

**City of Harrison, Arkansas**

**Regulatory Basis Financial Statements  
and Other Reports**

**December 31, 2022**

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, 2022, 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, 2022; 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, 2022, 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 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 as a whole. 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 October 5, 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  
October 5, 2023  
LOM104222

# 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

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, 2022, 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 October 5, 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 October 5, 2023.

### **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. 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



Timothy R. Jones, CPA, CFF  
Deputy Legislative Auditor

Little Rock, Arkansas  
October 5, 2023

# Arkansas

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



**Rep. Jimmy Gazaway**  
House Chair  
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House Vice Chair

**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 2022:

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

We would like to communicate the following items that came to our attention during this audit. The purpose of such comments is to provide constructive feedback and guidance, in an effort to assist management in maintaining a satisfactory level of compliance with the state constitution, laws and regulations, and to improve internal control. These matters were discussed previously with City officials during the course of our audit fieldwork and at the exit conference.

#### **Clerk/Treasurer**

The City's bank accounts were under collateralized by \$1,070,438 as of December 31, 2022, in noncompliance with Ark. Code Ann. § 19-8-107.

Annual financial statements were not published by April 1, as required by Ark. Code Ann. § 14-59-116.

#### **District Court Clerk**

Bank reconciliations were not properly prepared for all accounts and balances remaining in the bank account were not identified with receipts issued for cases not yet adjudicated and payments made on all unpaid individual time accounts, as required by Ark. Code Ann. § 16-10-209.

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

Handwritten signature of Timothy R. Jones in black ink.

Timothy R. Jones, CPA, CFF  
Deputy Legislative Auditor

Little Rock, Arkansas  
October 5, 2023



CITY OF HARRISON, ARKANSAS  
BALANCE SHEET - REGULATORY BASIS  
DECEMBER 31, 2022

Exhibit A

	<u>General</u>	<u>Street</u>	<u>Other Funds in the Aggregate</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,508,895	\$ 2,791,322	\$ 37,662,826
Investments			8,088,505
Accounts receivable	610,336	6,634	1,181,223
Interfund receivables	<u>599,574</u>	<u>1,642,721</u>	<u>504,883</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 5,718,805</u></u>	<u><u>\$ 4,440,677</u></u>	<u><u>\$ 47,437,437</u></u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 237,300	\$ 480,821	\$ 803,845
Interfund payables	976,096		1,771,082
Settlements pending			163,211
<b>Total Liabilities</b>	<u>1,213,396</u>	<u>480,821</u>	<u>2,738,138</u>
Fund Balances:			
Nonspendable			1,000,000
Restricted		3,959,856	42,972,358
Committed			726,941
Assigned	51,355		
Unassigned	4,454,054		
<b>Total Fund Balances</b>	<u>4,505,409</u>	<u>3,959,856</u>	<u>44,699,299</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 5,718,805</u></u>	<u><u>\$ 4,440,677</u></u>	<u><u>\$ 47,437,437</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 -  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2022

Exhibit B

	General	Street	Other Funds in the Aggregate
REVENUES			
State aid	\$ 194,946	\$ 1,128,334	\$ 277,832
Federal aid		612,008	1,392,003
Property taxes	1,127,706	126,540	331,325
Franchise fees			1,041,042
Sales taxes	4,433,992		9,230,348
Fines, forfeitures, and costs	261,902		15,814
Interest	75,440	39,803	944,139
Local permits and fees	112,953		165,381
Advertising and promotion taxes			923,761
Conservation fees	157,645		
Park and recreation fees			598,086
Net increase/(decrease) in fair value of investments			(1,828,659)
Other	132,274	51,700	250,949
<b>TOTAL REVENUES</b>	<b>6,496,858</b>	<b>1,958,385</b>	<b>13,342,021</b>
EXPENDITURES			
Current:			
General government	2,609,604		17,067
Law enforcement	144,798		6,179,713
Highways and streets		4,106,262	
Public safety			5,962,851
Recreation and culture	83		2,843,327
Advertising and promotion	539		770,578
Cemetery			84,885
Total Current	2,755,024	4,106,262	15,858,421
Debt Service:			
Bond principal			795,000
Bond interest and other charges			782,673
<b>TOTAL EXPENDITURES</b>	<b>2,755,024</b>	<b>4,106,262</b>	<b>17,436,094</b>

CITY OF HARRISON, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
REGULATORY BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2022

Exhibit B

	<u>General</u>	<u>Street</u>	<u>Other Funds in the Aggregate</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 3,741,834</u>	<u>\$ (2,147,877)</u>	<u>\$ (4,094,073)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	380,605	3,129,451	3,830,897
Transfers out	(3,666,170)		(3,674,783)
Contribution to water department			(499,003)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,285,565)</u>	<u>3,129,451</u>	<u>(342,889)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	456,269	981,574	(4,436,962)
FUND BALANCES - JANUARY 1	<u>4,049,140</u>	<u>2,978,282</u>	<u>49,136,261</u>
FUND BALANCES - DECEMBER 31	<u>\$ 4,505,409</u>	<u>\$ 3,959,856</u>	<u>\$ 44,699,299</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, 2022

