

City of Harrison, Arkansas

Regulatory Basis Financial Statements and Other Reports

December 31, 2021

LEGISLATIVE JOINT AUDITING COMMITTEE



CITY OF HARRISON, ARKANSAS
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Arkansas

Sen. David Wallace
Senate Chair
Sen. John Payton
Senate Vice Chair



Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
House Vice Chair

Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE **ARKANSAS LEGISLATIVE AUDIT**

Independent Auditor's Report

City of Harrison, Arkansas Officials and Council Members
Legislative Joint Auditing Committee

Report on the Audit of the Financial Statements

Opinions

We have audited the regulatory basis financial statements of the City of Harrison, Arkansas (City), which are comprised of the Balance Sheet – Regulatory Basis for the general fund, street fund, and other funds in the aggregate as of December 31, 2021, and the related Statements of Revenues, Expenses, and Changes in Fund Balances and Budget and Actual – General and Street Funds – Regulatory Basis for the year then ended, and the related notes to the financial statements.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the accompanying regulatory basis financial statements referred to above present fairly, in all material respects, the regulatory basis financial position of the general fund, street fund, and other funds in the aggregate of the City of Harrison, Arkansas as of December 31, 2021; the regulatory basis revenues, expenditures, and changes in net position; and the budgetary comparisons for the general fund and street fund for the year then ended, in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-412 described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the accompanying regulatory basis financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the general fund, street fund, and other funds in the aggregate of the City of Harrison, Arkansas, as of December 31, 2021, or the revenues, expenditures, and changes in net position and, where applicable, cash flows thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, 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 Regulatory Basis 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.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the financial statements are prepared by the City on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements permitted by the State of Arkansas.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the City would have included another fund under accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. However, under the regulatory basis, this fund is not required to be included as part of the reporting entity. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-412, as described in Note 1, to meet the requirements permitted by the State of Arkansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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.

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 judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatements of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City'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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the regulatory basis financial statements. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the 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 regulatory basis financial statements. The information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the regulatory basis financial statements or to the regulatory basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information listed in the table of contents is fairly stated in all material respects, in relation to the regulatory basis financial statements as a whole on the basis of accounting described in Note 1.

Other Information

Management is responsible for the other information included in the report. The other information is comprised of the schedules listed in the table of contents but does not include the regulatory basis financial statements, supplemental information, and our auditor's reports thereon. Our opinions on the regulatory basis financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the regulatory basis financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2023, 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 the testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. The 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.

ARKANSAS LEGISLATIVE AUDIT



Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

Little Rock, Arkansas
January 10, 2023
LOM104221



Sen. David Wallace
Senate Chair
Sen. John Payton
Senate Vice Chair



Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
House Vice Chair

Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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*

Independent Auditor's Report

City of Harrison, Arkansas Officials and Council Members
Legislative Joint Auditing Committee

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 regulatory basis financial statements of the general fund, street fund, and other funds in the aggregate of City of Harrison, Arkansas (City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's regulatory basis financial statements, and have issued our report thereon dated January 10, 2023. We issued an adverse opinion because the financial statements are prepared by the City on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-412, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, with respect to the regulatory basis of accounting described in Note 1, our opinions on the general fund, street fund, and other funds in the aggregate were unmodified.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, 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*.

We also reported to management of the City in a separate letter dated January 10, 2023.

Purpose of This Report

The purpose of this report is solely to described 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. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record, and distribution is not limited.

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in black ink, appearing to read "Timothy R. Jones", written in a cursive style.

Timothy R. Jones, CPA, CFF
Deputy Legislative Auditor

Little Rock, Arkansas
January 10, 2023

Arkansas

Sen. David Wallace
Senate Chair
Sen. John Payton
Senate Vice Chair



Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
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Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE **ARKANSAS LEGISLATIVE AUDIT**

MANAGEMENT LETTER

City of Harrison, Arkansas Officials and Council Members
Legislative Joint Auditing Committee

The commentary contained in this letter relates to the following officials who held office during 2021:

Mayor: Jerry Jackson
Clerk/Treasurer: Jeff Pratt
District Court Clerk: Sandy Wright
Police Chief: Chris Graddy
City Advertising, Tourism, and Promotion Commission Chairperson: Robin Reeves

No issues came to our attention that we considered necessary to report to management.

This letter is intended solely for the information and use of the Legislative Joint Auditing Committee, the City Council (or local governing body) and City management, and other parties as required by Arkansas Code and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record, and distribution is not limited.

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in black ink, reading "Timothy R. Jones".

Timothy R. Jones, CPA, CFF
Deputy Legislative Auditor

Little Rock, Arkansas
January 10, 2023

CITY OF HARRISON, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
DECEMBER 31, 2021

Exhibit A

	General	Street	Other Funds in the Aggregate
ASSETS			
Cash and cash equivalents	\$ 4,135,493	\$ 3,014,219	\$ 39,638,186
Investments			9,946,551
Accounts receivable	529,402	7,517	1,222,376
Interfund receivables	134,954	128,844	439,213
	<u>134,954</u>	<u>128,844</u>	<u>439,213</u>
TOTAL ASSETS	<u>\$ 4,799,849</u>	<u>\$ 3,150,580</u>	<u>\$ 51,246,326</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 410,534	\$ 172,298	\$ 1,551,997
Interfund payables	340,175		362,836
Settlements pending			195,232
Total Liabilities	<u>750,709</u>	<u>172,298</u>	<u>2,110,065</u>
Fund Balances:			
Nonspendable			1,000,000
Restricted		2,978,282	47,097,447
Committed			1,020,814
Assigned	41,735		18,000
Unassigned	4,007,405		
Total Fund Balances	<u>4,049,140</u>	<u>2,978,282</u>	<u>49,136,261</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,799,849</u>	<u>\$ 3,150,580</u>	<u>\$ 51,246,326</u>

The accompanying notes are an integral part of these financial statements.

CITY OF HARRISON, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Exhibit B

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 311,009	\$ 1,069,407	\$ 209,539
Federal aid	2,747	37,000	1,389,475
Property taxes	1,126,493	117,228	307,553
Franchise fees			912,116
Sales taxes	4,212,954		6,315,542
Fines, forfeitures, and costs	270,432		13,736
Interest	22,027	16,828	775,007
Local permits and fees	112,563		113,144
Advertising and promotion taxes			855,483
Conservation fees	150,171		
Park and recreation fees			505,517
Probation fees			83,292
Net increase/(decrease) in fair value of investments			244,342
Other	16,089	36,160	220,091
TOTAL REVENUES	6,224,485	1,276,623	11,944,837
EXPENDITURES			
Current:			
General government	2,195,508		50
Law enforcement	125,516		5,300,915
Highways and streets		1,822,460	
Public safety			4,391,123
Recreation and culture	577,986		2,073,237
Advertising and promotion	1,496		697,647
Cemetery			66,079
Total Current	2,900,506	1,822,460	12,529,051
Debt Service:			
Bond principal			315,000
Bond interest and other charges			77,766
Lease principal			678
TOTAL EXPENDITURES	2,900,506	1,822,460	12,922,495

CITY OF HARRISON, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Exhibit B

	General	Street	Other Funds in the Aggregate
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 3,323,979</u>	<u>\$ (545,837)</u>	<u>\$ (977,658)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	333,470	685,956	4,081,199
Transfers out	(3,500,130)		(1,600,495)
Contribution to water department			(517,503)
Bond proceeds			18,725,000
Premium on bonds			1,272,355
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,166,660)</u>	<u>685,956</u>	<u>21,960,556</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	157,319	140,119	20,982,898
FUND BALANCES - JANUARY 1	<u>3,891,821</u>	<u>2,838,163</u>	<u>28,153,363</u>
FUND BALANCES - DECEMBER 31	<u><u>\$ 4,049,140</u></u>	<u><u>\$ 2,978,282</u></u>	<u><u>\$ 49,136,261</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF HARRISON, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND STREET FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 210,896	\$ 311,009	\$ 100,113	\$ 1,069,407	\$ 1,069,407	\$ 0
Federal aid	2,747	2,747	0	37,000	37,000	0
Property taxes	1,126,493	1,126,493	0	117,228	117,228	0
Sales taxes	4,212,954	4,212,954	0			
Fines, forfeitures, and costs	285,989	270,432	(15,557)			
Interest	22,017	22,027	10	16,828	16,828	0
Local permits and fees	103,310	112,563	9,253			
Conservation fees	150,171	150,171	0			
Other	415,919	16,089	(399,830)	72,160	36,160	(36,000)
TOTAL REVENUES	6,530,496	6,224,485	(306,011)	1,312,623	1,276,623	(36,000)
EXPENDITURES						
Current:						
General government	2,554,419	2,195,508	358,911			
Law enforcement	152,590	125,516	27,074			
Highways and streets				1,822,460	1,822,460	0
Recreation and culture	541,795	577,986	(36,191)			
Advertising and promotion	1,470	1,496	(26)			
TOTAL EXPENDITURES	3,250,274	2,900,506	349,768	1,822,460	1,822,460	0
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,280,222	3,323,979	43,757	(509,837)	(545,837)	(36,000)
OTHER FINANCING SOURCES (USES)						
Transfers in	428,459	333,470	(94,989)	685,956	685,956	0
Transfers out	(3,482,130)	(3,500,130)	(18,000)			
TOTAL OTHER FINANCING SOURCES (USES)	(3,053,671)	(3,166,660)	(112,989)	685,956	685,956	0
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	226,551	157,319	(69,232)	176,119	140,119	(36,000)
FUND BALANCES - JANUARY 1	3,891,821	3,891,821	0		2,838,163	2,838,163
FUND BALANCES - DECEMBER 31	\$ 4,118,372	\$ 4,049,140	\$ (69,232)	\$ 176,119	\$ 2,978,282	\$ 2,802,163

The accompanying notes are an integral part of these financial statements.

