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

FINANCIAL STATEMENTS (AUDITED)
SEPTEMBER 30, 2025

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2025, and the related notes to the financial statements, which collectively comprise the Harrisburg Gas and Water 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 business-type activities of the Harrisburg Gas and Water Department, as of September 30, 2025, and the 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. 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 opinion.

Responsibilities of Management for the Financial Statements

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

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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, 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 the 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 alaysis 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 the Government Accounting Standards Board, who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information. The budgetary comparison information found on pages 21 – 23 is required to be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 an opinion on the financial statements that collectively comprise the 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 purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedule of revenues, 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 as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 06, 2026, 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

March 06, 2026

Harrisburg Gas and Water Department
Statement of Net Position
As of September 30, 2025

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 2,350,452
Certificates of deposit	604,817
Accounts Receivable	158,334
Unbilled accounts receivable	58,270
Due from City	360,351
Inventory	91,869
Total Current Assets	3,624,093
RESTRICTED ASSETS	
CASH - RESTRICTED	
Meter Deposits	125,845
Improvements	4,438
Depreciation Reserve	1,401,212
INVESTMENTS - RESTRICTED	
Certificates of deposit	211,860
Total Restricted Assets	1,743,355
Property, Plant, and Equipment	10,851,405
Less Accumulated Depreciation	(8,044,910)
Capital Assets, Net	2,806,495
DEFERRED OUTFLOWS	
Pension Plan	53,686
TOTAL ASSETS	$ 8,227,629

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

Harrisburg Gas and Water Department
Statement of Net Position
As of September 30, 2025

LIABILITIES	
Current Liabilities	
Accounts payable	$ 50,742
Payroll related liabilities	1,158
Sales Tax Payable	15,540
Due to City General Fund	44,482
Total Current Liabilities	111,922
Liabilities Payable from Restricted Assets	
Customer deposits	152,957
Total Payable from Restricted Assets	152,957
Non Current Liabilities	
Net pension liability	387,033
Total Non Current Liabilities	387,033
Deferred Inflows	37,296
Pension plan	37,296
Net Position	
Invested in capital assets, net of related debt	2,806,495
Unrestricted	4,731,926
Total Net Position	7,538,421
TOTAL LIABILITIES AND NET POSITION	$ 8,227,629

Harrisburg Gas and Water Department
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended September 30, 2025

OPERATING REVENUES		
Gas Revenue	$	1,471,064
Sewer Revenue		288,071
Water Revenue		430,812
Other Revenue		135,283
Total Operating Revenues		2,325,230
OPERATING EXPENSES:		
Salaries		439,292
Payroll Taxes		33,160
Chemicals		40,146
Depreciation		350,527
Employee Insurance		81,336
Fuel		25,294
Insurance		12,557
License, Permits, and Fees		34,568
Miscellaneous		7,226
Natural Gas Purchases		694,621
Professional fees		3,072
Retirement		59,740
Repairs and Maintenance		176,900
Supplies		76,423
Unemployment		211
Utilities		90,190
Total Operating Expenses		2,125,263
OPERATING INCOME (LOSS)		199,967
NONOPERATING REVENUES (EXPENSES)		
Interest income		53,043
Transfers from (to) City of Harrisburg		(159,968)
Nonoperating revenues (expenses)		(106,925)
INCREASE (DECREASE) IN NET POSITION		93,042
Net Position at beginning of year		7,445,379
Net Position at end of year	$	7,538,421

