalents

For purposes of the Statement of Cash Flows, the Utility considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents including restricted cash.

CITY OF HARRISON, ARKANSAS WATER AND SEWER FUND

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

1. Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable consists of sanitation fees, and water and sewer fees and surcharges billed to residential, commercial and wholesale customers based on consumption. The Utility does not charge interest on past due accounts but does charge a late fee for late payments. Accounts receivable are recorded net of estimated uncollectible amounts. The allowance for doubtful accounts is estimated based on historical collection experience and management's evaluation of the collectability of outstanding receivables. Balances that remain outstanding after reasonable collection efforts are written off.

Inventory

Inventories consist of construction and maintenance materials and is valued at average cost, which approximates market using the first-in, first-out method. The cost of inventory is recognized as an expense when used (consumption method).

Prepaid Expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expense in the year which services are consumed.

Capital Assets and Depreciation

Capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs that do not add to the value or capacity of the asset or materially extend asset lives are expensed as incurred. The estimated useful lives of the assets are as follows:

Water plant and distribution	5 - 50 years
Sewer plant	5 - 50 years
Water meters	10 - 20 year
Machinery and equipment	3 - 20 years
Transportation equipment	5 - 10 years
Office equipment and furniture	3 - 10 years

It is the Utility's policy to capitalize asset purchases greater than \$2,500 and expense asset purchases less than \$2,500.

Leases

The Utility determines if an arrangement contains a lease at the inception of a contract. Right-to-use assets represent the Utility's right to use an underlying asset for the lease term and lease liabilities represent the Utility's obligation to make lease payments arising from the lease during the lease term. Right-to-use assets and lease liabilities are recognized at the commencement date based on the present value of the remaining future minimum lease payments during the lease term. The Utility does not have any lease agreements.

CITY OF HARRISON, ARKANSAS WATER AND SEWER FUND

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

1. Summary of Significant Accounting Policies (continued)

Subscription-Based Technology Arrangements

Subscription-based information technology arrangements (SBITA) are contractual agreements that convey control of the right-to-use another entities information technology asset, alone, or in conjunction with a tangible capital asset, for a minimum contractual period of greater than one year, in an exchange or exchange-like transaction. All software agreements are paid by the City. The Utility pays a monthly overhead fee to the City for their share of information technology expenses.

Compensated Absences

Employees earn vacation and sick pay in varying amounts based upon length of service with the Utility. Employees can carryforward up to one year of their unused earned vacation plus 10 days. Employees can carryforward a maximum of 60 unused sick days. Upon termination from the Utility, employees are paid their accumulated unused vacation. Employees hired prior to April 1, 2013, are paid their unused sick days upon termination from the Utility. Employees hired after April 1, 2013, are only paid their unused sick days upon retirement from Utility or death. The Utility's definition of retirement is reaching the age of 65 or 28 years of service.

Customer Meter Deposits

Customers are required to make a meter deposit before being connected to the water system. These deposits are refundable to customers when the Utility no longer services the customer. The Utility uses the customer deposits to pay the customers' final bill and refunds directly to the customer the balance remaining, if any, of the deposit.

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position has 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) until that time. The Utility recognizes deferred outflows of resources related to pensions.

In addition to liabilities, the Statement of Net Position has a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Utility recognizes deferred inflows of resources related to pensions.

CITY OF HARRISON, ARKANSAS WATER AND SEWER FUND

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

1. Summary of Significant Accounting Policies (continued)

Net Position

Net position of the Utility are classified in three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

The Utility does not have a policy addressing whether it considers restricted or unrestricted to have been spent when expenditures are incurred for purposes when both are available. Utility personnel decide which resources to use at the time the expenditures are incurred. For classification of net position amounts, restricted amounts would be reduced first, followed by unrestricted.

Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utility consist of water sales, sewage and sanitation fees and fees for miscellaneous services. Operating expenses include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF HARRISON, ARKANSAS WATER AND SEWER FUND

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

1. Summary of Significant Accounting Policies (continued)

Regulatory Environment

The quality of water furnished to customers is subject to the requirements of the Environmental Protection Agency under the Safe Drinking Water Act and the Arkansas Department of Health.

Implementation of (New) Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued the following new accounting standards that became effective during the Utility's fiscal year. Implementation of these standards required some modifications to financial statement disclosures.