CITY OF HARRISON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1: Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of Harrison was incorporated under the laws of the State of Arkansas and operates under an elected Mayor-Council form of government. The reporting entity includes all funds of the City. Under accounting principles generally accepted in the United States of America (GAAP) as established by the *Government Accounting Standards Board*, the following fund of the City would have been included in the reporting entity: Water and Sewer. However, under Arkansas's regulatory basis described below, inclusion of this fund is not required and this fund is not included in this report.

B. Basis of Presentation – Regulatory

The financial statements are presented in accordance with the regulatory basis of presentation as prescribed or permitted by Ark. Code Ann. § 10-4-412. The law requires that the financial statements be presented on a fund basis with, as a minimum, the general fund and street fund presented separately with all other funds included in the financial statements presented in the aggregate. This law also stipulates that the financial statements consist of a balance sheet; a statement of revenues, expenditures, and changes in fund balances; a comparison of the final adopted budget to the actual expenditures for the general and street funds; notes to financial statements; and a supplemental schedule of capital assets.

The regulatory basis of presentation is not in accordance with generally accepted accounting principles (GAAP). GAAP require that basic financial statements present government-wide and fund financial statements. Additionally, GAAP require the following major concepts: Management's Discussion and Analysis, separate financial statements for fiduciary fund types and other requirements for fiduciary fund types, specific procedures for the identification of major governmental funds, and applicable note disclosures. The regulatory basis of presentation does not require government-wide financial statements or the previously identified concepts.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with related liabilities and residual balances, and changes therein, which are segregated for purposes of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds are recognized in the accompanying regulatory basis financial statements.

General Fund - The General Fund is used to account for and report all financial resources not accounted for and reported in another fund.

Street Fund - The Street Fund (Special Revenue Fund) is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Street Fund accounts for and reports the proceeds of state highway turnback, and property taxes that are restricted or committed for maintaining and constructing highways and streets.

Other Funds in the Aggregate - Other Funds in the Aggregate consist of all funds included in the financial statements except for the General and Street Funds. The following types of funds are included in this column as follows:

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. See Schedules 1 and 2 for Special Revenue Funds as reported with other funds in the aggregate.

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets. See Schedules 1 and 2 for Capital Projects Funds as reported with other funds in the aggregate.

CITY OF HARRISON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation – Regulatory (Continued)

Other Funds in the Aggregate (Continued)

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. See Schedules 1 and 2 for Debt Service Funds as reported with other funds in the aggregate.

Permanent Fund – Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry. See Schedules 1 and 2 for the Permanent Fund reported with other funds in the aggregate.

Pension Trust Funds – Pension Trust Funds are used to report resources that are required to be held in trust for the members and beneficiaries of pension plans. See Schedules 1 and 2 for the Pension Trust Funds as reported with other funds in the aggregate.

Custodial Funds - Custodial Funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). See Schedule 1 for Custodial Funds as reported with other funds in the aggregate.

C. Basis of Accounting - Regulatory

The financial statements are prepared on the regulatory basis of accounting as prescribed or permitted by Ark. Code Ann. § 10-4-412. This regulatory basis differs from accounting principles generally accepted in the United States of America. Revenues generally are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current period. However, most state aid received from the State Treasury is by state law revenue of the year in which it was received by the government. Expenditures generally are recorded when a liability is incurred. Liabilities incurred by the government on or before the end of the current period that are paid within 60 days of the end of the current period, are considered to be expenditures of the current period. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. As a result of the use of this regulatory basis of accounting, capital assets and long-term debt are not recorded in these financial statements. Pension trust funds are reported in a separate column as a part of supplementary information in order to provide users a better understanding of the entity as a whole.

The regulatory basis of accounting is not in accordance with generally accepted accounting principles (GAAP). GAAP require the following major concepts: Accrual basis of accounting for government-wide financial statements, including depreciation expense, modified accrual basis of accounting for fund financial statements, separate identification of special and extraordinary items, inclusion of capital assets and debt in the financial statements, inclusion of the net pension liability in the financial statements, and applicable note disclosures. The regulatory basis of accounting does not require the previously identified concepts.

D. Assets, Liabilities, and Fund Balances

Cash and Cash Equivalents

For the purpose of financial reporting, "cash and cash equivalents" includes all demand, savings, and money market accounts, certificates of deposit, and short-term investments with an original maturity of three months or less.

CITY OF HARRISON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Fund Balances (Continued)

Investments

Investments are reported at fair value.

Settlements Pending

Settlements pending are considered fines, forfeitures, and costs that have not been transferred to the appropriate entities.

Fund Balance Classifications

1. Nonspendable fund balance - amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
2. Restricted fund balance - amounts that are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
3. Committed fund balance - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council (passage of an ordinance).
4. Assigned fund balance - amounts that are constrained by the City Council's intent to be used for specific purposes, but are neither restricted nor committed.
5. Unassigned fund balance – amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the general fund. This classification may also include negative amounts in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

E. Property Taxes

A lien attaches to the real property in January and on personal property in June of each year. Property taxes are collectible beginning the first business day of March of the subsequent year, but are not considered delinquent until after October 15. Property taxes reflected as revenues on the financial statements include the property tax relief distribution made by the State of Arkansas. The purpose of this distribution is to reimburse the municipality for property tax credits in accordance with Arkansas Code.

CITY OF HARRISON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Budget Law

State law requires that these procedures be followed in establishing the budgetary data:

- a. Prior to December 1, the Mayor submits to the City Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. The proposed budget is discussed at a City Council meeting prior to adoption.
- c. Prior to February 1, the budget is legally enacted by ordinance or resolution of the City Council.
- d. Appropriations lapse at the end of each year.
- e. Under certain conditions, the budget may be amended subsequent to the year-end.

The budgeted revenues and expenditures represent the formal operating budget adopted by the City Council, as amended by the Council during the year.

Basis of Accounting

The City prepared an annual budget on the regulatory basis for the General Fund, Street Fund, and the other operating funds.

G. Fund Balance Classification Policies and Procedures

The Municipality's highest level of decision-making authority is its City Council. The establishment of amounts classified as committed fund balances and any subsequent modifications to such balances are the result of formal action taken by the City Council through passage of an ordinance. The City Council is authorized to assign amounts to a specific purpose, although a formal policy has not been established.

The Municipality does not have a policy addressing whether it considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted amounts are available. For classification of fund balance amounts, restricted resources are considered spent before unrestricted. The Municipality does not have a policy addressing which resources to use within the unrestricted fund balance when committed, assigned, or unassigned fund balances are available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts.

CITY OF HARRISON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2: Cash Deposits with Financial Institutions

Cash deposits are carried at cost (carrying value). A comparison of the bank balance and carrying value is as follows:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 23,702,243	\$ 23,797,577
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	23,083,305	23,274,709
Total Deposits	<u>\$ 46,785,548</u>	<u>\$ 47,072,286</u>

The above total deposits do not include cash on hand of \$2,350.

NOTE 3: Legal or Contractual Provisions for Deposits and Investments

State law generally requires 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 eligible investment securities having a maturity of not longer than 5 years from the date of acquisition unless, as documented at the time of acquisition, the investment is to fund or support a specific purpose and there are no expectations that the investment will be sold before maturity; an Arkansas bank certificate of deposit; an account established by a local government joint investment trust; or an Arkansas financial institution repurchase agreement for eligible investment securities in which the seller agrees to repurchase the investment at a price including interest earned during the holding period as determined by the repurchase agreement.

Pension Trust Funds

State law generally requires that pension funds be deposited in banks. Pension funds may be invested in interest-bearing bonds of the United States, of the State of Arkansas, or of the city in which the board is located, in a local government joint investment trust, in the Arkansas Local Police and Fire Retirement System, or in savings and loan associations duly established and authorized to do business in this state. State law also provides that if the total assets of the pension trust fund exceed \$100,000, the board may employ an investment advisor to invest the assets, subject to terms, conditions, limitations, and restrictions imposed by law upon the Arkansas Local Police and Fire Retirement System.

