

HARRISBURG GAS & WATER DEPARTMENT
(A COMPONENT UNIT OF THE CITY OF HARRISBURG, AR)

FINANCIAL STATEMENTS (AUDITED)
SEPTEMBER 30, 2022

MEYER & WARD, P.A.
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HARRISBURG GAS AND WATER DEPARTMENT

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INDEPENDENT AUDITOR’S REPORT

Mayor and City Council
Harrisburg Gas and Water Department
Harrisburg, AR 72432

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Harrisburg Gas and Water Department as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Department’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Harrisburg Gas and Water Department as of September 30, 2022, and respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Controller 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 Harrisburg Gas and Water Department 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.

Emphasis of Matter

As discussed in Note A, the accompanying financial statements of the Harrisburg Gas and Water Department are intended to present the financial position, and the changes in financial position and the cash flows of the City that is attributable to the transactions of the Harrisburg Gas and Water Department. They do not purport to, and do not, present fairly the financial position of the City of Harrisburg, Arkansas, as of September 30, 2022, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Management has omitted the required management discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who consider it to be an essential part of financial reporting for placing the basic financial statement in an appropriate, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information. The budgetary comparison schedules on pages 21 -23 are required to be presented to supplement the basic financial statements. Such information is the responsibility of management and, although required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Harrisburg Gas and Water Department's basic financial statements. The Combining Schedule of Revenues, Expenses, and Changes in Net Position, and Schedule of Proportionate Share of Net Pension Liability and Related Ratios are presented for additional analysis and are 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and certain additional procedures including comparing and reconciling such information directly to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in

accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Schedule of Revenues, and Expenses, and Changes in Net Position, and Schedule of Proportionate Share of Net Pension Liability and Related Ratios are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2024, on our consideration of the Harrisburg Gas and Water Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Harrisburg Gas and Water Department's internal control over financial reporting and compliance.

Meyer & Ward

Meyer & Ward, P.A.
Certified Public Accountants
Wynne, Arkansas 72396

January 30, 2024

HARRISBURG GAS AND WATER DEPARTMENT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	\$ 2,590,223
Certificates of deposit	583,336
Accounts receivable	171,418
Unbilled accounts receivable	73,698
Due from City	360,351
Inventory	61,738
Total Current Assets	3,840,764
 RESTRICTED ASSETS	
Cash in bank	1,325,060
Certificate of deposit	203,953
Total Restricted Assets	1,529,013
 CAPITAL ASSETS, NET	 2,847,103
 DEFERRED OUTFLOWS	
Pension Plan	108,025
TOTAL ASSETS	\$ 8,324,905

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

HARRISBURG GAS AND WATER DEPARTMENT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

LIABILITIES

Current Liabilities	
Accounts payable	\$ 107,290
Current Portion of Notes Payable	132,611
Due to City of Harrisburg	19,504
Total Current Liabilities	<u>259,405</u>
Liabilities Payable from Restricted Assets	
Customer deposits	140,575
Total Payable from Restricted Assets	<u>140,575</u>
Long Term Liabilities	
Net pension liability	405,167
	<u>405,167</u>
Deferred inflows	
Pension Plan	22,374
	<u>22,374</u>
Net Position	
Invested in capital assets, net of related debt	2,714,492
Unrestricted	4,782,892
Total Net Position	<u>7,497,384</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 8,324,905</u>

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

HARRISBURG GAS AND WATER DEPARTMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2022

OPERATING REVENUES	
Gas Revenue	\$ 1,688,789
Sewer Revenue	226,447
Water Revenue	432,247
Other Revenues	39,012
Total Operating Revenue	<u>2,386,495</u>
OPERATING EXPENSES:	
Salaries and Payroll Taxes	354,020
Building Maintenance	2,463
Chemicals	28,578
Depreciation	284,556
Employee Insurance	51,339
Fuel	23,354
Insurance	7,934
License, Permits, and Fees	12,013
Miscellaneous	1,339
Natural Gas Purchases	891,468
Office Expense	31,557
Professional Services	6,156
Retirement	30,225
Operating Supplies and Maintenance	127,514
Utilities	66,664
Total operating expenses	<u>1,919,180</u>
OPERATING INCOME (LOSS)	<u>467,315</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	7,890
Interest expense	<u>(6,315)</u>
Nonoperating revenues (expenses)	<u>1,575</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	468,890
Transfers to City of Harrisburg	<u>(71,444)</u>
INCREASE (DECREASE) IN NET POSITION	397,446
NET POSITION - OCTOBER 1, 2021	<u>7,099,938</u>
NET POSITION - SEPTEMBER 30, 2022	<u>\$ 7,497,384</u>