Exhibit C

	General			Street		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State aid	\$ 194,946	\$ 194,946	\$ 0	\$ 1,128,334	\$ 1,128,334	\$ 0
Federal aid				612,008	612,008	0
Property taxes	1,127,706	1,127,706	0	126,540	126,540	0
Sales taxes	4,433,992	4,433,992	0			
Fines, forfeitures, and costs	276,648	261,902	(14,746)			
Interest	75,227	75,440	213	39,803	39,803	0
Local permits and fees	114,019	112,953	(1,066)			
Conservation fees	157,645	157,645	0			
Other	413,289	132,274	(281,015)	51,700	51,700	0
<b>TOTAL REVENUES</b>	<b>6,793,472</b>	<b>6,496,858</b>	<b>(296,614)</b>	<b>1,958,385</b>	<b>1,958,385</b>	<b>0</b>
EXPENDITURES						
Current:						
General government	2,905,673	2,609,604	296,069			
Law enforcement	157,496	144,798	12,698			
Highways and streets				4,106,262	4,106,262	0
Recreation and culture		83	(83)			
Advertising and promotion		539	(539)			
<b>TOTAL EXPENDITURES</b>	<b>3,063,169</b>	<b>2,755,024</b>	<b>308,145</b>	<b>4,106,262</b>	<b>4,106,262</b>	<b>0</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>3,730,303</b>	<b>3,741,834</b>	<b>11,531</b>	<b>(2,147,877)</b>	<b>(2,147,877)</b>	<b>0</b>
OTHER FINANCING SOURCES (USES)						
Transfers in	380,605	380,605	0	3,129,451	3,129,451	0
Transfers out	(3,646,170)	(3,666,170)	(20,000)			
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(3,265,565)</b>	<b>(3,285,565)</b>	<b>(20,000)</b>	<b>3,129,451</b>	<b>3,129,451</b>	<b>0</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>464,738</b>	<b>456,269</b>	<b>(8,469)</b>	<b>981,574</b>	<b>981,574</b>	<b>0</b>
FUND BALANCES - JANUARY 1	4,049,140	4,049,140	0	2,978,282	2,978,282	0
FUND BALANCES - DECEMBER 31	<b>\$ 4,513,878</b>	<b>\$ 4,505,409</b>	<b>\$ (8,469)</b>	<b>\$ 3,959,856</b>	<b>\$ 3,959,856</b>	<b>\$ 0</b>

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

CITY OF HARRISON, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**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, 2022

**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 Funds – 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 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, 2022

**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.

**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.

CITY OF HARRISON, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**NOTE 1: Summary of Significant Accounting Policies (Continued)**

**F. Budget Law (Continued)**

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.

**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)	\$ 19,932,640	\$ 19,697,662
Collateralized:		
Collateral held by the City's agent, pledging bank or pledging bank's trust department or agent in the City's name	25,028,104	25,695,045
Total Deposits	\$ 44,960,744	\$ 45,392,707

The above total deposits do not include cash on hand of \$2,299.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits. A formal policy for custodial credit risk has not been adopted by the City. As of December 31, 2022, the Water and Sewer Fund had deposits (not included above) totaling \$1,236,805. This resulted in \$1,070,438 held by all funds of the city (including Water and Sewer Fund) being exposed to custodial credit risk as it was uninsured and uncollateralized.



CITY OF HARRISON, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**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.

**NOTE 4: Public Fund Investments**

A summary of investments by fund types is as follows:

Fund Type	December 31, 2022 Fair Value
Permanent:	
Cemetery Perpetual Care	\$ 1,681,153
Trust:	
Firemen's Pension	3,736,768
Policemen's Pension	2,670,584
Total Trust	6,407,352
Total	\$ 8,088,505

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.)

CITY OF HARRISON, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**NOTE 4: Public Fund Investments (Continued)**

The City's investments are composed of the following:

<u>December 31, 2022</u>	Quoted Prices in Active Markets for Identical Investments Level I	Other Observable Inputs Level II	Total
Investment Type			
<b>Equities</b>			
Preferred Stock	\$ 186,325		\$ 186,325
Real Estate Investment Trusts	48,924		48,924
Common Stock	372,461		372,461
Mutual funds	6,407,352		6,407,352
<b>Fixed income</b>			
Corporate Bonds		\$ 174,207	174,207
Municipal Bonds		879,422	879,422
US Government Bonds		19,814	19,814
<b>Totals</b>	<u>\$ 7,015,062</u>	<u>\$ 1,073,443</u>	<u>\$ 8,088,505</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 marked 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.

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 2022 asset allocation guidelines have been established as follows:

<u>Asset Allocation</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
<b>Firemen's Pension</b>			
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%
<b>Policemen's Pension</b>			
Total equity	40.0%	60.0%	80.0%
Fixed income	20.0%	35.0%	60.0%
Cash equivalents	0.0%	5.0%	20.0%

CITY OF HARRISON, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**NOTE 4: Public Fund Investments (Continued)**

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	\$ 174,207	\$ 45,180	\$ 9,321	\$ 119,706	
Municipal Bonds	879,422	59,361	365,247	353,627	\$ 101,187
U.S. Government Obligations	19,814	19,814			
Bond Mutual Funds	3,133,017		2,966,826	166,191	
Totals	<u>\$ 4,206,460</u>	<u>\$ 124,355</u>	<u>\$ 3,341,394</u>	<u>\$ 639,524</u>	<u>\$ 101,187</u>

CITY OF HARRISON, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**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, 2022, is as follows:

	<u>Fair Value</u>
<b>Corporate Bonds</b>	
A+	\$ 43,264
A-	15,312
AA	23,289
BBB+	31,796
BBB	29,867
BBB-	30,679
	<u>174,207</u>
<b>Municipal Bonds</b>	
A	\$ 9,481
AA-	51,567
AA	508,916
AA+	55,725
A+	18,700
BBB+	41,102
Not rated	193,931
	<u>879,422</u>
<b>U.S. Government Bonds</b>	
AA+	<u>\$ 19,814</u>
<b>Bond Mutual Funds</b>	
A+	\$ 204,597
B+	549,512
BBB+	369,475
BBB	166,190
Not rated	1,843,243
	<u>3,133,017</u>
<b>Total</b>	<u><u>\$ 4,206,460</u></u>

CITY OF HARRISON, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**NOTE 4: Public Fund Investments (Continued)**

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, 2022, 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, 2022, 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.

**NOTE 5: Accounts Receivable**

The accounts receivable balance at December 31, 2022, is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Property taxes	\$ 63,908	\$ 6,634	\$ 16,224
Franchise fees			206,111
Sales taxes	385,167		821,028
Fines, forfeitures, and costs	41,655		
Local permits and fees	17,958		22,950
Advertising and promotion taxes			94,348
Conservation fees	60,222		
Other	41,426		20,562
Totals	<u>\$ 610,336</u>	<u>\$ 6,634</u>	<u>\$ 1,181,223</u>

**NOTE 6: Accounts Payable**

The accounts payable balance at December 31, 2022, is composed of the following:

Description	General Fund	Street Fund	Other Funds in the Aggregate
Vendor payables	\$ 185,739	\$ 463,300	\$ 612,642
Salaries payable	51,561	17,521	191,203
Totals	<u>\$ 237,300</u>	<u>\$ 480,821</u>	<u>\$ 803,845</u>

CITY OF HARRISON, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**NOTE 7: Interfund Balances**

Individual fund interfund receivable and payable balances are as follows:

	December 31, 2022	
	Interfund Receivables	Interfund Payables
General Fund	\$ 599,574	\$ 976,096
Street Fund	1,642,721	
Other Funds in the Aggregate:		
Special Revenue Funds:		
City Advertising, Tourism, and Promotion Commission (CATPC)		24,515
Parks and Recreation	30,513	204,020
Fire	150,579	279
Police	154,949	
Economic Development Fund	165,298	16,836
American Rescue Plan Act	3,544	
Capital Projects Funds:		
Infrastructure		985,947
Debt Service Funds:		
Series 2020 Franchise Fee Bond - Debt Service		460,018
Permanent Funds:		
Cemetery Perpetual Care		79,467
	<u>\$ 2,747,178</u>	<u>\$ 2,747,178</u>

Interfund receivables and payables consist of interfund loans. These balances were repaid in 2023.

**NOTE 8: Federal Funds Program Compliance**

The American Rescue Plan Act funds of 2021 were in the process of an audit in accordance with federal program requirements as of our report date. Disbursements that are not in accordance with the federal program requirements are subject to reimbursement by the City.

CITY OF HARRISON, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**NOTE 9: Details of Fund Balance Classifications**

Fund balance classifications at December 31, 2022, 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			2,397,645
Law enforcement			1,153,605
Highways and streets		\$ 3,959,856	
Public safety			1,109,193
Recreation and culture			398,956
Advertising and promotion			804,660
Pension benefits			6,553,640
Capital outlay			29,164,620
Debt service			1,390,039
Total Restricted		<u>3,959,856</u>	<u>42,972,358</u>
Committed for:			
Cemetery			<u>726,941</u>
Assigned to:			
General government	<u>\$ 51,355</u>		
Unassigned	<u>4,454,054</u>		
Totals	<u>\$ 4,505,409</u>	<u>\$ 3,959,856</u>	<u>\$ 44,699,299</u>

**NOTE 10: 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, 2022, the legal debt limit for the bonded debt was \$45,824,760. 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, 2022, the legal debt limit for short-term financing obligations was \$12,127,312. There were no short-term financing obligations.

CITY OF HARRISON, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**NOTE 11: Commitments**

Total commitments consist of the following at December 31, 2022:

	December 31, 2022
Long-term liabilities	\$ 22,416,356
Construction contracts	2,937,623
<b>Total Commitments</b>	<b>\$ 25,353,979</b>

Long-term liabilities

Long-term liabilities at December 31, 2022, are comprised of the following:

	December 31, 2022
<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.	\$ 3,545,000
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.	18,250,000
Total Bonds	21,795,000
Compensated absences consisting of accrued vacation and sick leave adjusted to current salary cost	621,356
Total Long-term liabilities	<b>\$ 22,416,356</b>

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 \$21,795,000 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.