CITY OF HARRISON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 Public Fund Investments

A summary of investments by fund types is as follows:

Fund Type	<u>December 31, 2021</u> Fair Value
Pension Trust	
Cemetery Perpetual Care	\$ 1,976,088
Trust	
Firemen's Pension	4,655,379
Policemen's Pension	3,315,084
Total Trust	<u>7,970,463</u>
Total	<u>\$ 9,946,551</u>

Investments are reported at fair value. Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* establishes a hierarchy based on the valuation assumptions used to measure the fair value of the asset as follows:

- **Level I** – quoted prices in active markets for identical assets
- **Level II** – significant other observable assumptions (e.g., quoted prices for similar instruments in active or inactive markets, etc.)
- **Level III** – significant unobservable assumptions (i.e., prices or valuations using unobservable techniques supported by little or no market activity.)

The City's investments are composed of the following:

<u>December 31, 2021</u> Investment Type	Quoted Prices in Active Markets for Identical Investments Level I	Other Observable Inputs Level II	Total
Equities			
Preferred Stock	\$ 212,016		\$ 212,016
Real Estate Investment Trusts	69,564		69,564
Common Stock	473,996		473,996
Mutual funds	7,970,462		7,970,462
Fixed income			
Corporate Bonds		\$ 227,094	227,094
Municipal Bonds		993,419	993,419
Totals	<u>\$ 8,726,038</u>	<u>\$ 1,220,513</u>	<u>\$ 9,946,551</u>

The fair value of federated treasury obligations, money market obligations and the cash management fund is measured on a recurring basis and is based on quoted market prices obtained from independent pricing sources. U.S. Government, mortgage-backed and corporate bonds are valued at fair value using quoted market prices from third parties that use, as their basis readily observable market inputs, such as yields of similar instruments with comparable inputs. As a result, these were classified as Level II inputs.

CITY OF HARRISON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 Public Fund Investments (Continued)

Ark. Code Ann. § 24-11-216 authorizes the Firemen's Pension Board of Trustees and the Policemen's Pension Board of Trustees to have full power to invest and reinvest monies in accordance with the rules promulgated by the Arkansas Fire and Police Pension Review Board.

The code also states the Boards shall establish written investment policies to incorporate a rate of return that is at least equal to the rate of return of one-year United States Treasury notes. The 2021 asset allocation guidelines have been established as follows:

Asset Allocation	Minimum	Target	Maximum
Firemen's Pension			
Total equity	10.0%	60.0%	70.0%
Fixed income	25.0%	35.0%	80.0%
Real estate	0.0%	0.0%	0.0%
Cash equivalents	0.0%	5.0%	20.0%
Policemen's Pension			
Total equity	40.0%	60.0%	80.0%
Fixed income	20.0%	35.0%	60.0%
Cash equivalents	0.0%	5.0%	20.0%

Ark. Code Ann. § 20-17-1013 states the principal of the permanent Cemetery maintenance fund shall be invested and remain invested in securities and funds permitted by the laws of Arkansas for the investment of policy reserves of life insurance companies under § 23-60-101 et seq., and in the common trust funds of state or national banks. The code limits the portfolio's investments by no more than 20% of assets can be made up of medium or low grade obligations. Of these obligations, no more than 1% of the medium grade obligations can be held by one institution, and no more than 0.5% of the lower grade obligations can be held by one institution. Common stocks cannot make up more than 25% of assets, and preferred stocks cannot make up more than 20% of assets.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments can be highly sensitive to changes in interest rates due to their terms or characteristics. The City has not adopted a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The following summary details the maturity dates in years:

Investment Type	Fair Value	Investment Maturities (In Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Corporate Bonds	\$ 227,094		\$ 82,676	\$ 144,418	
Municipal Bonds	993,419	\$ 10,331	182,189	527,044	\$ 273,855
Bond Mutual Funds	4,029,397		3,826,911	202,486	
Totals	\$ 5,249,910	\$ 10,331	\$ 4,091,776	\$ 873,948	\$ 273,855

CITY OF HARRISON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 Public Fund Investments (Continued)

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The risk is measured by the credit quality rating of investments in debt securities as described by nationally-recognized statistical rating organizations. Obligations of or guaranteed by the U.S. Government are not considered to be exposed to credit risk and are not included in this disclosure. The City's exposure to credit risk as of December 31, 2021, is as follows:

	Fair Value
Corporate Bonds	
A	\$ 9,968
A-	16,643
AA	69,327
BBB	68,346
BBB+	37,791
Not rated	25,019
	<u>227,094</u>
Municipal Bonds	
A	\$ 10,133
AA-	62,172
AA	604,765
AA+	72,483
BBB+	10,096
BBB	47,760
Not rated	186,010
	<u>993,419</u>
Bond Mutual Funds	
A	\$ 597,545
B	3,229,366
BB	202,486
	<u>4,029,397</u>
Total	<u><u>\$ 5,249,910</u></u>

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the City, and are held by either a counterparty or the counterparty's trust department or agent but not in the City's name. The City has not adopted a formal investment policy addressing custodial credit risk. As of December 31, 2021, no investments were exposed to custodial credit risk.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single user. The City has not adopted a formal policy addressing concentration of credit risk. As of December 31, 2021, no investments in any one issuer represent more than 5% of total investments.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The City has not adopted a formal investment policy addressing foreign currency risk.

CITY OF HARRISON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5: Accounts Receivable

The accounts receivable balance at December 31, 2021, is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
State aid			\$ 13,272
Federal aid			1,395
Property taxes	\$ 72,167	\$ 7,517	59,637
Franchise fees			191,859
Sales taxes	361,839		750,467
Fines, forfeitures, and costs	61,483		
Local permits and fees	2,895		12,850
Advertising and promotion taxes			75,042
Conservation fees	14,143		
Other	16,875		117,854
Totals	<u>\$ 529,402</u>	<u>\$ 7,517</u>	<u>\$ 1,222,376</u>

NOTE 6: Accounts Payable

The accounts payable balance at December 31, 2021, is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Vendor payables	\$ 368,842	\$ 159,098	\$ 1,386,534
Salaries payable	41,692	13,200	165,463
Totals	<u>\$ 410,534</u>	<u>\$ 172,298</u>	<u>\$ 1,551,997</u>

CITY OF HARRISON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 7: Interfund Balances

Individual fund interfund receivable and payable balances are as follows:

	December 31, 2021	
	Interfund Receivables	Interfund Payables
General Fund	\$ 134,954	\$ 340,175
Street Fund	128,844	
Other Funds in the Aggregate:		
Special Revenue Funds:		
City Advertising, Tourism, and Promotion Commission (CATPC)		112,844
Parks and Recreation	104,182	68,904
Fire	150,888	123
Police	149,793	
Economic Development Fund	30,806	
American Rescue Plan Act	3,544	
Capital Projects Funds:		
Infrastructure		92,844
Debt Service Funds:		
Series 2020 Franchise Fee Bond - Debt Service		75,746
Permanent Funds:		
Cemetery Perpetual Care		12,375
Totals	<u>\$ 703,011</u>	<u>\$ 703,011</u>

Interfund receivables and payables consist of interfund loans. These balances were repaid in 2022.

CITY OF HARRISON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 8: Details of Fund Balance Classifications

Fund balance classifications at December 31, 2021, are composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Fund Balances:			
Nonspendable:			
Cemetery			\$ 1,000,000
Restricted for:			
General government			1,355,215
Law enforcement			696,663
Highways and streets		\$ 2,978,282	
Public safety			1,174,320
Recreation and culture			159,870
Advertising and promotion			762,016
Economic development			62,075
Pension benefits			8,218,751
Capital outlay			33,902,175
Debt service			766,362
Total Restricted		<u>2,978,282</u>	<u>47,097,447</u>
Committed for:			
Cemetery			<u>1,020,814</u>
Assigned to:			
General government	\$ 41,735		
Law enforcement			18,000
Total Assigned	<u>41,735</u>		<u>18,000</u>
Unassigned	<u>4,007,405</u>		
Totals	<u>\$ 4,049,140</u>	<u>\$ 2,978,282</u>	<u>\$ 49,136,261</u>

NOTE 9: Legal Debt Limit

A. Property Tax Secured Bonded Debt

The City is subject to a constitutional limitation for bonded indebtedness equal to 20% of the total assessed value for tax purposes of real and personal property as determined by the last tax assessment. At December 31, 2021, the legal debt limit for the bonded debt was \$46,964,420. There were no property tax secured bond issues.

B. Short-term Financing Obligations

The City is subject to a constitutional limitation for short-term financing obligations equal to 5% of the assessed value of taxable property within the City as determined by the last tax assessment. At December 31, 2021, the legal debt limit for short-term financing obligations was \$12,407,015. There were no short-term financing obligations.