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

HARRISBURG GAS AND WATER DEPARTMENT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
SEPTEMBER 30, 2022

Cash Flows From Operating Activities:	
Receipts from customers	\$ 2,371,658
Payments to suppliers	(1,243,882)
Payments to employees	(354,020)
Net cash provided by operating activities	<u>773,756</u>
Cash Flows From Non-Capital Financing Activities	
Transfers (to) from other funds	<u>(67,043)</u>
Cash flows from capital and related financing activities	
Principal paid on capital debt	(136,728)
(Increase) decrease in restricted assets	(144,396)
Purchase of property and equipment	(15,041)
Net cash provided (used) by capital and related activities	<u>(296,165)</u>
Cash flows from investing activities	
Interest income	7,890
Interest paid on capital debt	(6,315)
Increase in certificates of deposit	(1,863)
Net cash provided (used) by investing activities	<u>(288)</u>
Increase (decrease) in cash and cash equivalents	
410,260	
Cash and cash equivalents, beginning of year	
2,179,963	
Cash and cash equivalents, end of year	
<u>\$ 2,590,223</u>	
Reconciliation of Operating Income to Net Cash Provided by	
Operating Activities	
Operating Income	\$ 467,315
Depreciation	284,556
Effect of Pension Liability- Deferred Outflows and Inflows	(17,760)
(Increase) Decrease in:	
Accounts receivable	4,348
Certificates of deposit	
Unbilled receivable	(23,978)
Inventory	7,643
Increase (Decrease) in :	
Accounts Payable	46,839
Customer Meter Deposits	4,793
	<u>\$ 773,756</u>

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

HARRISBURG GAS AND WATER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Harrisburg Gas and Water Department (the Department) is a component unit of the City of Harrisburg, AR. The Department serves property located within the corporate limits of the City and certain properties located outside the City limits. The financial statements present only the Harrisburg Gas and Water Department, and do not include any other funds of the City of Harrisburg, AR, and are not intended to be government wide financial statements for the City of Harrisburg, AR.

BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenses are recognized in the accounts and reported in the financial statements. The accompanying financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

ACCOUNTS RECEIVABLE

Accounts Receivable are collateralized by Meter Deposits. Accounts Receivable are presented net of a \$12,946 estimated allowance for uncollectible accounts. Revenues are reported net of all discounts and allowances, including bad debts.

PROPERTY AND EQUIPMENT

Property and equipment is stated at cost. Expenditures for major renewals and betterments are capitalized while minor replacements, maintenance, and repairs, which do not improve or extend the life of such assets, are charged to operations as incurred. Depreciation is provided by the straight- line method over the estimated useful lives of the assets. Estimated useful lives range are 5 – 10 years for office furniture and equipment to 40 years for water system .

CASH AND CASH EQUIVALENTS

The Harrisburg Gas and Water Department considers all cash, and certificates of deposits purchased with a maturity of three months or less to be cash equivalents. Deposits restricted pursuant to loan agreements or for other purposes are not considered cash equivalents.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that could affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

HARRISBURG GAS AND WATER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

CREDIT RISK

Financial instruments which potentially subject the Department to concentrations of credit risk consist principally of temporary cash investments. The Department places its temporary cash investments with financial institutions, and its policy is to limit the amount of credit exposure to any one financial institution. The Department's policy is to limit such investments to amounts covered by FDIC coverage, and securities pledged to collateralize deposits.

ADVERTISING

Advertising costs are expensed when incurred.

SALES TAX

Harrisburg Gas and Water Department is subject to state and local sales taxes on water and gas sales. Revenues are presented net of sales taxes.