Post Employment Benefits Other Than Pensions

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



CITY OF HARRISON, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**NOTE 11: Commitments (Continued)**

Long-Term Debt Issued and Outstanding

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding December 31, 2022	Maturities to December 31, 2022
<u>Bonds</u>					
10/6/20	10/1/32	1.875 - 2%	\$ 4,180,000	\$ 3,545,000	\$ 635,000
8/17/21	12/1/42	2 - 4%	18,725,000	18,250,000	475,000
Total Long-Term Debt			<u>\$ 22,905,000</u>	<u>\$ 21,795,000</u>	<u>\$ 1,110,000</u>

Changes in Long-Term Debt

	Balance January 01, 2022	Issued	Retired	Balance December 31, 2022
Bonds payable	\$ 22,590,000	\$ 0	\$ 795,000	\$ 21,795,000

Debt Service Requirements to Maturity

The City is obligated for the following amounts at December 31, 2022:

Years Ending December 31,	Bonds		
	Principal	Interest	Total
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	491,287	1,571,287
2027	1,110,000	458,006	1,568,006
2028 through 2032	6,090,000	1,766,594	7,856,594
2033 through 2037	4,930,000	975,650	5,905,650
2038 through 2042	5,555,000	341,856	5,896,856
Totals	<u>\$ 21,795,000</u>	<u>\$ 5,712,156</u>	<u>\$ 27,507,156</u>

Construction Contracts

The City was contractually obligated for the following construction contracts at December 31, 2022:

Project Name	Completed or Estimated Completion	Contract Balance December 31, 2022
Public safety building / City Hall	September 2023	\$ 592,023
Creekside Community Center	July 2024	2,332,148
Parks & Recreation Renovation	September 2023	13,452
Total Construction Contracts		<u>\$ 2,937,623</u>

CITY OF HARRISON, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**NOTE 12: Interfund Transfers**

The General Fund transferred \$3,666,170 to the Other Funds in the Aggregate (Fire, Police, and Probation funds) for operations. Other Funds in the Aggregate (Infrastructure Fund) transferred \$3,129,451 to the Street Fund for capital improvements, and (Series 2020 Franchise Fee Bond Debt Service Fund) transferred \$380,605 to the General Fund for excess franchise fees. Within Other Funds in the Aggregate, the City Advertising, Tourism, and Promotion Commission transferred \$164,727 to the Parks and Recreation Fund for operations.

**NOTE 13: Subsequent Events**

On January 12, 2023, the City entered into a \$6,946,621 contract with Butch May Contracting, Inc. for the Harrison Creekside Community Center – Gymnasium facilities.

On February 6, 2023, the City entered into a \$8,969,604 contract with Van Horn Construction, Inc. for the Harrison Creekside Community Center – Aquatics facilities.

**NOTE 14: 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 \$3,545,000 and \$361,850, respectively, payable through October 1, 2032. For 2022, principal and interest paid were \$320,000 and \$70,238, respectively.

The Debt Service Fund received \$1,041,042 in franchise fees 2022. 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 0.25% 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 \$18,250,000 and \$5,350,306, respectively, payable through December 1, 2042. For 2022, principal and interest paid were \$475,000 and \$705,860, respectively.

The Debt Service Fund received \$1,538,391 in sales taxes in 2022. Any sales taxes collected in excess of debt service payments on these bonds is permitted to be used for early retirement of debt.

**NOTE 15: 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.

**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.

CITY OF HARRISON, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**NOTE 16: 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.

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.

CITY OF HARRISON, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**NOTE 17: 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 \$269,383 for the year ended December 31, 2022. 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, 2022, actuarial valuation, the plan has a net pension liability of \$2,084,419.

**NOTE 18: 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.

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 \$145,116 for the year ended December 31, 2022. 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, 2022, actuarial valuation, the plan has a net pension liability of \$332,942.

CITY OF HARRISON, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**NOTE 19: 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. 3<sup>rd</sup>, Suite 200, Little Rock, Arkansas 72201, by calling 1-866-859-1745, or on their website [www.lopfi-prb.com](http://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 \$465,754 and the amount of insurance tax paid by the state to the plan for the benefit of the City was \$311,058 for the year ended December 31, 2022.

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, 2022, (actuarial valuation date and measurement date) was \$8,572,875.

**NOTE 20: 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](http://www.apers.org).

CITY OF HARRISON, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**NOTE 20: Arkansas Public Employees Retirement System (Continued)**

Funding Policy

APERS has contributory and non-contributory plans. Contributory members are required by State law to contribute 5% of their salary. Beginning July 1, 2022, the contribution rates shall be increased in increments of .25% per fiscal year, not to exceed 7%. The contributory rate was increased to 5.25% as of July 1, 2022. 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 \$597,103 for the year ended June 30, 2022.

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, 2022, (actuarial valuation date and measurement date) was \$5,027,668.

**NOTE 21: 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, 2022.

**NOTE 22: 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, 2022.

**NOTE 23: 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, 2022.

CITY OF HARRISON, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022

**NOTE 24: 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). In 2021, the City was awarded \$2,709,926 in federal aid from the American Rescue Plan Act of 2021, and as of the report date, \$2,709,926 of this amount has been received. The extent of the impact of COVID-19 on financial statements for future reporting periods remains uncertain.

**NOTE 25: Related Party Transactions**

The Infrastructure Fund (Capital Projects fund) distributed \$499,003 of sales tax to the Water Department to fund water capital projects.