CITY OF HARRISON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 10: Commitments

Total commitments consist of the following at December 31, 2021:

	December 31, 2021
Long-term liabilities	\$ 23,157,200
Construction contracts	5,358,029
Total Commitments	<u>\$ 28,515,229</u>

Long-term liabilities

Long-term liabilities at December 31, 2021, are comprised of the following:

	December 31, 2021
<u>Bonds</u>	
Franchise Fee Bonds, Series 2020, dated October 6, 2020, in the amount of \$4,180,000, for the construction and equipping of a new city hall and public safety complex, due in annual installments of \$315,000 to \$385,000 plus interest through October 1, 2032; interest of 1.875 to 2%. Payments are to be made from the Franchise Fee Bond Series 2020 Debt Service Fund.	\$ 3,865,000
Sales and Use Tax Bonds, Series 2021, dated August 17, 2021, in the amount of \$18,725,000, for the acquisition, construction, equipping, operation and maintenance of new or existing park and recreational facilities; and economic development, due in annual installments of \$475,000 to \$1,155,000 plus interest through December 1, 2042; interest of 2 to 4%. Payments are to be made from the Sales and Use Tax Bond Series 2021 Debt Service Fund.	<u>18,725,000</u>
Total Bonds	<u>22,590,000</u>
Compensated absences consisting of accrued vacation and sick leave adjusted to current salary cost	<u>567,200</u>
Total Long-term liabilities	<u>\$ 23,157,200</u>

Due to the City's regulatory basis of accounting, these liabilities are not recorded in the financial statements.

The City's outstanding bonds payable of \$22,590,000 contain a provision that in an event of default, the Trustee may, and upon written request of the owners of not less than 10% in principal amount of the bonds then outstanding shall, by proper suit compel the performance of the duties of the officials of the City and officials of the State to take any action or obtain any proper relief in law or equity available under the Constitution and laws of the State.

CITY OF HARRISON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 10: Commitments (Continued)

Post Employment Benefits Other Than Pensions

The amount of any actuarially determined accrued liability for post employment benefits other than pensions was not determined.

Long-Term Debt Issued and Outstanding

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding December 31, 2021	Maturities to December 31, 2021
<u>Bonds</u>					
10/6/20	10/1/32	1.875-2%	\$ 4,180,000	\$ 3,865,000	\$ 315,000
8/17/21	12/1/42	2-4%	18,725,000	18,725,000	0
Total Long-Term Debt			<u>\$ 22,905,000</u>	<u>\$ 22,590,000</u>	<u>\$ 315,000</u>

Changes in Long-Term Debt

	Balance January 01, 2021	Issued	Retired	Balance December 31, 2021
Bonds payable	\$ 4,180,000	\$ 18,725,000	\$ 315,000	\$ 22,590,000
<u>Direct Borrowings</u>				
Capital leases	678	0	678	0
Total Long-Term Debt	<u>\$ 4,180,678</u>	<u>\$ 18,725,000</u>	<u>\$ 315,678</u>	<u>\$ 22,590,000</u>

Debt Service Requirements to Maturity

The City is obligated for the following amounts at December 31, 2021:

Years Ending December 31,	Bonds		
	Principal	Interest	Total
2022	\$ 795,000	\$ 776,097	\$ 1,571,097
2023	975,000	592,488	1,567,488
2024	1,010,000	559,987	1,569,987
2025	1,045,000	526,288	1,571,288
2026	1,080,000	491,288	1,571,288
2027 through 2031	5,915,000	1,937,831	7,852,831
2032 through 2036	5,170,000	1,126,419	6,296,419
2037 through 2041	5,445,000	454,756	5,899,756
2042	1,155,000	23,100	1,178,100
Totals	<u>\$ 22,590,000</u>	<u>\$ 6,488,254</u>	<u>\$ 29,078,254</u>

CITY OF HARRISON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 10: Commitments (Continued)

Construction Contracts

The City was contractually obligated for the following construction contracts at December 31, 2021:

Project Name	Completed or Estimated Completion	Contract Balance December 31, 2021
Public Safety Building/City Hall	August 2022	\$ 3,979,550
Creekside Community Center	July 2024	831,722
Parks and Recreation Renovation	April 2023	86,400
Equity Bank Sports Complex Project	March 2022	460,357
Total Construction Contracts		<u>\$ 5,358,029</u>

NOTE 11: Interfund Transfers

The General Fund transferred \$3,500,130 to the Other Funds in the Aggregate (Fire, Police, and Probation Funds) for operations. Other Funds in the Aggregate (Infrastructure Fund) transferred \$685,956 to the Street Fund for capital improvements, and (Series 2020 Franchise Fee Bond Debt Service Fund) transferred \$333,470 to the General Fund for excess franchise fees. Within Other Funds in the Aggregate, the City Advertising, Tourism, and Promotion Commission transferred \$173,890 to the Parks and Recreation Fund for operations, the Fire Capital Projects Fund transferred \$202,413 to the Fire Fund for reimbursement of prior year expenditures, the Police Capital Projects Fund transferred \$204,754 to the Police Fund for reimbursement of prior year expenditures, and the Series 2020 Franchise Fee Bond – Capital Projects Fund transferred \$12 to the Series 2020 Franchise Fee Bond – Debt Service Fund for debt service payments.

NOTE 12: Pledged Revenues

The City pledged future franchise fees to repay \$4,180,000 in bonds that were issued in 2020 to provide funding for the construction and equipping of a new city hall and public safety building. Total principal and interest remaining on the bonds are \$3,865,000 and \$432,088, respectively, payable through October 1, 2032. For 2021, principal and interest paid were \$315,000 and \$75,475, respectively.

The Debt Service Fund received \$912,116 in franchise fees in 2021. Any franchise fees collected in excess of debt service payments on these bonds is permitted to be used for other city expenditures.

The City pledged future .25% sales and use taxes to repay \$18,725,000 in bonds that were issued in 2021 to provide funding for the Creekside Community Center, parks improvements, and economic development. Total principal and interest remaining on the bonds are \$18,725,000 and \$6,056,166, respectively, payable through December 1, 2042.

The Debt Service Fund received \$248,300 in sales taxes in 2021. Any sales taxes collected in excess of debt service payments on these bonds is permitted to be used for early retirement of debt.

NOTE 13: Jointly Governed Organizations

Ozark Mountain Solid Waste District

The City is a member of the Ozark Mountain Solid Waste District (District), formerly the Northwest Arkansas Regional Solid Waste District. The District is a jointly governed organization comprised of representatives from Baxter, Boone, Marion, Newton, and Searcy counties and participating cities with the aforementioned counties. Representatives are the respective county judges and mayors unless some other representative is appointed by the participating entity. The City made no payments to the District.

CITY OF HARRISON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 13: Jointly Governed Organizations (Continued)

Fourteenth Judicial District Drug Task Force

The Prosecuting Attorney of the Fourteenth Judicial District, the Sheriffs' departments of Baxter, Boone, Marion, and Newton counties, and the Police Departments of Harrison and Mountain Home entered into an agreement to establish the Fourteenth Judicial District Drug Task Force. Funding was provided through a Drug Law Enforcement Program grant applied for by the Prosecuting Attorney of the Fourteenth Judicial District. Financial statements of the Fourteenth Judicial Drug District Task Force are not available.

NOTE 14: Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties and participation in a public entity risk pool. The amount of settlements, if any, has not exceeded the insurance coverage for each of the past three years. There were no significant reductions in insurance coverage in the major categories of risk from coverage in the prior year.

The City participates in the Arkansas Municipal League Program (public entity risk pools) for coverage in the following areas:

Workers' Compensation - This program provides statutory benefits for losses incurred by municipal officials, employees, and volunteer fire fighters while performing work for the municipality. Rates for municipalities participating in this program are revised by class code on an annual basis by the Arkansas Workers' Compensation Commission.

Municipal Vehicle Program

- A. Liability - This program may pay all sums the municipality legally must pay as damages because of bodily injury, death or property damage to which this agreement applies involving a covered municipal vehicle and for which the municipality is liable. The limit of payment by the program is as follows: \$25,000 because of bodily injury to or death of one person in any one accident; \$50,000 because of bodily injury to or death of two or more persons in any one accident; and \$25,000 because of injury to or destruction of property of others in any one accident. The City shall pay into the program each year a charge established annually by the program administrator for covered municipal vehicles and self-propelled mobile equipment owned or leased by the City.
- B. Physical Damage - This program covers motor vehicles and permanently attached equipment which are the property of the participating municipality. Property is valued at the full cost to repair or replace the property after deduction for depreciation. Loss amounts payable will be reduced by the deductible amount of \$1,000 per occurrence. The City agrees to pay into the program each year a service charge established annually by the program administrator for covered property.

Municipal Property Program - This program covers insurable property and equipment, exclusive of motor vehicles and water vessels, which belong to or are in the care, custody, or control of a participating municipality. Property is valued at the full cost to repair or replace the property after deduction of depreciation or as agreed to by the participating municipality and program. Loss amounts payable will be reduced by the deductible amount of \$5,000, or in the case of flood or earthquake, \$100,000. The municipality agrees to pay into the program each year a service charge established annually by the program administrator for property for which the municipality desires coverage.