NET POSITION

Net Position is divided into three components:

- Investments in capital assets, net of related debt – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted – amounts that are restricted by the Department's creditors, (for example, debt covenants), by laws and regulations of other governments, or by other contributors.
- Unrestricted – all other net position is reported in this category.

OPERATING REVENUES AND EXPENSES

Operating revenues and expenses of the Department consist of charges for services, and the costs of providing those services, excluding interest costs.

RESTRICTED RESOURCES

When an expense is incurred that could be paid by using either restricted or unrestricted resources, the Department's policy is to first apply the expenditure toward restricted resources.

HARRISBURG GAS AND WATER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – (cont'd)

DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

In addition to assets, the statement of net position includes a separate section for deferred outflow of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources until then. The deferred outflows for the Department were created as a result of the implementation of GASB 68. (Note J – Retirement Plan)

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. The department's deferred inflows were created as a result of implementation of GASB 68. (See Note J – Retirement Plan)

PENSIONS:

For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arkansas Public Employees Retirement System (APERS) and additions to or deductions from APERS fiduciary net position have been determined on the same basis as they are reported by APERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE B – RESTRICTED ASSETS:

City ordinances mandate certain cash funds be set aside for debt retirement and emergency (depreciation) reserves. Restricted accounts are also established to cover the Department's liability for customer deposits. At September 30, 2022 restricted cash was as follows:

	Cash	Certificate of deposit
Water - Meter Deposit - cash	\$ 56,366	\$ 8,310
Water - Depreciation	481,770	53,894
Cash - Water Construction	51,754	
Sewer - Depreciation	86,910	
Gas - Meter Deposit	53,571	11,674
Gas- depreciation - cash	594,689	
Gas - improvements - cd	-	130,075
	\$ 1,325,060	\$ 203,953

The customer's deposit reserve is established to cover the Harrisburg Gas and Water Department's liability for customer deposits of \$ 140,575.

HARRISBURG GAS AND WATER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE C – CONTINGENCIES

The Harrisburg Gas and Water Department is subject to governmental regulations regarding water quality and waste disposal. Fines may result from noncompliance.

NOTE D – CONCENTRATION OF CREDIT RISKS:

The entity’s policy is for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of Federal Deposit Insurance Corporation Insurance. The entity’s deposits are categorized to give an indication of the level of risk assumed by the entity at September 30, 2022. The categories of risk are described as follows:

Category 1 - Insured or collateralized by the entity or by the entity of its agent in the entity’s name.

Category 2 – Collateralized with securities held by the pledging financial institutions trust department or by its agent in the entity’s name.

Category 3 - Uncollateralized

At September 30, 2022, Deposits are categorized as follows:

	Category		
	1	2	3
Carrying amount			
	\$ 4,702,572	\$ 449,824	\$ 4,252,748
	\$ -		

Sales – All of the Harrisburg Gas and Water Department revenues are earned from gas, water and sewer services provided to local area residents.

HARRISBURG GAS AND WATER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE E - PROPERTY AND EQUIPMENT

A Summary of activity for property plant and equipment accounts is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Assets not subject to depreciation:				
Land	\$ 113,225	\$ -	\$ -	\$ 113,225
Assets subject to depreciation				
Office furniture and fixtures	182,306			182,306
Office buildings and pump house	229,178	-		229,178
Equipment and tools	1,304,315	15,041	-	1,319,356
Wells, tanks, and pumps	2,402,796			2,402,796
Lines, distributions syst and plants	5,729,703			5,729,703
	<u>9,848,298</u>	<u>15,041</u>	<u>-</u>	<u>9,863,339</u>
Total	9,961,523	15,041	-	9,976,564
Less Accumulated Depreciation	(6,844,905)	(284,556)	-	(7,129,461)
Net Property and Equipment	<u>\$ 3,116,618</u>	<u>\$ (269,515)</u>	<u>-</u>	<u>\$ 2,847,103</u>

NOTE F: SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of this report. No events were noted which would require disclosure.

NOTE G – CUSTOMERS:

At September 30, 2022, the number of customers served is as follows:

GAS	1358
WATER	1335
SEWER	935

NOTE H- INVENTORY

Inventory consists of materials and supplies on hand, and is valued at the lower of cost or market using the first in first out method.