CITY OF HARRISON, ARKANSAS  
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -  
 REGULATORY BASIS  
 DECEMBER 31, 2022

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
<b>ASSETS</b>							
Cash and cash equivalents	\$ 2,518	\$ 742,147	\$ 514,848	\$ 986,247	\$ 1,064,194	\$ 251,327	\$ 1,960,723
Investments							
Accounts receivable	20,000	94,348	115,846	116,999	94,049	33,589	
Interfund receivables			30,513	150,579	154,949	165,298	3,544
<b>TOTAL ASSETS</b>	<b>\$ 22,518</b>	<b>\$ 836,495</b>	<b>\$ 661,207</b>	<b>\$ 1,253,825</b>	<b>\$ 1,313,192</b>	<b>\$ 450,214</b>	<b>\$ 1,964,267</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 3,946	\$ 7,320	\$ 58,231	\$ 144,353	\$ 178,159		
Interfund payables		24,515	204,020	279		\$ 16,836	
Settlements pending							
<b>Total Liabilities</b>	<b>3,946</b>	<b>31,835</b>	<b>262,251</b>	<b>144,632</b>	<b>178,159</b>	<b>16,836</b>	
<b>Fund Balances:</b>							
Nonspendable							
Restricted	18,572	804,660	398,956	1,109,193	1,135,033	433,378	\$ 1,964,267
Committed							
<b>Total Fund Balances</b>	<b>18,572</b>	<b>804,660</b>	<b>398,956</b>	<b>1,109,193</b>	<b>1,135,033</b>	<b>433,378</b>	<b>1,964,267</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 22,518</b>	<b>\$ 836,495</b>	<b>\$ 661,207</b>	<b>\$ 1,253,825</b>	<b>\$ 1,313,192</b>	<b>\$ 450,214</b>	<b>\$ 1,964,267</b>



CITY OF HARRISON, ARKANSAS  
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -  
 REGULATORY BASIS  
 DECEMBER 31, 2022

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
<b>ASSETS</b>							
Cash and cash equivalents	\$ 12,134,776	\$ 252	\$ 359,911	\$ 5	\$ 17,717,347	\$ 1,040,547	\$ 469,043
Investments							
Accounts receivable	268,711	40,307	40,307			206,111	134,356
Interfund receivables							
<b>TOTAL ASSETS</b>	<b><u>\$ 12,403,487</u></b>	<b><u>\$ 40,559</u></b>	<b><u>\$ 400,218</u></b>	<b><u>\$ 5</u></b>	<b><u>\$ 17,717,347</u></b>	<b><u>\$ 1,246,658</u></b>	<b><u>\$ 603,399</u></b>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ 292,375				\$ 118,674		
Interfund payables	985,947					\$ 460,018	
Settlements pending							
Total Liabilities	<u>1,278,322</u>				<u>118,674</u>	<u>460,018</u>	
Fund Balances:							
Nonspendable							
Restricted	11,125,165	\$ 40,559	\$ 400,218	\$ 5	17,598,673	786,640	\$ 603,399
Committed							
Total Fund Balances	<u>11,125,165</u>	<u>40,559</u>	<u>400,218</u>	<u>5</u>	<u>17,598,673</u>	<u>786,640</u>	<u>603,399</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 12,403,487</u></b>	<b><u>\$ 40,559</u></b>	<b><u>\$ 400,218</u></b>	<b><u>\$ 5</u></b>	<b><u>\$ 17,717,347</u></b>	<b><u>\$ 1,246,658</u></b>	<b><u>\$ 603,399</u></b>

CITY OF HARRISON, ARKANSAS  
 COMBINING BALANCE SHEET - OTHER FUNDS IN THE AGGREGATE -  
 REGULATORY BASIS  
 DECEMBER 31, 2022

Schedule 1

	PERMANENT FUND	TRUST FUNDS			CUSTODIAL FUNDS		Totals
	Cemetery Perpetual Care	Firemen's Pension	Policemen's Pension	Police Bond and Fine	District Court	District Court Probation Office	
<b>ASSETS</b>							
Cash and cash equivalents	\$ 126,043	\$ 95,091	\$ 34,596	\$ 248	\$ 162,928	\$ 35	\$ 37,662,826
Investments	1,681,152	3,736,769	2,670,584				8,088,505
Accounts receivable		11,588	5,012				1,181,223
Interfund receivables							504,883
<b>TOTAL ASSETS</b>	<b>\$ 1,807,195</b>	<b>\$ 3,843,448</b>	<b>\$ 2,710,192</b>	<b>\$ 248</b>	<b>\$ 162,928</b>	<b>\$ 35</b>	<b>\$ 47,437,437</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 787						\$ 803,845
Interfund payables	79,467						1,771,082
Settlements pending				\$ 248	\$ 162,928	\$ 35	163,211
<b>Total Liabilities</b>	<b>80,254</b>			<b>248</b>	<b>162,928</b>	<b>35</b>	<b>2,738,138</b>
<b>Fund Balances:</b>							
Nonspendable	1,000,000						1,000,000
Restricted		\$ 3,843,448	\$ 2,710,192				42,972,358
Committed	726,941						726,941
<b>Total Fund Balances</b>	<b>1,726,941</b>	<b>3,843,448</b>	<b>2,710,192</b>				<b>44,699,299</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,807,195</b>	<b>\$ 3,843,448</b>	<b>\$ 2,710,192</b>	<b>\$ 248</b>	<b>\$ 162,928</b>	<b>\$ 35</b>	<b>\$ 47,437,437</b>