CITY OF HARRISON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 14: Risk Management (Continued)

Municipal Legal Defense Program - The program shall, at the sole discretion of the program administrators, provide extraordinary legal defense and extraordinary expenses in suits against municipal officials and employees and civil rights suits against the municipal government of a participating municipality and pay extraordinary judgments (for actual damages – not punitive damages) imposed on municipal officials and employees and the municipal government. The program shall never be liable to reimburse the municipal government, municipal officials, and employees because of judgment in any one lawsuit for more than 25% of the program's available funds at time the lawsuit was filed or the judgment becomes final, or \$1 million, whichever is less. The City agrees to pay into the program each year a charge established by the steering committee. Each city also agrees to pay the first \$3,000 of the aggregate cost for all expenses on each lawsuit. This cost deposit is not refundable.

The City also participates in the Self-Insured Fidelity Bond Program administered by the Governmental Bonding Board. This program covers actual losses sustained by the participating entity through any fraudulent or dishonest act or acts committed by any of the officials or employees, acting alone or in collusion with others, during the bond period to an amount not exceeding the lesser of \$300,000 or the amount of the bond. Premiums for coverage are determined by the State Risk Manager and approved by the Board. These premiums are paid by the State Treasurer from funds withheld from the Municipal Aid Fund. There is a \$2,500 deductible per occurrence.

NOTE 15: Firemen's Pension and Relief Plan

Plan Description

The Firemen's Pension and Relief Plan is a single-employer defined benefit pension plan that covers municipal firemen employed prior to January 1, 1983. The plan, administered by the City, provides retirement, disability, and survivor benefits. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. State law does provide that upon actuarial soundness of the plan, the Board may increase retirement benefits. The plan was closed to new entrants on January 1, 1983. The plan does not issue a stand-alone financial report but is included in the City's financial report.

Contributions

Active participants of the plan are required to make contributions of not less than 6% of their salary to the plan. Active volunteer firemen are required to make contributions of \$12 per year. The City is required by state law to contribute an amount equal to but not less than 6% of the participant's salary and an amount equal to the contribution paid by any volunteer fireman. The plan is also funded with state insurance tax and property tax on real estate and personal property. If the funds in the plan should be insufficient to make full payment of the amount of pensions to all persons entitled, then the funds shall be prorated among those entitled by the proper authorities as may be deemed just and equitable. The City's contribution to the plan was \$250,139 for the year ended December 31, 2021. The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's net pension liability. Based on the December 31, 2021 actuarial valuation, the plan has a net pension liability of \$1,017,568.

NOTE 16: Policemen's Pension and Relief Plan

Plan Description

The Policemen's Pension and Relief Plan is a single-employer defined benefit pension plan that covers municipal policemen employed prior to January 1, 1983. The plan, administered by the City, provides retirement, disability, and survivor benefits. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. State law does provide that upon actuarial soundness of the plan, the Board may increase retirement benefits. The plan was closed to new entrants on January 1, 1983. The plan does not issue a stand-alone financial report but is included in the City's financial report.

CITY OF HARRISON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 16: Policemen's Pension and Relief Plan (Continued)

Contributions

Active participants of the plan are required to make contributions of 6% of their salary to the plan, provided that such monthly deduction shall be 4% for policemen contributing to the social security system unless increased, but not to exceed 6%, by the majority of the contributing members of the police department covered by social security. The City is required by state law to contribute an amount equal to but not less than 6% of the participant's salary; provided, however, that the City's contributions shall not exceed the amount contributed by the policemen except where authorized by appropriation of the City's governing body. The plan is also funded with state insurance tax; property tax on real estate and personal property; all forfeitures and fines imposed upon any member of the police department by way of discipline; all money given or donated to such fund; all money deducted from the salary of any member of the police department on account of absence or loss of time; all rewards paid for any purpose and 10% of all fines and forfeitures collected for violation of ordinances or state law. If the funds in the plan should be insufficient to make full payment of the amount of pensions to all persons entitled, the beneficiaries shall be paid prorating the funds available among them. The City's contribution to the plan was \$135,282 for the year ended December 31, 2021. The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's net pension liability. Based on the December 31, 2021 actuarial valuation, the plan has a net pension liability of \$169,823.

**NOTE 17: Local Police and Fire Retirement System (LOPFI)
(A Defined Benefit Pension Plan)**

Plan Description

The City contributes to the Local Police and Fire Retirement System (LOPFI), an agent multiple employer retirement system that acts as a common investment and administrative agent for cities and towns in Arkansas. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Local Police and Fire Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for LOPFI. That report may be obtained by writing to Arkansas Local Police and Fire Retirement System, 620 W. 3rd, Suite 200, Little Rock, Arkansas 72201, by calling 1-866-859-1745, or on their website www.lopfi-prb.com.

Funding Policy

The employee contribution rate depends on the type of service being rendered and whether or not the service is also covered by Social Security. The different employee contribution rates required by state law are:

- A. Paid service not covered by Social Security: 8.5% of gross pay
- B. Paid service also covered by Social Security: 2.5% of gross pay
- C. Volunteer fire service: no employee contribution

The City is required to contribute at an actuarially determined rate. The contribution requirements of plan members are established and may be amended by State law. The contribution requirements of the City are established and may be amended by the LOPFI Board of Trustees. The plan is also funded with state insurance tax. The City's contribution to the plan was \$465,834 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$302,510 for the year ended December 31, 2021.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at December 31, 2021 (actuarial valuation date and measurement date) was \$4,204,947.

CITY OF HARRISON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 18: Arkansas Public Employees Retirement System

Plan Description

The City contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan that covers municipal employees whose municipalities have elected coverage under this System. APERS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, 124 W. Capitol, Suite 400, Little Rock, Arkansas 72201, by calling 1-800-682-7377, or on their website www.apers.org.

Funding Policy

APERS has contributory and non-contributory plans. Contributory members are required by State law to contribute 5% of their salary. Each participating employer is required by State law to contribute at a rate established by the Board of Trustees of the system, based on the annual actuarial valuation. The City's contribution to the plan was \$603,747 for the year ended June 30, 2021.

Net Pension Liability

The requirements of Governmental Accounting Standards Board Statement no. 68, under the regulatory basis of accounting, are limited to disclosure of the City's share of the collective net pension liability. The City's proportionate share of the collective net pension liability at June 30, 2021 (actuarial valuation date and measurement date) was \$1,517,311.

NOTE 19: Mayor's Retirement Benefits

Plan Description

Ark. Code Ann. § 24-12-123 establishes retirement benefits for mayors in cities of the first class and death benefits to their spouses at the option of the governing body of the City. Benefits and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. A retiree is entitled to receive an annual retirement benefit during the remainder of their natural life, payable at the rate of one-half (1/2) of the salary payable to the mayor at the completion of his or her last term as mayor. Retirement benefits are to be paid monthly from the City's General Fund. A mayor may retire: 1.) upon reaching the age of 60 with a minimum of ten years of service or 2.) upon serving 20 years, regardless of age. The City paid former Mayors Bob Reynolds and Dan Harness \$28,869 and \$28,869, respectively, for the year ended December 31, 2021.

NOTE 20: Clerk/Treasurer Retirement Benefits

Plan Description

Ark. Code Ann. § 24-12-121 establishes retirement benefits for clerk/treasurers in cities of the first class and death benefits to their spouses at the option of the governing body of the City. Benefits and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. A retiree is entitled to receive a monthly retirement benefit during the remainder of their natural life, a sum equal to one-half (1/2) of the monthly salary received during the last preceding year of service. Retirement benefits are to be paid from the City's General Fund. A clerk/treasurer may retire: 1.) upon reaching the age of 60 with a minimum of 10 years of service or 2.) upon serving 20 years, regardless of age. The City paid former Clerk/Treasurer Joel Williams \$11,789 for the year ended December 31, 2021.

CITY OF HARRISON, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 21: City Attorney Retirement Benefits

Plan Description

Ark. Code Ann. § 24-12-120 establishes retirement benefits for city attorneys in cities of the first class at the option of the governing body of the City. Benefits and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. A retiree is entitled to receive an annual retirement benefit during the remainder of their natural life, payable at the rate of one-half (1/2) of the salary payable to the city attorney at the time of retirement. Retirement benefits are to be paid monthly from the City's General Fund. A city attorney may retire: 1.) upon reaching the age of 60 with a minimum of 10 years of service or 2.) upon serving 20 years, regardless of service. The City paid former City Attorney James Gresham \$13,175 for the year ended December 31, 2021.

NOTE 22: Corona Virus (COVID-19)

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring an emergency and ordered Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2019 (COVID-19). The City was awarded \$2,709,926 in federal aid from the American Rescue Plan Act of 2021, and as of report date, \$2,709,926 of this amount had been received. The extent of the impact of COVID-19 on financial statements for future reporting periods remains uncertain.