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, 2025

Cash Flows From Operating Activities:	
Receipts from customers	$ 2,324,322
Payments to suppliers	(1,339,814)
Payments to employees	(439,292)
Net cash provided by operating activities	545,216
Cash Flows From Non-Capital Financing Activities	
Transfers (to) from other funds	(159,968)
Cash flows from capital and related financing activities	
(Increase) decrease in restricted assets - Non Cash and Cash Equivalents	(3,845)
Net cash provided (used) by capital and related activities	(3,845)
Cash flows from investing activities	
Purchases of Property Plant and Equipment	(407,075)
(Increase) decrease in Certificates of Deposit	(11,698)
Interest income	53,043
Net cash provided (used) by investing activities	(365,730)
Increase (decrease) in cash and cash equivalents	15,673
Cash and cash equivalents, beginning of year	3,866,274
Cash and cash equivalents, end of year	$ 3,881,947
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	$ 199,967
Depreciation	350,527
Effect of Pension Liability - Deferred Outflows and Inflows	(6,177)
(Increase) Decrease in:	
Accounts receivable	(3,793)
Inventory	(27,942)
Increase (Decrease) in:	
Accounts Payable	(2,433)
Sales Tax Payable	4,174
Due to City	28,008
Customer Meter Deposits	2,885
Net cash provided by operating activities	$ 545,216
Reconciliation of Cash and Cah Equivalents to Statement of Net Position	
Cash	$ 2,350,452
Cash Restricted - Customer Deposits	125,845
Cash Restricted - Depreciation Reserve	1,401,212
Cash Restricted - Improvements	4,438
Cash and Cash Equivalents	$ 3,881,947

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

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 $38,547 estimated allowance for uncollectible accounts. The allowance is management’s estimate of uncollectible accounts based on review of aging reports and historical experience. 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.

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – Cont'd

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.

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.

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES – Cont'd

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.

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.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources.

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, 2025 restricted cash was as follows:

	Cash	Certificate of deposit
Water - Meter Deposit	$ 66,050	$ 9,034
Water - Depreciation	556,480	59,649
Cash - Water Construction	4,438	
Sewer - Depreciation	120,859	
Gas - Meter Deposit	59,795	12,648
Gas- Depreciation	723,873	100,000
Gas - Improvements		30,529
	$ 1,531,495	$ 211,860

The customer's deposit reserve is established to cover the Harrisburg Gas and Water Department's liability for customer deposits of $ $152,957.

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, 2025. 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, 2025, Deposits are categorized as follows:

	Category		
	1	2	3
Carrying amount			
$ 4,698,624	$ 455,963	$ 4,242,661	$ -

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

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	190,575			190,575
Office buildings and pump house	278,838	10,300		289,138
Equipment and tools	1,669,371	87,919		1,757,290
Wells, tanks, and pumps	2,434,449			2,434,449
Lines, distributions syst and plants	5,757,872	308,856		6,066,728
	10,331,105	407,075	-	10,738,180
Total	10,444,330	407,075	-	10,851,405
Less Accumulated Depreciation	(7,694,383)	(350,527)		(8,044,910)
Net Property and Equipment	$ 2,749,947	$ 56,548	-	$ 2,806,495

NOTE F – CUSTOMERS:

At September 30, 2025, the number of customers served is as follows:

GAS	1323
WATER	1383
SEWER	959

NOTE G– 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.

NOTE H – 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 which changes monthly due to gas market price.

NOTE I– 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.

NOTE I– RETIREMENT PLAN- Cont'd

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, 2025.

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.

NOTE I– 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 $ 2,098,788,995 was measured as of June 30, 2025, 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	$ 11,991	$ (11,621)
Changes in Proportion and differences between employer contributions and proportionate share of contributions	34,979	
Changes of assumptions	6,716	
Net differences between projected and actual earnings on pension plan investments		(25,675)
	$ 53,686	$ (37,296)

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.

NOTE I– RETIREMENT PLAN- Cont'd

Actuarial Assumptions

The total pension liability in the June 30, 2025 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	7.00%
Wage Inflation rate	3.25%
Salary Increases	3.25% - 9.85%
Investment rate of return	7.15% (7.00% for District Judges Still Paying Old Plan)
Mortality Table	**APERS and District Judges New Plan/Paid-Off Old Plan:** Based on RP-2006 weighted generational mortality tables, for healthy annuitant, disability, or employee death in service, as applicable. The tables applied credibility adjustments of 125% for males and 125% for females and were adjusted for fully generatonal mortality improvements using Scale MP-2017. **District Judges Still Paying Old Plan:** Based on PubG-2010 weighted Below-Median Income General Retiree mortality tables, for healthy annuitant, disability, or employee death in service, as applicable. The tables applied credibility adjustments of 114% for males and 132% for females and were adjusted for fully generatonal mortality improvements using Scale MP-2021.