GASB Statement No. 100, *Accounting Changes and Error - Corrections - an amendment of GASB Statement No. 62*. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. The Statement's objective is to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

GASB Statement No. 101, *Compensated Absences*. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The objective is achieved by aligning the recognition and measurement and guidance under a unified model and by amending certain previously required disclosures.

In addition, in order to comply with GASB reporting requirements, the Utility implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27*, which became effective in 2015. The Statement established standards for public pension plan obligations for participating employers. Under the statement, a cost-sharing employer whose employees receive pensions through a trust will report in the statement of net position a net pension liability, deferred outflows or inflows of resources related to pensions, and pension expense based on its proportionate share of the collective net pension liability of all employers in the plan. A net pension liability can be volatile due to changes in actuarial estimates and the actual investment return. See Note 10 for how implementation of this standard impacted the Utility.

2. Deposits with Financial Institutions

The Utility does not have formal deposit and investment policies, but follows state laws regarding the investment of public funds. State statutes generally require that municipal funds be deposited in federally insured banks located in the State of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and time deposits. Public funds may be invested in direct obligations of the United States of America, the principal and interest of which are fully guaranteed by the United States Government.

CITY OF HARRISON, ARKANSAS WATER AND SEWER FUND

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

2. Deposits with Financial Institutions (continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Utility's deposits may not be recovered. The Utility follows the provisions of state law which requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S Treasury, U.S. agencies or instrumentalities or the state of Arkansas.

At December 31, 2024 and 2023, the Utility had no deposits that were uninsured. The bank balances and carrying amount of the Utility's deposits held were as follows:

Description	At December 31, 2024		At December 31, 2023	
	Bank Balance	Carrying Amount	Bank Balance	Carrying Amount
Insured	\$ 264,576	\$ 242,326	\$ 311,583	\$ 289,334
Collateralized - by pledging bank or pledging bank's trust department in the Utility's name	1,566,141	1,537,058	1,178,697	995,479
Cash on hand	-	800	-	700
Total	\$ 1,830,717	\$ 1,780,184	\$ 1,490,280	\$ 289,334

Deposits as reported in the following Statement of Net Position captions:

As Of December 31,	2024	2023
Cash and cash equivalents	\$ 1,116,927	\$ 637,630
Restricted checking and savings accounts	663,257	647,883
Total	\$ 1,780,184	\$ 1,285,513

3. Restricted Cash

The Utility had \$663,257 and \$647,883 of restricted cash at December 31, 2024 and 2023, respectively, for customer meter deposits.

4. Accounts Receivable

Accounts receivable are due within one year and consist of the following:

As Of December 31,	2024	2023
Billed - residential	\$ 1,167,755	\$ 1,035,390
Billed - wholesale	41,336	32,206
Earned but not billed	406,512	417,216
Total Accounts Receivable	1,615,603	1,484,812
Less: allowance for doubtful accounts	(233,893)	(166,274)
Net Accounts Receivable	\$ 1,381,710	1,318,538

CITY OF HARRISON, ARKANSAS WATER AND SEWER FUND

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

4. Accounts Receivable (continued)

Unbilled accounts receivable was computed for usage from the last meter reading date of the year until December 31, of the year.

Bad debt expense totaled \$214,466 and \$35,765 during the years ended December 31, 2024 and 2023, respectively.

5. Due To/From Other Funds, Transfers and Allocated Overhead

Due To / From Other Funds

Due to/from balances are used to reimburse other City funds for operating expenses. The liability for \$100,000 was a check deposited to the Utility in error and repaid subsequent to year-end.

As Of December 31,	2024		2023	
	Due From	Due To	Due From	Due To
Infrastructure Funds (see Transfers)	\$ 456,424	\$ -	\$ 112,391	\$ -
General Fund	60,182	(27,301)	-	(27,301)
Street Fund	-	(100,000)	21,855	-
Other	787	(6,024)	787	(5,354)
Total	\$ 517,393	\$ (133,325)	\$ 135,033	\$ (32,655)

Transfers

Infrastructure Sales Tax Revenue

The Utility recorded infrastructure sales tax revenues totaling \$344,033 and \$1,136,430 during the years ended December 31, 2024 and 2023, respectively, from the City's Infrastructure Fund to fund water capital projects. The Utility had a receivable balance from the Infrastructure Fund totaling \$456,424 and \$112,391 (see Due From above) at December 31, 2024 and 2023, respectively, for amounts yet to be collected.