NOTE 23: Related Party Transactions

The Infrastructure Fund (Capital Projects Fund) distributed \$517,503 of sales tax to the Water Department to fund water capital projects.

NOTE 24: Subsequent Events

On September 6, 2022, the City entered into a \$1,926,832 contract with Butch May Contracting, Inc. for renovations to the Harrison Creekside Community Center - Parks and Recreation facilities.

CITY OF HARRISON, ARKANSAS
COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
REGULATORY BASIS
DECEMBER 31, 2021

Schedule 1

SPECIAL REVENUE FUNDS

	District Court Probation	City Advertising, Tourism, and Promotion Commission (CATPC)	Parks and Recreation	Fire	Police	Economic Development Fund	American Rescue Plan Act
ASSETS							
Cash and cash equivalents	\$ 29,930	\$ 803,226	\$ 182,233	\$ 1,029,635	\$ 475,237		\$ 1,351,671
Investments							
Accounts receivable		75,042	108,398	113,677	192,214	\$ 31,269	
Interfund receivables			104,182	150,888	149,793	30,806	3,544
TOTAL ASSETS	<u>\$ 29,930</u>	<u>\$ 878,268</u>	<u>\$ 394,813</u>	<u>\$ 1,294,200</u>	<u>\$ 817,244</u>	<u>\$ 62,075</u>	<u>\$ 1,355,215</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 3,947	\$ 3,408	\$ 166,039	\$ 119,757	\$ 128,564		
Interfund payables		112,844	68,904	123			
Settlements pending							
Total Liabilities	<u>3,947</u>	<u>116,252</u>	<u>234,943</u>	<u>119,880</u>	<u>128,564</u>		
Fund Balances:							
Nonspendable							
Restricted	7,983	762,016	159,870	1,174,320	688,680	\$ 62,075	\$ 1,355,215
Committed							
Assigned	18,000						
Total Fund Balances	<u>25,983</u>	<u>762,016</u>	<u>159,870</u>	<u>1,174,320</u>	<u>688,680</u>	<u>62,075</u>	<u>1,355,215</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 29,930</u>	<u>\$ 878,268</u>	<u>\$ 394,813</u>	<u>\$ 1,294,200</u>	<u>\$ 817,244</u>	<u>\$ 62,075</u>	<u>\$ 1,355,215</u>

CITY OF HARRISON, ARKANSAS
COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
REGULATORY BASIS
DECEMBER 31, 2021

Schedule 1

	CAPITAL PROJECTS FUNDS					DEBT SERVICE FUNDS	
	Infrastructure	Fire Capital Projects	Police Capital Projects	Series 2020 Franchise Fee Bond - Capital Improvements	Series 2021 Sales and Use Tax Bond - Capital Improvements	Series 2020 Franchise Fee Bond - Debt Service	Series 2021 Sales and Use Tax Bond - Debt Service
ASSETS							
Cash and cash equivalents	\$ 11,308,685	\$ 594,988	\$ 801,074	\$ 3,228,962	\$ 18,866,390	\$ 401,949	\$ 123,222
Investments							
Accounts receivable	250,156	37,523	37,523			191,859	125,078
Interfund receivables							
TOTAL ASSETS	\$ 11,558,841	\$ 632,511	\$ 838,597	\$ 3,228,962	\$ 18,866,390	\$ 593,808	\$ 248,300
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 99,234			\$ 879,463	\$ 151,585		
Interfund payables	92,844					\$ 75,746	
Settlements pending							
Total Liabilities	192,078			879,463	151,585	75,746	
Fund Balances:							
Nonspendable							
Restricted	11,366,763	\$ 632,511	\$ 838,597	2,349,499	18,714,805	518,062	\$ 248,300
Committed							
Assigned							
Total Fund Balances	11,366,763	632,511	838,597	2,349,499	18,714,805	518,062	248,300
TOTAL LIABILITIES AND FUND BALANCES	\$ 11,558,841	\$ 632,511	\$ 838,597	\$ 3,228,962	\$ 18,866,390	\$ 593,808	\$ 248,300

CITY OF HARRISON, ARKANSAS
COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -
REGULATORY BASIS
DECEMBER 31, 2021

Schedule 1

	PERMANENT FUND	TRUST FUNDS			CUSTODIAL FUNDS		
	Cemetery Perpetual Care	Firemen's Pension	Policemen's Pension	Police Bond and Fine	District Court	District Court Probation Office	Totals
ASSETS							
Cash and cash equivalents	\$ 57,101	\$ 129,894	\$ 58,757	\$ 3	\$ 195,194	\$ 35	\$ 39,638,186
Investments	1,976,088	4,655,379	3,315,084				9,946,551
Accounts receivable		42,597	17,040				1,222,376
Interfund receivables							439,213
TOTAL ASSETS	<u>\$ 2,033,189</u>	<u>\$ 4,827,870</u>	<u>\$ 3,390,881</u>	<u>\$ 3</u>	<u>\$ 195,194</u>	<u>\$ 35</u>	<u>\$ 51,246,326</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable							\$ 1,551,997
Interfund payables	\$ 12,375						362,836
Settlements pending				\$ 3	\$ 195,194	\$ 35	195,232
Total Liabilities	<u>12,375</u>			<u>3</u>	<u>195,194</u>	<u>35</u>	<u>2,110,065</u>
Fund Balances:							
Nonspendable	1,000,000						1,000,000
Restricted		\$ 4,827,870	\$ 3,390,881				47,097,447
Committed	1,020,814						1,020,814
Assigned							18,000
Total Fund Balances	<u>2,020,814</u>	<u>4,827,870</u>	<u>3,390,881</u>				<u>49,136,261</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,033,189</u>	<u>\$ 4,827,870</u>	<u>\$ 3,390,881</u>	<u>\$ 3</u>	<u>\$ 195,194</u>	<u>\$ 35</u>	<u>\$ 51,246,326</u>

CITY OF HARRISON, ARKANSAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule 2

	SPECIAL REVENUE FUNDS							CAPITAL PROJECTS FUNDS	
	District Court Probation	City Advertising, Tourism, and Promotion Commission (CATPC)	Parks and Recreation	Fire	Police	Economic Development Fund	American Rescue Plan Act	Infrastructure	Fire Capital Projects
REVENUES									
State aid				\$ 18,362	\$ 131,185				
Federal aid					34,504		\$ 1,354,971		
Property taxes									
Franchise fees									
Sales taxes			\$ 186,225	1,018,315	1,018,315	\$ 62,075		\$ 2,909,470	\$ 436,421
Fines, forfeitures, and costs									
Interest	\$ 57	\$ 746	741	5,135	2,904		294	71,779	4,781
Local permits and fees				113,144					
Advertising and promotion taxes		855,483							
Park and recreation fees			505,517						
Probation fees	83,292								
Net increase/(decrease) in fair value of investments									
Other	18,000	42,895	19,428	20,000	115,422				
TOTAL REVENUES	101,349	899,124	711,911	1,174,956	1,302,330	62,075	1,355,265	2,981,249	441,202
EXPENDITURES									
Current:									
General government							50		
Law enforcement	109,257				3,474,221				
Public safety				2,574,128					569,734
Recreation and culture			790,673						
Advertising and promotion		697,647							
Cemetery									
Total Current	109,257	697,647	790,673	2,574,128	3,474,221		50		569,734
Debt Service:									
Bond principal									
Bond interest and other charges									
Lease principal			678						
TOTAL EXPENDITURES	109,257	697,647	791,351	2,574,128	3,474,221		50		569,734
EXCESS OF REVENUES OVER (UNDER)									
EXPENDITURES	(7,908)	201,477	(79,440)	(1,399,172)	(2,171,891)	62,075	1,355,215	2,981,249	(128,532)
OTHER FINANCING SOURCES (USES)									
Transfers in	18,000		173,890	1,640,623	2,248,674				
Transfers out		(173,890)						(685,956)	(202,413)
Contribution to water department								(517,503)	
Bond proceeds									
Premium on bonds									
TOTAL OTHER FINANCING SOURCES (USES)	18,000	(173,890)	173,890	1,640,623	2,248,674			(1,203,459)	(202,413)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER)									
EXPENDITURES AND OTHER USES	10,092	27,587	94,450	241,451	76,783	62,075	1,355,215	1,777,790	(330,945)
FUND BALANCES - JANUARY 1	15,891	734,429	65,420	932,869	611,897			9,588,973	963,456
FUND BALANCES - DECEMBER 31	\$ 25,983	\$ 762,016	\$ 159,870	\$ 1,174,320	\$ 688,680	\$ 62,075	\$ 1,355,215	\$ 11,366,763	\$ 632,511

CITY OF HARRISON, ARKANSAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER FUNDS IN THE AGGREGATE -
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021