HARRISBURG GAS AND WATER DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2022

NOTE I – WATER, SEWER, AND GAS RATES

		Inside City	Outside City
Water	First 1,000 gallons	\$ 7.40 min	\$ 11.40 min
	All over 1000 gallons	\$ 3.70 per M	\$ 3.70 per M
Sewer	First 1,000 gallons	\$8.00 min	
	Over 2,000 gallons	\$ 2.35 per M	
Gas	First 100 CCF	\$ 8.00	\$ 8.00
	All after is \$ 0.78 CCF plus purchased gas cost with changes monthly due to gas market price		

NOTE J– RETIREMENT PLAN

Plan Description

The following brief description of the Arkansas Public Employees Retirement System (APERS or the System) is provided for general information only. Participants should refer to Arkansas Code Annotated, Title 24 for more complete information.

APERS is a cost-sharing, multiple-employer, defined benefit plan which covers all State employees who are not covered by another authorized plan, all county employees, municipal employees whose municipalities have elected covered under this system, college and university employees, and certain non-teaching school employees. Benefits are also provided for governors, General Assembly members, state and county constitutional officers, and quasi-judicial members.

The general administration and responsibility for the proper operation of the System is vested in the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes three state and three non-state employees, all appointed by the Governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Department of Finance and Administration.

HARRISBURG GAS AND WATER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE J– RETIREMENT PLAN

Benefits Provided

The benefit provisions provided by the public employees plan are established by state law and may be amended only by the General Assembly. Retiree benefit increases are calculated each year on July 1, increased by 3 %.

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

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

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

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701(a)).

Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed 15.32% of compensation for the fiscal year ended June 30, 2022.

APERS Fiduciary Net Position

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

HARRISBURG GAS AND WATER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE J– RETIREMENT PLAN- Cont'd

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

The collective Net Pension Liability of \$ 2,696,383,462 was measured as of June 30, 2022, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. Each employer’s proportion of the Net Pension Liability was based on the employer’s share of contributions to the pension plan relative to the total contributions of all participating employers.

Deferred outflows of resources and deferred inflows of resources related to pensions related to the Department are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,725	\$ (4,892)
Changes in Proportion and differences between employer contributions and proportionate share of contributions	12,829	(17,482)
Changes of assumptions		-
Net differences between projected and actual earnings on pension plan investments	85,471	-
	<u>\$ 108,025</u>	<u>\$ (22,374)</u>

In accordance with GASB Statement No. 68, the recognition period for outflows (inflows) of resources from net differences between projected and actual earnings on pension plan investments was five years. All other deferred outflows (inflows) of resources related to pensions were amortized over the average of the expected remaining service lives of all employees that are provided with pension through the pension plan. For fiscal year 2020 it was 4.0486 years and for the fiscal year ended 2021 it was 3.9676 years, and for fiscal year 2022, it was 3.7989 years.

HARRISBURG GAS AND WATER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE J— RETIREMENT PLAN- Cont'd

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Discount rate	7.15%
Wage Inflation rate	3.25%
Salary Increases	3.25% -9.85%
Investment rate of return	7.15%
Mortality Table	Based on RP-20006 weighted generational mortality tables, for healthy annuitant, disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2017

All other actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2017, and were applied to all periods included in the measurement.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the ten year period from 2022 - 2031 were based upon capital marked assumptions provided by the plan's investment consultant. For each major asset class included in the plan's current asset allocation as of June 30, 2022, these best estimates are summarized in the table below:

HARRISBURG GAS AND WATER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE J– RETIREMENT PLAN- Cont'd

Actuarial Assumptions- cont'd

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity		
International Equity		
Real Estate	37%	6.22%
Absolute Return	24%	6.69%
Domestic fixed	16%	4.81%
Total	5%	3.05%
	18%	0.57%
	100%	

Discount Rate

A single discount rate of 7.15% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.15%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the proportionate share of the Net Pension Liability using the discount rate of 6.95%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate:

Sensitivity of Discount Rate		
1 % Lower than Current Rate (6.15%)	Current Rate 7.15%	1% Higher than Current Rate (8.15%)
\$ 644,142	\$ 405,167	\$ 207,872

HARRISBURG GAS AND WATER DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE J– RETIREMENT PLAN

Other financial and actuarial information needed by member employers for GASB Statement No. 68 are available in APERS’ annual report for the year ended June 30, 2022. This report can be found on Arkansas Legislative Audit’s website at www.arklegaudit.gov. The GASB 68 Statement No 68 actuarial valuation report is available from the APERS’ website at www.apers.org under the PUBLICATIONS tab.