Conservation Expense

A conservation fee is charged on each water bill and transferred to the City for services such as yard waste grinding and fall leaf pick-up. The amount transferred to the City during the years ended December 31, 2024 and 2023, was \$154,549 and \$150,960, respectively.

Allocated Overhead

The Utility reimburses the City for it's share of expenses paid by the City on behalf of the Utility. The expenses include fees for administrative, billing and record keeping services, information technology, maintenance for repairs and upkeep of capital assets, and safety fees.

CITY OF HARRISON, ARKANSAS WATER AND SEWER FUND

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

5. Due To/From Other Funds, Transfers and Allocated Overhead (continued)

Allocated Overhead (continued)

The amounts paid are broken out as follows:

Year Ended December 31,	2024	2023
Maintenance	\$ 66,676	\$ 74,538
Safety	36,644	44,356
Information technology	25,857	24,386
Human Resources	9,500	9,150
	\$ 138,677	152,430

6. Capital Assets

Activity of capital assets consists of the following:

As Of	January 1, 2024	Additions / Transfers	Retirements/ Transfers	December 31, 2024
Assets not being depreciated				
Land and easements	\$ 13,085	\$ -	\$ -	\$ 13,085
Construction in progress	112,015	129,742	98,548	143,209
Assets not being depreciated	125,100	129,742	98,548	156,294
Assets being depreciated:				
Water plant and distribution	12,967,486	-	-	12,967,486
Sewer plant	18,858,323	-	-	18,858,323
Water meters	2,456,246	-	-	2,456,246
Machinery and equipment	2,721,545	98,392	-	2,819,937
Transportation equipment	2,164,327	257,239	17,770	2,403,796
Office equipment and furniture	325,133	-	-	325,133
Assets being depreciated:	39,493,060	355,631	17,770	39,830,921
Total Assets	39,618,160	485,373	116,318	39,987,215
Less: Accumulated Depreciation				
Water plant and distribution	6,353,564	124,731	-	6,478,295
Sewer plant	9,342,232	166,728	-	9,508,960
Water meters	1,018,218	124,553	-	1,142,771
Machinery and equipment	2,382,971	55,764	-	2,438,735
Transportation equipment	1,894,150	106,688	17,770	1,983,068
Office equipment and furniture	316,033	430	-	316,463
Total Accumulated Depreciation	21,307,168	578,894	17,770	21,868,292
Net Capital Assets	\$ 18,310,992	\$ (93,521)	\$ 98,548	\$ 18,118,923

CITY OF HARRISON, ARKANSAS WATER AND SEWER FUND

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

6. Capital Assets (continued)

As Of	January 1, 2023	Additions / Transfers	Retirements/ Transfers	December 31, 2023
Assets not being depreciated				
Land and easements	\$ 13,085	\$ -	\$ -	\$ 13,085
Construction in progress	433,168	112,015	433,168	112,015
Assets not being depreciated	446,253	112,015	433,168	125,100
Assets being depreciated:				
Water plant and distribution	12,557,473	410,013	-	12,967,486
Sewer plant	17,759,732	1,098,591	-	18,858,323
Water meters	2,456,246	-	-	2,456,246
Machinery and equipment	2,694,756	38,089	11,300	2,721,545
Transportation equipment	2,164,327	-	-	2,164,327
Office equipment and furniture	325,133	-	-	325,133
Assets being depreciated:	37,957,667	1,546,693	11,300	39,493,060
Total Assets	38,403,920	1,658,708	444,468	39,618,160
Less: Accumulated Depreciation				
Water plant and distribution	6,236,270	117,294	-	6,353,564
Sewer plant	9,170,262	171,970		9,342,232
Water meters	893,666	124,552		1,018,218
Machinery and equipment	2,341,089	53,182	11,300	2,382,971
Transportation equipment	1,790,914	103,236		1,894,150
Office equipment and furniture	315,002	1,031	-	316,033
Total Accumulated Depreciation	20,747,203	571,265	11,300	21,307,168
Net Capital Assets	\$ 17,656,717	\$ 1,087,443	\$ 433,168	\$ 18,310,992

Construction in progress totaling \$143,209 at December 31, 2024, is for design and engineering fees to relocate a water line due to a highway widening project but also includes certain capacity upgrades. The total estimated cost of the project is \$5 million with estimated completion in early 2027. The cost will be shared with the Arkansas Department of Transportation but the cost share agreement has not yet been finalized.