Schedule 2

	CAPITAL PROJECTS FUNDS			DEBT SERVICE FUNDS		PERMANENT FUND	TRUST FUNDS		Totals
	Police Capital Projects	Series 2020 Franchise Fee Bond - Capital Improvements	Series 2021 Sales and Use Tax Bond - Capital Improvements	Series 2020 Franchise Fee Bond - Debt Service	Series 2021 Sales and Use Tax Bond - Debt Service	Cemetery Perpetual Care	Firemen's Pension	Policemen's Pension	
REVENUES									
State aid							\$ 30,458	\$ 29,534	\$ 209,539
Federal aid									1,389,475
Property taxes							219,680	87,873	307,553
Franchise fees				\$ 912,116					912,116
Sales taxes	\$ 436,421				\$ 248,300				6,315,542
Fines, forfeitures, and costs								13,736	13,736
Interest	5,987	\$ 11,550	\$ 14	267		\$ 63,253	378,817	228,682	775,007
Local permits and fees									113,144
Advertising and promotion taxes									855,483
Park and recreation fees									505,517
Probation fees									83,292
Net increase/(decrease) in fair value of investments						56,755	105,019	82,568	244,342
Other							208	4,138	220,091
TOTAL REVENUES	442,408	11,550	14	912,383	248,300	120,008	734,182	446,531	11,944,837
EXPENDITURES									
Current:									
General government									50
Law enforcement	576,324	811,316						329,797	5,300,915
Public safety		802,041					445,220		4,391,123
Recreation and culture			1,282,564						2,073,237
Advertising and promotion									697,647
Cemetery						66,079			66,079
Total Current	576,324	1,613,357	1,282,564			66,079	445,220	329,797	12,529,051
Debt Service:									
Bond principal				315,000					315,000
Bond interest and other charges				77,766					77,766
Lease principal									678
TOTAL EXPENDITURES	576,324	1,613,357	1,282,564	392,766		66,079	445,220	329,797	12,922,495
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(133,916)	(1,601,807)	(1,282,550)	519,617	248,300	53,929	288,962	116,734	(977,658)
OTHER FINANCING SOURCES (USES)									
Transfers in				12					4,081,199
Transfers out	(204,754)	(12)		(333,470)					(1,600,495)
Contribution to water department									(517,503)
Bond proceeds			18,725,000						18,725,000
Premium on bonds			1,272,355						1,272,355
TOTAL OTHER FINANCING SOURCES (USES)	(204,754)	(12)	19,997,355	(333,458)					21,960,556
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(338,670)	(1,601,819)	18,714,805	186,159	248,300	53,929	288,962	116,734	20,982,898
FUND BALANCES - JANUARY 1	1,177,267	3,951,318		331,903		1,966,885	4,538,908	3,274,147	28,153,363
FUND BALANCES - DECEMBER 31	\$ 838,597	\$ 2,349,499	\$ 18,714,805	\$ 518,062	\$ 248,300	\$ 2,020,814	\$ 4,827,870	\$ 3,390,881	\$ 49,136,261

CITY OF HARRISON, ARKANSAS
NOTES TO SCHEDULES 1 AND 2
DECEMBER 31, 2021

The following funds and descriptions represent all funds reported as other funds in the aggregate.

<u>Fund Name</u>	<u>Fund Description</u>
District Court Probation	Ark. Code Ann. § 5-4-322 authorizes district court fees for probation and public service work supervision.
City Advertising, Tourism, and Promotion Commission (CATPC)	Ark. Code Ann. § 26-75-606 and Harrison Ordinance no. 755 (April 4, 1977) established fund to account for the tax levied on gross receipts of hotels, restaurants, etc. The tax shall be used for the advertising and promoting of the City and its environs; construction, maintenance and operation of a convention center, operation of tourist promotion facilities, and payment of principal and interest in connection with bonds issued. Ark. Code Ann. § 26-75-703 established fund to receive sales tax monies that are used to promote the City.
Parks and Recreation	Harrison Ordinance no. 1476 (November 19, 2020) established fund for the purpose of accounting for any and all Parks and Recreation department funds. Harrison Ordinance no. 1480 (February 25, 2021) called for a special election for the levy of a one-quarter percent (.25%) sales and use tax, with part of the revenues collected permitted to be used to acquire, construct, improve, expand, equip, furnish, operate and maintain new or existing park and recreational facilities. This fund is used to account for the Parks and Recreation Department's share of the sales and use tax revenues, and all other revenues of the Department.
Fire	Harrison Ordinance no. 1383 (June 5, 2014) called for a special election for the levy of a one-half percent (.5%) sales and use tax, with one-half of the revenues collected to be designated for the Fire Department. The issue passed in a special election held August 12, 2014. This fund was established to account for the Fire Department's share of the revenues.
Police	Harrison Ordinance no. 1383 (June 5, 2014) called for a special election for the levy of a one-half percent (.5%) sales and use tax, with one-half of the revenues collected to be designated for the Police Department. The issue passed in a special election held August 12, 2014. This fund was established to account for the Police Department's share of the revenues.

CITY OF HARRISON, ARKANSAS
NOTES TO SCHEDULES 1 AND 2
DECEMBER 31, 2021

The following funds and descriptions represent all funds reported as other funds in the aggregate.

<u>Fund Name</u>	<u>Fund Description</u>
Economic Development Fund	Harrison Ordinance no. 1480 (February 25, 2021) called for a special election for the levy of a one-quarter percent (.25%) sales and use tax, with part of the revenues collected permitted to be used to support the creation of job opportunities and to stimulate the local economy. This fund was established to account for the share of revenues designated by the City to be used for economic development.
American Rescue Plan Act	Established to receive and disburse Coronavirus State and Local Fiscal Recovery Funds (SLRF), a part of the American Rescue Plan Act (ARPA) of 2021, to support response to and recovery from the COVID-19 public health emergency.
Infrastructure	Established to account for sales and use tax collected pursuant to Ark. Code Ann. § 26-75-301.
Fire Capital Projects	Harrison Ordinance no. 1383 (June 5, 2014) established fund to account for 30% of restricted sales tax revenue. The revenue shall be used for fire department buildings and equipment.
Police Capital Projects	Harrison Ordinance no. 1383 (June 5, 2014) established fund to account for 30% of restricted sales tax revenue. The revenue shall be used for police department buildings and equipment.
Series 2020 Franchise Fee Bond - Capital Improvements	Harrison Ordinance no. 1469 (August 27, 2020) authorized the issuance of franchise fee bonds for the purpose of financing capital improvements.
Series 2021 Sales and Use Tax Bond - Capital Improvements	Harrison Ordinance no. 1485 (July 8, 2021) authorized the issuance of sales and use tax bonds for the purpose of financing capital improvements.
Series 2020 Franchise Fee Bond - Debt Service	Harrison Ordinance no. 1469 (August 27, 2020) authorized the issuance of franchise fee bonds for the purpose of financing capital improvements. The funds will be used to pay principal and interest on the bonds.
Series 2021 Sales and Use Tax Bond - Debt Service	Harrison Ordinance no. 1485 (July 8, 2021) authorized the issuance of sales and use tax bonds for the purpose of financing capital improvements. Harrison Ordinance no. 1481 (February 25, 2021) called for a special election to levy a .25% sales and use tax to be used for principal and interest payments on sales and use tax bonds.
Cemetery Perpetual Care	Harrison Ordinance no. 605 (February 5, 1986) established fund for the purpose of maintaining the various cemeteries owned by the City.

CITY OF HARRISON, ARKANSAS
NOTES TO SCHEDULES 1 AND 2
DECEMBER 31, 2021

The following funds and descriptions represent all funds reported as other funds in the aggregate.

<u>Fund Name</u>	<u>Fund Description</u>
Firemen's Pension	Ark. Code Ann. § 24-11-801 established fund to receive property taxes, state aid, and other revenues allowed by law for support of firefighter retirement programs.
Policemen's Pension	Ark. Code Ann. § 24-11-403 established fund to receive property taxes, state aid, and other revenues allowed by law for support of police retirement programs.
Police Bond and Fine	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the Police Department.
District Court	Ark. Code Ann. § 16-10-204 established account to receive fines, forfeitures, and costs collected by the District Court.
District Court Probation Office	Consists of probation fees awaiting disposition to the District Court Probation Fund.