NOTE K – NOTES PAYABLE

Notes payable at September 30, 2022 consists of the following:

3.75 % Note payable to bank, due in monthly installments
of \$ 11,920 through September 15, 2023 and is
secured by certificates of deposit. \$ 132,611

A summary of note payable activity for year ended September 30, 2022 is as follows:

Balance 10/1/2021	Additions	Reductions	Balance 9/30/2022
<u>\$ 269,339</u>	<u>\$ -</u>	<u>\$ 136,728</u>	<u>\$ 132,611</u>

Future payments required on this note are as follows:

For years ending September 30,	Principal	Interest	Total
2023	<u>\$ 132,611</u>	<u>\$ 2,002</u>	<u>\$ 134,613</u>
	<u>\$ 132,611</u>	<u>\$ 2,002</u>	<u>\$ 134,613</u>

HARRISBURG GAS AND WATER DEPARTMENT
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 SEPTEMBER 30, 2022

	Gas Division	Sewer Division	Water Division	TOTAL
OPERATING REVENUES				
Gas Revenue	\$ 1,688,789			\$ 1,688,789
Sewer Revenue		\$ 226,447		226,447
Water Revenue			432,247	432,247
Other Revenues	29,550	-	9,462	39,012
Total Operating Revenue	<u>1,718,339</u>	<u>226,447</u>	<u>441,709</u>	<u>2,386,495</u>
OPERATING EXPENSES:				
Salaries and Payroll Taxes	218,532	67,706	67,782	354,020
Building Maintenance	1,393	531	539	2,463
Chemicals	-	28,578	-	28,578
Depreciation	135,908	45,205	103,443	284,556
Employee Insurance	32,766	9,098	9,475	51,339
Fuel	23,354	-	-	23,354
Insurance	2,893	2,520	2,521	7,934
License, Permits, and Fees	819	1,436	9,758	12,013
Miscellaneous	492	411	436	1,339
Natural Gas Purchases	891,468	-		891,468
Office Expense	12,592	9,310	9,655	31,557
Professional Services	5,752	202	202	6,156
Retirement	20,419	4,898	4,908	30,225
Operating Supplies and Maintenance	41,568	29,155	56,791	127,514
Utilities	1,601	28,672	36,391	66,664
Total operating expenses	<u>1,389,557</u>	<u>227,722</u>	<u>301,901</u>	<u>1,919,180</u>
OPERATING INCOME (LOSS)	<u>328,782</u>	<u>(1,275)</u>	<u>139,808</u>	<u>467,315</u>
NONOPERATING REVENUES (EXPENSES)				
Interest income	4,099	692	3,099	7,890
Interest expense	(6,315)		-	(6,315)
Nonoperating revenues (expenses)	<u>(2,216)</u>	<u>692</u>	<u>3,099</u>	<u>1,575</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	<u>326,566</u>	<u>(583)</u>	<u>142,907</u>	<u>468,890</u>
Transfers to City of Harrisburg	<u>(70,578)</u>	<u>-</u>	<u>(866)</u>	<u>(71,444)</u>
INCREASE (DECREASE) IN NET POSITION	<u>\$ 255,988</u>	<u>\$ (583)</u>	<u>\$ 142,041</u>	<u>397,446</u>
NET POSITION - OCTOBER 1, 2021				<u>7,099,938</u>
NET POSITION - SEPTEMBER 30, 2022				<u>\$ 7,497,384</u>