CITY OF HARRISON, ARKANSAS WATER AND SEWER FUND

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

7. Long-Term Debt

Long-term debt of the Utility consists of:

As of December 31,	2024	2023
Loan dated April 24, 2015, in the amount of \$2,310,977 for an Automated Meter Reading and Advanced Metering Infrastructure project. The loan is due in quarterly payments of \$53,730 including interest at 2.97%. The loan is secured by Utility revenues, and all software and meters associated with the project and is scheduled to mature October 2029.	\$ 975,401	\$ 1,159,347
Total Debt	975,401	1,159,347
Less current maturity	188,839	189,767
Long-term Debt	\$ 786,562	\$ 969,580

Debt is scheduled to be repaid as follows:

December 31,	Principal	Interest	Total
2025	\$ 188,839	\$ 27,120	\$ 215,959
2026	194,843	21,116	215,959
2027	200,428	15,531	215,959
2028	206,515	9,444	215,959
2029	184,776	3,712	188,488
Total	\$ 975,401	\$ 76,923	\$ 1,052,324

The Utility's outstanding notes contains provisions for loan default which include the outstanding principal and interest become immediately due and payable

8. Activity of Long-Term Liabilities

The activity of long-term liabilities is summarized below:

As of	January 1, 2024	Debt Additions	Debt Retirements	December 31, 2024	Due Within One Year
Note payable	\$ 1,159,347	\$ -	\$ 183,946	\$ 975,401	\$ 188,839
Compensated absences	162,318	57,123	-	219,441	78,559
Net pension liability	2,022,453	-	147,447	1,875,006	-
Total	\$ 3,344,118	\$ 57,123	\$ 331,393	\$ 3,069,848	\$ 267,398

CITY OF HARRISON, ARKANSAS WATER AND SEWER FUND

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

8. Activity of Long-Term Liabilities (continued)

As of	January 1, 2023	Debt Additions	Debt Retirements	December 31, 2023	Due Within One Year
Note payable	\$ 1,336,375	\$ -	\$ 177,028	\$ 1,159,347	\$ 189,767
Compensated absences	160,290	2,028	-	162,318	99,435
Net pension liability	1,910,514	111,939	-	2,022,453	-
Total	\$ 3,407,179	\$ 113,967	\$ 177,028	\$ 3,344,118	\$ 289,202

9. Pension Plan

Plan Description

The Utility participates in the Arkansas Public Employees Retirement Departments (APERS). APERS is a cost-sharing, multiple employer, defined benefit plan which covers all State employees who are not covered by another authorized plan. The plan was established by the authority of the Arkansas General Assembly with passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings.

The general administration and responsibility for the proper operation of the System is vested in the thirteen members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes: three state and three non-state employees, all appointed by the Governor, three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Department of Finance and Administration, and four additional board positions that were added in Act 868 of the 2021 State of Arkansas legislative session. All of these four positions are appointed by the State of Arkansas Legislature. Two of these positions represent retirees with one being appointed by the House of Representatives and the other appointed by the Senate. The other two positions represent retired law enforcement with one being appointed by the House of Representatives and the other appointed by the Senate.

APERS issues an annual report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 West Capitol, Suite 400, Little Rock, Arkansas 72201.

Summary of Significant Accounting Policies

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

CITY OF HARRISON, ARKANSAS WATER AND SEWER FUND

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

9. Pension Plan (continued)

Benefits Provided

Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapters 5 and 6 and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest 3-year average compensation times the member's years of service. The percentage used is based upon whether a member is contributory or non-contributory as follows:

Contributory, prior to 7/1/2005	2.07%
Contributory, on or after 7/1/2005, but prior to 7/1/2007	2.03%
Contributory on or after 7/1/2007	2.00%
Non-Contributory	1.72%

Members are eligible to retire with a full benefit under the following conditions:

- ☐ at age 65 with 5 years of service,
- ☐ at any age with 28 years actual service,
- ☐ at age 60 with 20 years of actual service if under the old contributory plan (prior to July 1, 2005), or
- ☐ at age 55 with 35 years of credited service for elected or public safety officials.