CITY OF HARRISON, ARKANSAS
OTHER INFORMATION
SCHEDULE OF CAPITAL ASSETS
DECEMBER 31, 2021
(Unaudited)

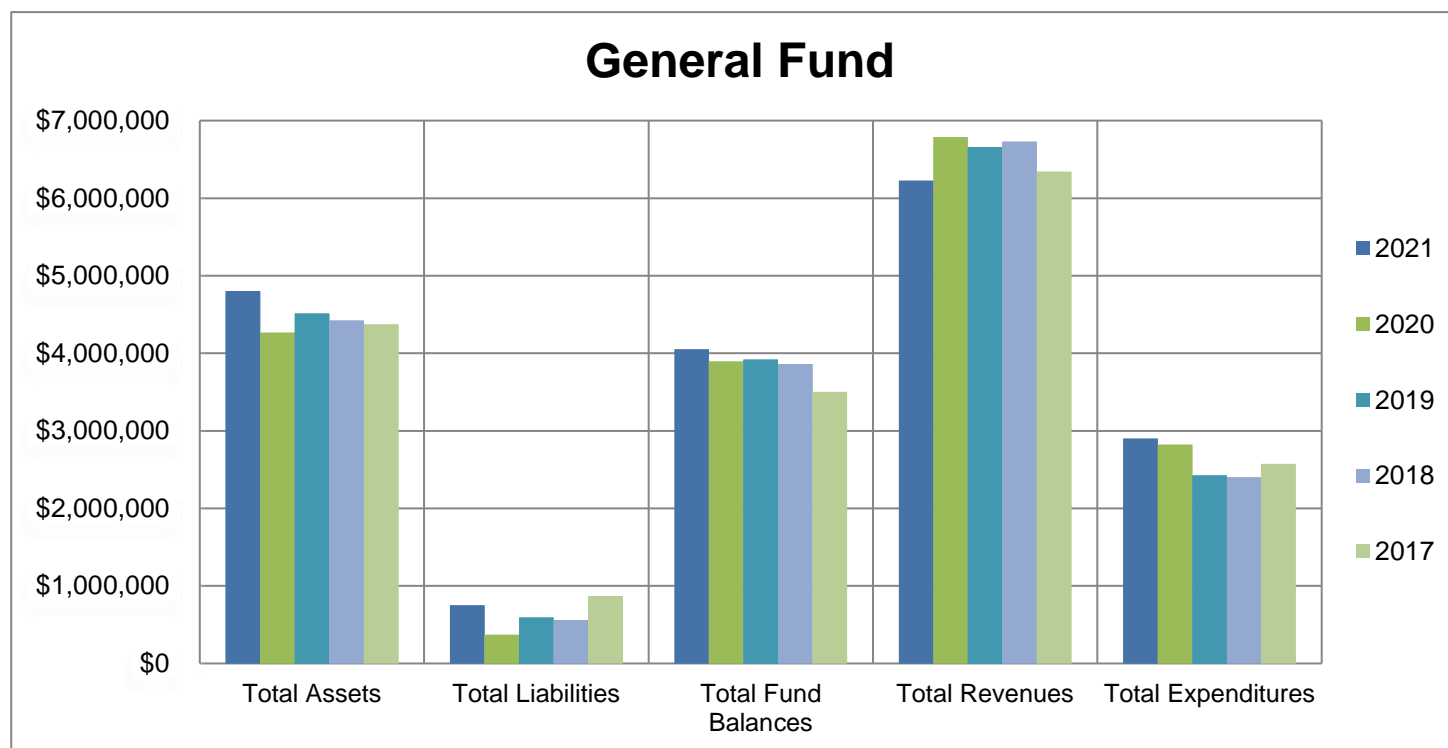
Schedule 3

	December 31, 2021
Land	\$ 581,595
Buildings	3,099,315
Construction in Progress	3,480,136
Improvements	2,379,758
Equipment	9,940,251
	<hr/>
Total	\$ 19,481,055
	<hr/>

CITY OF HARRISON, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - GENERAL FUND - REGULATORY BASIS
DECEMBER 31, 2021
(Unaudited)

Schedule 4-1

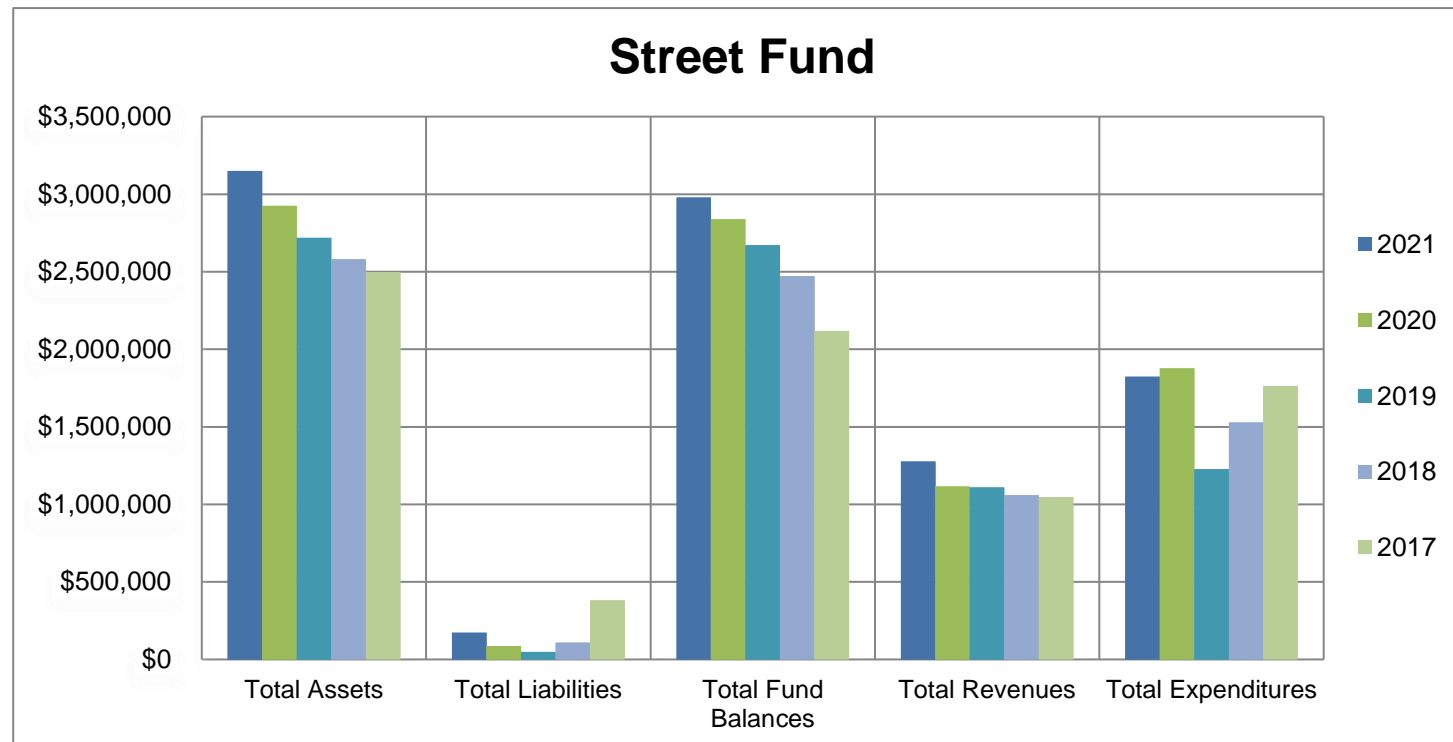
<u>General</u>	2021	2020	2019	2018	2017
Total Assets	\$ 4,799,849	\$ 4,262,943	\$ 4,512,017	\$ 4,422,842	\$ 4,372,140
Total Liabilities	750,709	371,122	593,559	560,618	870,542
Total Fund Balances	4,049,140	3,891,821	3,918,458	3,862,224	3,501,598
Total Revenues	6,224,485	6,784,898	6,656,446	6,729,776	6,340,492
Total Expenditures	2,900,506	2,818,907	2,426,372	2,397,912	2,574,340
Total Other Financing Sources/Uses	(3,166,660)	(3,992,628)	(4,173,840)	(3,971,238)	(3,905,188)



CITY OF HARRISON, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - STREET FUND - REGULATORY BASIS
DECEMBER 31, 2021
(Unaudited)

Schedule 4-2

<u>Street</u>	2021	2020	2019	2018	2017
Total Assets	\$ 3,150,580	\$ 2,924,689	\$ 2,719,404	\$ 2,579,668	\$ 2,498,596
Total Liabilities	172,298	86,526	48,824	108,096	380,559
Total Fund Balances	2,978,282	2,838,163	2,670,580	2,471,572	2,118,037
Total Revenues	1,276,623	1,114,942	1,109,597	1,059,034	1,046,221
Total Expenditures	1,822,460	1,876,413	1,226,392	1,528,616	1,762,710
Total Other Financing Sources/Uses	685,956	929,054	315,803	823,116	1,024,006



CITY OF HARRISON, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - OTHER FUNDS IN THE AGGREGATE - REGULATORY BASIS
DECEMBER 31, 2021
(Unaudited)

Schedule 4-3

Other Funds in the Aggregate	2021	2020	2019	2018	2017
Total Assets	\$ 51,246,326	\$ 29,106,272	\$ 21,065,921	\$ 17,559,971	\$ 16,904,797
Total Liabilities	2,110,065	952,909	558,069	720,878	861,770
Total Fund Balances	49,136,261	28,153,363	20,507,852	16,839,093	16,043,027
Total Revenues	11,944,837	8,957,375	8,223,004	6,615,962	7,494,504
Total Expenditures	12,922,495	8,333,572	8,149,690	8,502,196	7,877,113
Total Other Financing Sources/Uses	21,960,556	7,021,708	3,595,445	2,682,300	2,584,965