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, 2022

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				\$ 20,011	\$ 194,977				
Federal aid					37,048		\$ 1,354,955		
Property taxes									
Franchise fees									
Sales taxes			\$ 1,153,794	1,076,874	1,076,874	\$ 384,598		\$ 3,076,783	\$ 461,517
Fines, forfeitures, and costs									
Interest	\$ 91	\$ 4,316	7,910	16,626	5,264	3,652	54,217	310,073	20,890
Local permits and fees	60,088			105,293					
Advertising and promotion taxes		923,761							
Park and recreation fees			598,086						
Net increase/(decrease) in fair value of investments									
Other	20,000	49,872	9,353	300	166,798				
<b>TOTAL REVENUES</b>	<b>80,179</b>	<b>977,949</b>	<b>1,769,143</b>	<b>1,219,104</b>	<b>1,480,961</b>	<b>388,250</b>	<b>1,409,172</b>	<b>3,386,856</b>	<b>482,407</b>
EXPENDITURES									
Current:									
General government						16,947	120		
Law enforcement	107,590				3,175,840		400,000		
Public safety				2,789,169			400,000		1,074,359
Recreation and culture			1,694,784						
Advertising and promotion		770,578							
Cemetery									
Total Current	107,590	770,578	1,694,784	2,789,169	3,175,840	16,947	800,120		1,074,359
Debt Service:									
Bond principal									
Bond interest and other charges									
<b>TOTAL EXPENDITURES</b>	<b>107,590</b>	<b>770,578</b>	<b>1,694,784</b>	<b>2,789,169</b>	<b>3,175,840</b>	<b>16,947</b>	<b>800,120</b>		<b>1,074,359</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(27,411)	207,371	74,359	(1,570,065)	(1,694,879)	371,303	609,052	3,386,856	(591,952)
OTHER FINANCING SOURCES (USES)									
Transfers in	20,000		164,727	1,504,938	2,141,232				
Transfers out		(164,727)						(3,129,451)	
Contribution to water department								(499,003)	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>20,000</b>	<b>(164,727)</b>	<b>164,727</b>	<b>1,504,938</b>	<b>2,141,232</b>			<b>(3,628,454)</b>	
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(7,411)	42,644	239,086	(65,127)	446,353	371,303	609,052	(241,598)	(591,952)
FUND BALANCES - JANUARY 1	25,983	762,016	159,870	1,174,320	688,680	62,075	1,355,215	11,366,763	632,511
FUND BALANCES - DECEMBER 31	<u>\$ 18,572</u>	<u>\$ 804,660</u>	<u>\$ 398,956</u>	<u>\$ 1,109,193</u>	<u>\$ 1,135,033</u>	<u>\$ 433,378</u>	<u>\$ 1,964,267</u>	<u>\$ 11,125,165</u>	<u>\$ 40,559</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, 2022

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							\$ 32,722	\$ 30,122	\$ 277,832
Federal aid									1,392,003
Property taxes							236,661	94,664	331,325
Franchise fees				\$ 1,041,042					1,041,042
Sales taxes	\$ 461,517				\$ 1,538,391				9,230,348
Fines, forfeitures, and costs								15,814	15,814
Interest	25,765	\$ 289	\$ 32,411	1,087	1,435	\$ 69,331	234,039	156,743	944,139
Local permits and fees									165,381
Advertising and promotion taxes									923,761
Park and recreation fees									598,086
Net increase/(decrease) in fair value of investments						(278,319)	(956,767)	(593,573)	(1,828,659)
Other							110	4,516	250,949
<b>TOTAL REVENUES</b>	<b>487,282</b>	<b>289</b>	<b>32,411</b>	<b>1,042,129</b>	<b>1,539,826</b>	<b>(208,988)</b>	<b>(453,235)</b>	<b>(291,714)</b>	<b>13,342,021</b>
EXPENDITURES									
Current:									
General government									17,067
Law enforcement	925,661	1,181,647						388,975	6,179,713
Public safety		1,168,136					531,187		5,962,851
Recreation and culture			1,148,543						2,843,327
Advertising and promotion									770,578
Cemetery						84,885			84,885
<b>Total Current</b>	<b>925,661</b>	<b>2,349,783</b>	<b>1,148,543</b>			<b>84,885</b>	<b>531,187</b>	<b>388,975</b>	<b>15,858,421</b>
Debt Service:									
Bond principal				320,000	475,000				795,000
Bond interest and other charges				72,946	709,727				782,673
<b>TOTAL EXPENDITURES</b>	<b>925,661</b>	<b>2,349,783</b>	<b>1,148,543</b>	<b>392,946</b>	<b>1,184,727</b>	<b>84,885</b>	<b>531,187</b>	<b>388,975</b>	<b>17,436,094</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(438,379)</b>	<b>(2,349,494)</b>	<b>(1,116,132)</b>	<b>649,183</b>	<b>355,099</b>	<b>(293,873)</b>	<b>(984,422)</b>	<b>(680,689)</b>	<b>(4,094,073)</b>
OTHER FINANCING SOURCES (USES)									
Transfers in									3,830,897
Transfers out				(380,605)					(3,674,783)
Contribution to water department									(499,003)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>				<b>(380,605)</b>					<b>(342,889)</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(438,379)</b>	<b>(2,349,494)</b>	<b>(1,116,132)</b>	<b>268,578</b>	<b>355,099</b>	<b>(293,873)</b>	<b>(984,422)</b>	<b>(680,689)</b>	<b>(4,436,962)</b>
FUND BALANCES - JANUARY 1	838,597	2,349,499	18,714,805	518,062	248,300	2,020,814	4,827,870	3,390,881	49,136,261
FUND BALANCES - DECEMBER 31	\$ 400,218	\$ 5	\$ 17,598,673	\$ 786,640	\$ 603,399	\$ 1,726,941	\$ 3,843,448	\$ 2,710,192	\$ 44,699,299

CITY OF HARRISON, ARKANSAS  
NOTES TO SCHEDULES 1 AND 2  
DECEMBER 31, 2022

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.
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.