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service at age 55 or at any age with 25 years of service.

Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member had 5 years of service and the monthly benefit is computed as if the member had retired and elected Joint & 75% Survivor option. A cost-of-living adjustment of 3% of the current benefit is added each year.

Several benefit changes were made in the 2021 legislative session. These changes only apply to newly hired employees on or after July 1, 2022. Act 370 made the final average compensation for the retirement benefit calculation to be the average of the five highest annual compensations. Act 366 made the annual cost-of-living adjustment to be the lesser of 3% or the percentage change in the Consumer Price Index.

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701)(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Act 365 of the 2021 regular legislative session put in place annual increases of .25% to this employee contribution rate beginning July 1, 2022 and continuing each year up to a maximum rate of 7%.

CITY OF HARRISON, ARKANSAS WATER AND SEWER FUND

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

9. Pension Plan (continued)

Contributions (continued)

The employee contribution rates were 5.25% and 5.50% for the Plan fiscal years ending June 30, 2023 and 2024, respectively. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed 15.32% of compensation for both Plan fiscal years ended June 30, 2024 and 2023. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

Contributions made by the Utility were \$283,618 and \$247,799 for the years ended December 31, 2024 and 2023, respectively.

APERS Fiduciary Net Position

Detailed information about APERS's fiduciary net position is available in the separately issued APERS Financial Report available at <http://www.apers.org/annualreports>.

Timing of the Valuation

The collective Net Pension Liability was measured as of June 30, 2024, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. Each employer's proportion of the net pension liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers. Based on this information, the City's proportionate share as of June 30, 2024 and 2023, was 0.19831129% and 0.18263224%, respectively. Approximately 39% of this amount was allocated to the Utility.

There were no changes between the measurement date of June 30, 2024 and the Utility's report ending date of December 31, 2024, that would have had a significant impact on the net pension liability.

Actuarial Assumptions

The total pension liability, net pension liability, and certain sensitivity information was determined by an actuarial valuation as of June 30, 2024. The significant assumptions used in the valuation and adopted by the APERS Board of Trustees, were as follows:

Actuarial Cost Method	Entry Age Normal
Discount Rate	7.00%
Wage Inflation Rate	3.25%
Salary Increases	3.25% – 9.85%
Investment Rate of Return	7.15%
Mortality Rate Table	RP-2006 weighted generational mortality tables for healthy annuitant, disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2017

CITY OF HARRISON, ARKANSAS WATER AND SEWER FUND

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

9. Pension Plan (continued)

Actuarial Assumptions (continued)

All other actuarial assumptions used in the June 30, 2024, valuation were based on the results of an actuarial experience study for the period from July 1, 2017 through June 30, 2022, and were applied to all prior periods included in the measurement.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2024 to 2033 were based upon GRS' 2024 Capital Market Assumptions Modeler. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2024, these best estimates are summarized in the following table:

Asset Class	Current Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	39%	5.03%
International Equity	17%	6.34%
Real Estate	16%	4.51%
Private Equity	5%	9.00%
Hedge Funds	2%	3.63%
Domestic Fixed	21%	3.38%
	<u>100%</u>	
Total Real Rate of Return		5.00%
Plus: Price Inflation - Actuary's Assumption		<u>2.50%</u>
Net Expected Return		<u>7.50%</u>

Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the June 30, 2024 valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 3.97% (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"; and the resulting single discount rate is 7.00%.

CITY OF HARRISON, ARKANSAS WATER AND SEWER FUND

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

9. Pension Plan (continued)

Single Discount Rate (continued)

The single discount rate of 7.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially-determined contribution rates and the member rate. Based on these assumptions, the pension plan fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the participating employers' net pension liability, calculated using a single discount rate, as well as what the participating employers' net pension liability would be if it were calculated using a single discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Single Rate Assumption 7.00%	1% Increase 8.00%
City of Harrison, Arkansas	\$ 8,419,569	\$ 4,934,227	\$ 2,060,819
Allocated to the Utility	\$ 3,283,632	\$ 1,924,349	\$ 803,719