HARRISBURG GAS AND WATER DEPARTMENT
BUDGETARY COMPARISON – GAS
SEPTEMBER 30, 2022

	<u>ACTUAL</u>	<u>BUDGETED</u>	<u>VARIANCE</u>
OPERATING REVENUES			
Gas Revenue	\$ 1,688,789	\$ 1,199,850	\$ 488,939
Other Revenues	29,550		29,550
Total Operating Revenue	<u>1,718,339</u>	<u>1,199,850</u>	<u>518,489</u>
OPERATING EXPENSES:			
Salaries and Payroll Taxes	218,532	225,000	(6,468)
Advertising	-	500	(500)
Building Maintenance	1,393	1,000	393
Depreciation	135,908	68,000	67,908
Employee Insurance	32,766	50,000	(17,234)
Fuel	23,354	20,000	3,354
Gas Line Clearing Loan Payment		144,000	(144,000)
Insurance	2,893	5,500	(2,607)
License, Permits, and Fees	819	2,500	(1,681)
Miscellaneous	492	1,350	(858)
Natural Gas Purchases	891,468	560,000	331,468
Office Expense	12,592	13,000	(408)
Professional Services	5,752	12,000	(6,248)
Retirement	20,419		20,419
Operating Supplies and Maintenance	41,568	45,500	(3,932)
Utilities	1,601	1,500	101
Total operating expenses	<u>1,389,557</u>	<u>1,149,850</u>	<u>239,707</u>
OPERATING INCOME (LOSS)	<u>328,782</u>	<u>50,000</u>	<u>278,782</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	4,099		4,099
Interest expense	(6,315)		(6,315)
Nonoperating revenues (expenses)	<u>(2,216)</u>	<u>-</u>	<u>(2,216)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	326,566	50,000	276,566
Transfers to City of Harrisburg	(70,578)	(50,000)	(20,578)
INCREASE (DECREASE) IN NET POSITION	<u>\$ 255,988</u>	<u>\$ -</u>	<u>\$ 255,988</u>

HARRISBURG GAS AND WATER DEPARTMENT
BUDGETARY COMPARISON - SEWER
SEPTEMBER 30, 2022

	ACTUAL	BUDGETED	VARIANCE
OPERATING REVENUES			
Sewer Revenue	\$ 226,447	\$ 259,250	(32,803)
Total Operating Revenue	<u>226,447</u>	<u>259,250</u>	<u>(32,803)</u>
OPERATING EXPENSES:			
Salaries and Payroll Taxes	67,706	75,000	(7,294)
Advertising	-	300	(300)
Building Maintenance	531	2,000	(1,469)
Chemicals	28,578	16,000	12,578
Depreciation	45,205	55,000	(9,795)
Employee Insurance	9,098	16,500	(7,402)
Fuel	-	-	-
Insurance	2,520	3,500	(980)
License, Permits, and Fees	1,436	2,000	(564)
Miscellaneous	411	1,150	(739)
Office Expense	9,310	10,000	(690)
Professional Services	202	3,800	(3,598)
Retirement	4,898	-	4,898
Operating Supplies and Maintenance	29,155	34,000	(4,845)
Utilities	28,672	30,000	(1,328)
Total operating expenses	<u>227,722</u>	<u>249,250</u>	<u>(21,528)</u>
OPERATING INCOME (LOSS)	<u>(1,275)</u>	<u>10,000</u>	<u>(11,275)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	692	-	692
Nonoperating revenues (expenses)	692	-	692
INCOME BEFORE CAPITAL CONTRIBUTIONS	(583)	10,000	(10,583)
Transfers to City of Harrisburg	-	(10,000)	-
INCREASE (DECREASE) IN NET POSITION	<u>\$ (583)</u>	<u>\$ -</u>	<u>\$ (10,583)</u>