CITY OF HARRISON, ARKANSAS  
 NOTES TO SCHEDULES 1 AND 2  
 DECEMBER 31, 2022

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

<u>Fund Name</u>	<u>Fund Description</u>
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, 2022

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, 2022  
(Unaudited)

Schedule 3

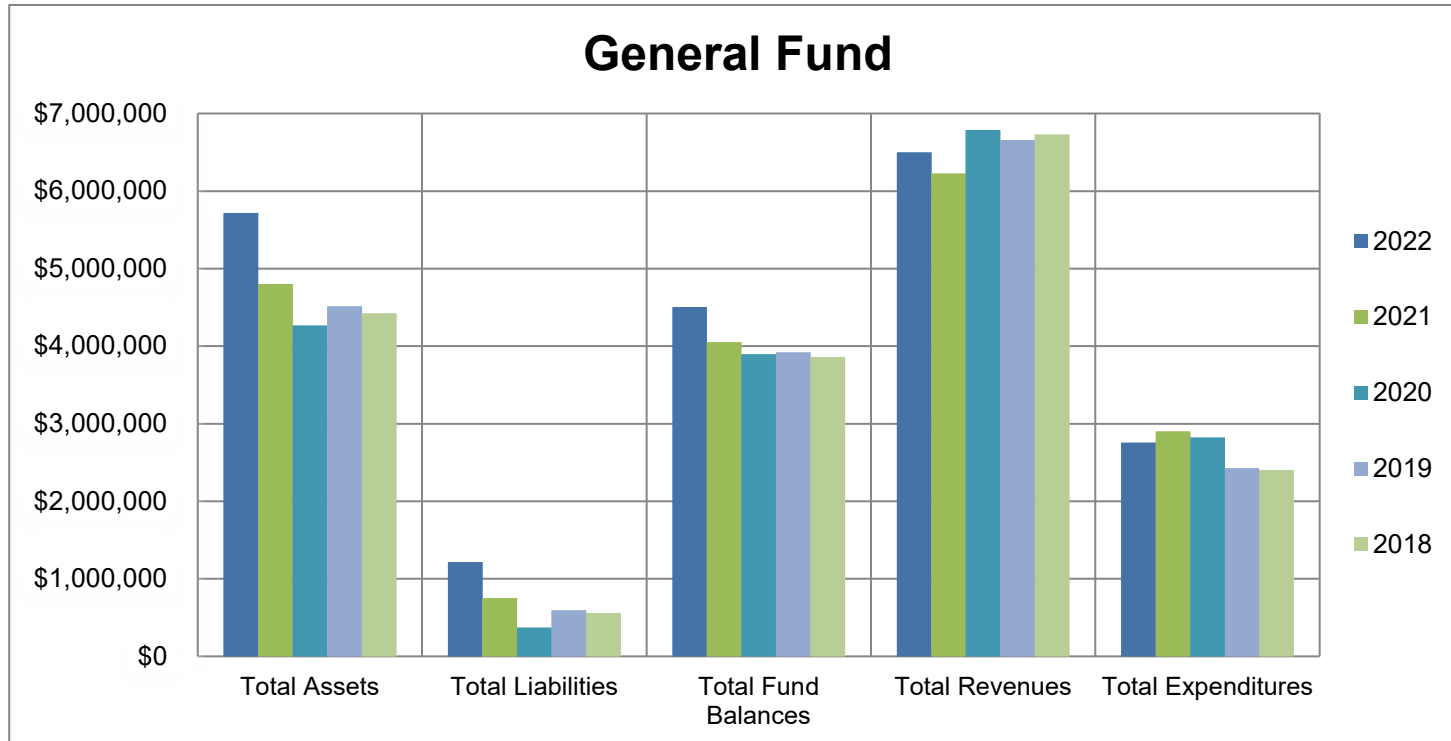
	<u>December 31,</u> <u>2022</u>
Land	\$ 565,395
Buildings	3,163,096
Construction in progress	7,028,909
Improvements	4,492,873
Equipment	<u>11,277,722</u>
Total	<u>\$ 26,527,995</u>



CITY OF HARRISON, ARKANSAS  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - GENERAL FUND - REGULATORY BASIS  
 DECEMBER 31, 2022  
 (Unaudited)