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

The City's proportionate share of pension expense was \$848,644 and the Utility's allocated share of the expense was \$322,485 for the year ended December 31, 2024. At December 31, 2024, the Utility reported allocated deferred outflows of resources and deferred inflows of resources related to pensions from the Utility from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 74,680	\$ 78,678
Changes in assumptions	67,063	-
Net difference between projected and actual earnings on pension plan investments	55,825	-
Changes in proportion and differences between employer contributions and share contributions	100,370	33,737
Utility contributions subsequent to the measurement date	147,581	-
Total	\$ 445,519	\$ 112,415

CITY OF HARRISON, ARKANSAS WATER AND SEWER FUND

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

9. Pension Plan (continued)

Pension Expense and Deferred Outflows / Inflows of Resources Related to Pensions (continued)

\$147,581 reported as deferred outflows of resources related to pensions resulting from the Utility contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025, any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Net Increase (Decrease) in Pension Expense
2025	\$ (6,372)
2026	297,753
2027	(59,804)
2028	(46,054)
	\$ 185,523

10. Net Position - Prior Period Adjustments

The Utility recorded two prior period adjustments during the year. The first was to correct an error for depreciation expense and related accumulated depreciation to agree with the Utility's capital asset records. The second was to record effects of implementation of GASB Statement No. 68 relating to the City's cost sharing pension plan. The changes to the Utility's 2023 financial statements due to the adjustments are as follows:

	Original Balance 12/31/2023	Change	Restated Balance 12/31/2023
Statement of Net Position			
Net capital assets	\$ 17,936,898	\$ 374,094	\$ 18,310,992
Deferred outflows of resources related to pensions	\$ -	\$ 605,850	\$ 605,850
Net pension liability	\$ -	\$ 2,075,675	\$ 2,075,675
Deferred outflows of resources related to pensions	\$ -	\$ 77,673	\$ 77,673
Total net position	\$ 18,558,521	\$ (1,173,404)	\$ 17,385,117
Statement of Revenues, Expenses and Changes in Net Position			
Depreciation expense	\$ 945,359	\$ (374,094)	\$ 571,265
Employee benefits	\$ 419,918	\$ 78,007	\$ 497,925
Change in net position	\$ 1,096,042	\$ 296,087	\$ 1,392,129
Net position, beginning of year	\$ 17,462,479	\$ (1,469,491)	\$ 15,992,988
Net position, end of year	\$ 18,558,521	\$ (1,173,404)	\$ 17,385,117

CITY OF HARRISON, ARKANSAS WATER AND SEWER FUND

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

11. American Rescue Plan Act Grant

The City transferred \$400,000 of funds received under the American Rescue Plan Act of 2021 (ARPA) enacted by Congress to provide additional funding for state and local governments to the Utility during the year ended December 31, 2024. Eligible uses of the funds include the following: revenue replacement for the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency, relative to revenues collected in the most recent fiscal year prior to the emergency; COVID-19 expenditures or negative economic impacts of COVID-19, including assistance to small businesses, households, and hard-hit industries, and economic recovery; premium pay for essential workers; investments in water, sewer, and broadband infrastructure. The funds were spent on water and sewer projects and infrastructure.

12. Commitments / Concentrations

Financial instruments that potentially subject the Utility to credit risk consist primarily of accounts receivable. The Utility provides unsecured credit to its customers. The receivables are from individuals located within the same geographic region. The credit risk is considered minimal as the individual customer balances are relatively small and the customer base is consistent.

On December 18, 1998, the City, along with other member cities, signed a Memorandum of Understanding with the Boone Carroll Water District (the District). Under the agreement, the District will sell water to the member cities in an amount necessary to meet the cities respective water demands. The Cities will pay the District a rate sufficient to enable the District to pay all debt service, including water storage rights, operation and maintenance cost, maintain all covenants and reserves and maintain other reserves, collectively "total system costs". At the end of the year, if the District's total system costs exceed total water sales, then all users of the District shall be charged with the difference. If the total system costs are less than total water sales, the member cities shall be credited with the difference in the form of a rebate. The Utility received a small rebate during the year ended December 31, 2024. No rebate was issued during the year ended December 31, 2023.

The City signed a seven year contract commencing on January 1, 2023. for the service of collection and transportation of solid waste in the City. The contract may be extended for additional five year periods by mutual consent of both parties. The City pays a monthly fee for services based on contract rates, which may be adjusted annually based upon the consumer price index, if substantiated, with Council approval.