HARRISBURG GAS AND WATER DEPARTMENT
BUDGETARY COMPARISON - WATER
SEPTEMBER 30, 2022

	<u>ACTUAL</u>	<u>BUDGETED</u>	<u>VARIANCE</u>
OPERATING REVENUES			
Water Revenue	\$ 432,247	\$ 342,850	\$ 89,397
Other Revenues	9,462		9,462
Total Operating Revenue	<u>441,709</u>	<u>342,850</u>	<u>98,859</u>
OPERATING EXPENSES:			
Salaries and Payroll Taxes	67,782	75,000	(7,218)
Advertising	-	400	(400)
Building Maintenance	539	2,000	(1,461)
Chemicals	-	10,000	(10,000)
Depreciation	103,443	87,000	16,443
Employee Insurance	9,475	17,500	(8,025)
Fuel	-	-	-
Insurance	2,521	3,500	(979)
License, Permits, and Fees	9,758	8,000	1,758
Miscellaneous	436	1,150	(714)
Office Expense	9,655	10,000	(345)
Professional Services	202	3,800	(3,598)
Retirement	4,908		4,908
Operating Supplies and Maintenance	56,791	54,500	2,291
Utilities	36,391	60,000	(23,609)
Total operating expenses	<u>301,901</u>	<u>332,850</u>	<u>(30,949)</u>
OPERATING INCOME (LOSS)	<u>139,808</u>	<u>10,000</u>	<u>129,808</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	3,099		3,099
Interest expense			
Nonoperating revenues (expenses)	<u>3,099</u>	<u>-</u>	<u>3,099</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	<u>142,907</u>	<u>10,000</u>	<u>132,907</u>
Transfers to City of Harrisburg	(866)	(10,000)	9,134
INCREASE (DECREASE) IN NET POSITION	<u>\$ 142,041</u>	<u>\$ -</u>	<u>\$ 142,041</u>

**HARRISBURG GAS AND WATER DEPARTMENT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND
RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Year Ended	Employer Allocation Percentage	Proportionate Net Pension Liability	Actual Covered Member Payroll	Net Pension Liability as a Percentage of Covered Payroll	Fiduciary Net Position as a Percentage of Total Pension Liability	Contractually Required Contributions
6/30/2015	0.01909281%	\$ 351,639	\$ 338,753	104%	80.39%	\$ 40,400
6/30/2016	0.01897622%	453,787	362,765	125%	75.50%	49,853
6/30/2017	0.01795318%	463,935	317,873	146%	75.65%	46,918
6/30/2018	0.01675713%	365,553	310,190	118%	79.59%	45,784
6/30/2019	0.01601870%	386,456	306,540	126%	78.55%	46,962
6/30/2020	0.01450812%	415,452	283,081	147%	75.38%	43,368
6/30/2021	0.01552735%	119,379	310,065	39%	93.57%	47,502
6/30/2022	0.01502632%	405,167	314,093	129%	78.31%	48,119

Note: this schedule is intended to show information for ten years. Additional years will be displayed as they become available. The data in this schedule is based as of the measurement date of APERS net pension liability.

MEYER & WARD, P.A.
CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 1045
WYNNE, ARKANSAS 72396

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

Mayor and City Council
Harrisburg Gas and Water Department
Harrisburg, AR 72432

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Harrisburg Gas and Water Department as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Harrisburg Gas and Water Department's basic financial statements and have issued our report thereon dated January 30, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Harrisburg Gas and Water Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Harrisburg Gas and Water Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Harrisburg Gas and Water Department'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 Department'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in

internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies (#22-01).

Compliance and Other Matters

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

Harrisburg Gas and Water Department's Response to Findings

Harrisburg Gas and Water Department's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Harrisburg Gas and Water Department's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of this Report

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

Meyer & Ward

Meyer & Ward, P.A.
Certified Public Accountants
Wynne, Arkansas 72396

January 30, 2024

HARRISBURG GAS AND WATER DEPARTMENT
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Internal control

22-01- Segregation of duties:

Condition: The Entity does not have enough employees to provide for appropriate segregation of duties necessary for effective internal controls.

Criteria: Segregation of duties provides for independent review and approval of all transactions at various stages of the transaction process. Adequate segregation of duties is an essential part of effective internal control structure.

Effect: Inadequate segregation of duties reduces the Entity's control over financial reporting, processing of transactions and safeguarding of assets.

Recommendation: Management should continue to review all transactions, and accounting records, in order to compensate for the limited number of employees until such time as hiring additional employees is considered cost beneficial.

Response: Additional employees for the purpose of improving internal controls would not be cost beneficial. Currently, management supervises all employees, and the Mayor and Water and Gas Committee reviews all financial reports.