Schedule 4-1

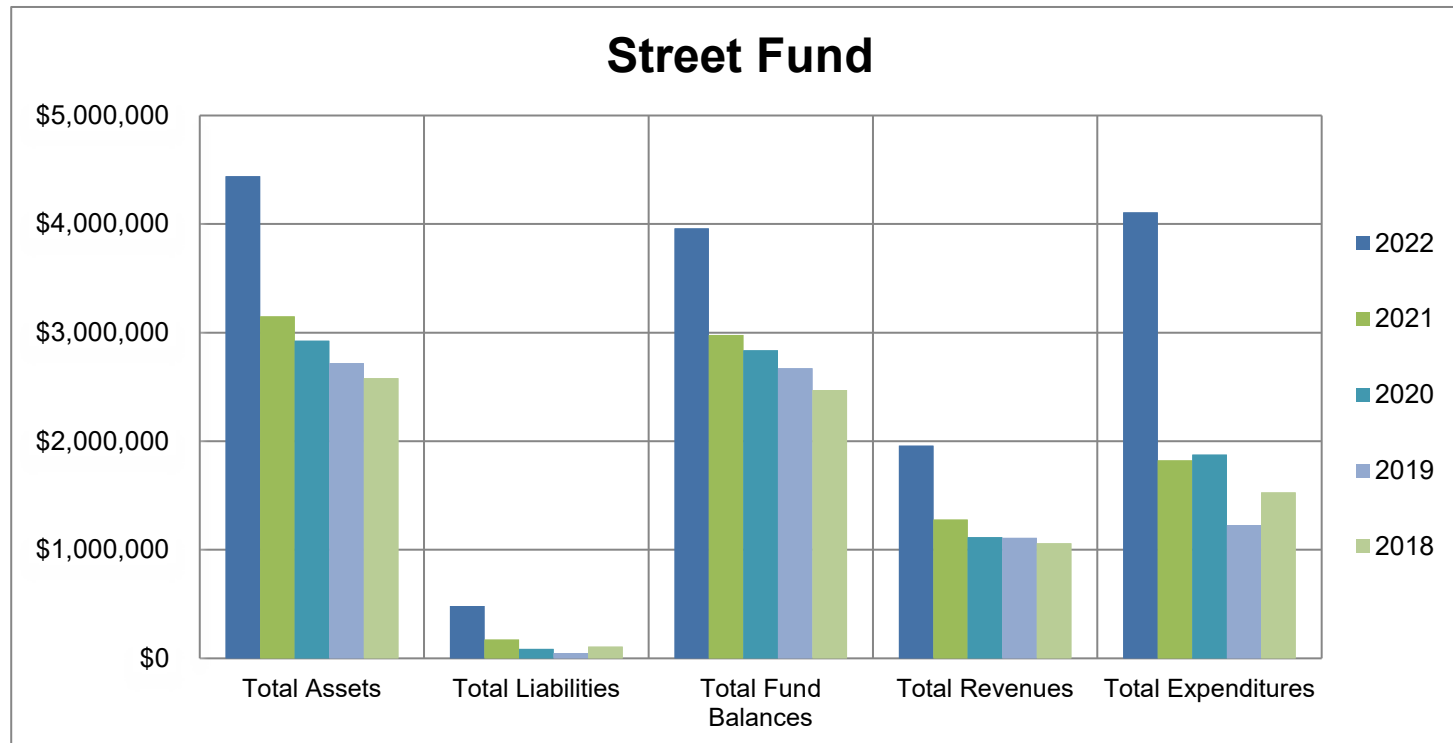
<u>General</u>	2022	2021	2020	2019	2018
Total Assets	\$ 5,718,805	\$ 4,799,849	\$ 4,262,943	\$ 4,512,017	\$ 4,422,842
Total Liabilities	1,213,396	750,709	371,122	593,559	560,618
Total Fund Balances	4,505,409	4,049,140	3,891,821	3,918,458	3,862,224
Total Revenues	6,496,858	6,224,485	6,784,898	6,656,446	6,729,776
Total Expenditures	2,755,024	2,900,506	2,818,907	2,426,372	2,397,912
Total Other Financing Sources/Uses	(3,285,565)	(3,166,660)	(3,992,628)	(4,173,840)	(3,971,238)



CITY OF HARRISON, ARKANSAS  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - STREET FUND - REGULATORY BASIS  
 DECEMBER 31, 2022  
 (Unaudited)

Schedule 4-2

<u>Street</u>	2022	2021	2020	2019	2018
Total Assets	\$ 4,440,677	\$ 3,150,580	\$ 2,924,689	\$ 2,719,404	\$ 2,579,668
Total Liabilities	480,821	172,298	86,526	48,824	108,096
Total Fund Balances	3,959,856	2,978,282	2,838,163	2,670,580	2,471,572
Total Revenues	1,958,385	1,276,623	1,114,942	1,109,597	1,059,034
Total Expenditures	4,106,262	1,822,460	1,876,413	1,226,392	1,528,616
Total Other Financing Sources/Uses	3,129,451	685,956	929,054	315,803	823,116



CITY OF HARRISON, ARKANSAS  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - OTHER FUNDS IN THE AGGREGATE - REGULATORY BASIS  
 DECEMBER 31, 2022  
 (Unaudited)

Schedule 4-3

<u>Other Funds in the Aggregate</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total Assets	\$ 47,437,437	\$ 51,246,326	\$ 29,106,272	\$ 21,065,921	\$ 17,559,971
Total Liabilities	2,738,138	2,110,065	952,909	558,069	720,878
Total Fund Balances	44,699,299	49,136,261	28,153,363	20,507,852	16,839,093
Total Revenues	13,342,021	11,944,837	8,957,375	8,223,004	6,615,962
Total Expenditures	17,436,094	12,922,495	8,333,572	8,149,690	8,502,196
Total Other Financing Sources/Uses	(342,889)	21,960,556	7,021,708	3,595,445	2,682,300