13. Risk Management

The Utility is exposed to various levels of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties and participation in a public entity risk pool. There has been no significant reduction in the Utility's insurance coverage from the previous year. In addition, there have been no settlements in excess of the Utility's coverage in any of the prior four fiscal years.

CITY OF HARRISON, ARKANSAS WATER AND SEWER FUND

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

13. Risk Management (continued)

The Utility participates in the Arkansas Municipal Leage program (public entity risk pools) for coverage in the municipal vehicle program. The Utility pays into the program each year and amount established annually by program administrators for covered property and equipment. Coverage includes:

Liability - this program may pay all sums (with limits) the municipality legally must pay as damages due to bodily injury, death, or property damage to which the agreement applies involving a covered vehicle and for which the Utility is liable.

Physical Damage - this program covers motor vehicles and permanently attached equipment which are property of the Utility. Property is valued at the full cost to repair or replace the property after deduction for depreciation.

14. Subsequent Events

The Utility has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2024 through February 12, 2026, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HARRISON, ARKANSAS WATER AND SEWER FUND

REQUIRED SUPPLEMENTAL INFORMATION FOR COST-SHARING EMPLOYER PLANS ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

FOR THE YEAR ENDED DECEMBER 31, 2024

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios

	APERS at June 30, 2024	APERS at June 30, 2023
City of Harrison's proportion of the net pension liability	0.19831129%	0.18263224%
Percent allocated to the Water and Sewer Fund	39%	39%
City of Harrison's proportionate share of the net pension liability	\$ 4,934,227	\$ 5,322,244
Amount allocated to the Water and Sewer Fund	\$ 1,924,349	\$ 2,075,675
Fund's covered-employee payroll	\$ 1,733,425	\$ 1,513,468
Fund's proportionate share of the net pension liability as a percentage of its covered-employee payroll	111.01%	137.15%
Plan fiduciary net position as a percentage of the total pension liability	81.61%	77.94%

Schedule of Required Contributions

	December 31, 2024	December 31, 2023
Contractually required contribution	\$ 283,618	\$ 247,799
Contributions in relation to the contractually required contribution	(283,618)	(247,799)
Contribution deficiency (excess)	\$ -	\$ -
Fund's covered-employee payroll	\$ 1,851,292	\$ 1,617,487
Contributions as a percentage of covered-employee payroll	15.32%	15.32%

See independent auditor's report.

CITY OF HARRISON, ARKANSAS WATER AND SEWER FUND

REQUIRED SUPPLEMENTAL INFORMATION FOR COST-SHARING EMPLOYER PLANS ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

FOR THE YEAR ENDED DECEMBER 31, 2024

Notes to Required Supplemental Information for Cost-Sharing Employer Plans

1. The schedules are intended to show 10 years - due to software changes, information prior to 2023 is not readily available.

2. Changes in benefits: None: June 30, 2023 through June 30, 2024

3. Changes in actuarial assumptions:

Single Discount Rate:	June 30, 2023 and 2024	7.00%
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Investment Rate of Return:	June 30, 2023 and 2024	7.15%
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Municipal Bond Rate - Source: 20-Bond GO Index		
	June 30, 2024	3.97%
	June 30, 2023	3.86%

Inflation	June 30, 2023 and 2024	3.25% wage 2.50% price
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Salary Increases	June 30, 2023 and 2024	3.25% - 9.85%
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Mortality Table	June 30, 2023 and 2024	Based on RP-2006 weighted generational mortality tables for healthy annuitant disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2017
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See independent auditor's report.

ADDITIONAL REPORT



**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***

To the Honorable Mayor and City Council Members
City of Harrison, Arkansas Water and Sewer Fund
Harrison, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of City of Harrison, Arkansas Water and Sewer Fund, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated February 12, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Harrison, Arkansas Water and Sewer Fund'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Harrison, Arkansas Water and Sewer Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Harrison, Arkansas Water and Sewer Fund's internal control.

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

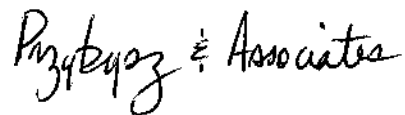
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Harrison, Arkansas Water and Sewer Fund's financial statement 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*.

Purpose of This Report

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



Przybysz & Associates, CPAs, P.C.
Fayetteville, Arkansas
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