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

NOTE I– RETIREMENT PLAN- Cont'd

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 2020 - 2029 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, 2025, these best estimates are summarized in the table below:

Actuarial Assumptions- cont'd

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	39%	5.14%
International Equity	17%	5.97%
Real Estate	16%	5.00%
Private Equity	5%	8.77%
Hedge Funds	2%	3.58%
Domestic Fixed	21%	3.26%
Total	100%	

Discount Rate

A single discount rate of 7.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan'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.

NOTE I– RETIREMENT PLAN- Cont'd

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 7.00%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

Sensitivity of Discount Rate

1 % Lower than Current Rate (6.00%)	Current Rate 7.00%	1% Higher than Current Rate (8.00%)
$ 722,259	$ 387,033	$ 110,603

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, 2025.

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 J: SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date this report was available to be issued. No events were noted which would require disclosure.

Harrisburg Gas and Water Department
Combining Schedule of Revenues, Expenses and Changes in Net Position
For the Year Ended September 30, 2025

OPERATING REVENUES	Gas Division	Sewer Division	Water Division	2025 Total
Gas Revenue	$ 1,471,064	-	-	$ 1,471,064
Sewer Revenue	-	$ 288,071	-	288,071
Water Revenue	-	-	$ 430,812	430,812
Other Revenue	130,106	-	5,177	135,283
Total Operating Revenues	1,601,170	288,071	435,989	2,325,230
OPERATING EXPENSES:				
Salaries	264,063	87,636	87,593	439,292
Payroll Taxes	19,896	6,632	6,632	33,160
Chemicals	-	30,034	10,112	40,146
Depreciation	156,988	54,978	138,561	350,527
Employee Insurance	48,900	15,966	16,470	81,336
Fuel	8,600	8,347	8,347	25,294
Insurance	4,269	4,144	4,144	12,557
License, Permits, and Fees	11,793	5,013	17,762	34,568
Miscellaneous	3,144	1,718	2,364	7,226
Natural Gas Purchases	694,621	-	-	694,621
Professional fees	2,288	392	392	3,072
Retirement	29,870	14,935	14,935	59,740
Repairs and Maintenance	72,425	40,137	64,338	176,900
Supplies	27,190	24,376	24,857	76,423
Unemployment	127	42	42	211
Utilities	776	43,204	46,210	90,190
Total Operating Expenses	1,344,950	337,554	442,759	2,125,263
OPERATING INCOME (LOSS)	256,220	(49,483)	(6,770)	199,967
NONOPERATING REVENUES (EXPENSES)				
Interest income	27,230	5,014	20,799	53,043
Interest expense	-	-	-	-
Transfers from (to) City of Harrisburg	(141,184)	(1,120)	(17,664)	(159,968)
Nonoperating revenues (expenses)	(113,954)	3,894	3,135	(106,925)
INCREASE (DECREASE) IN NET POSITION	$ 142,266	$ (45,589)	$ (3,635)	93,042
Net Position at beginning of year				7,445,379
Net Position at end of year				$ 7,538,421

Harrisburg Gas and Water Department
Budgetary Comparison - Gas Division
For the Year Ended September 30, 2025

	Actual	Budget	Variance
OPERATING REVENUES			
Gas Revenue	$ 1,471,064	$ 1,600,000	$ (128,936)
Other Revenue	130,106		130,106
Total Operating Revenues	1,601,170	1,600,000	1,170
OPERATING EXPENSES:			
Salaries	264,063	260,000	(4,063)
Payroll Taxes	19,896		(19,896)
Advertising		400	400
Depreciation	156,988	65,000	(91,988)
Employee Insurance	48,900	80,350	31,450
Equipment Purchases		30,000	30,000
Fuel	8,600	10,000	1,400
Insurance	4,269	4,000	(269)
License, Permits, and Fees	11,793	4,500	(7,293)
Miscellaneous	3,144	2,300	(844)
Natural Gas Purchases	694,621	640,000	(54,621)
Professional fees	2,288	3,500	1,212
Retirement	29,870		(29,870)
Repairs and Maintenance	72,425	185,500	113,075
Supplies	27,190	16,500	(10,690)
Unemployment	127		(127)
Utilities	776	1,500	724
Total Operating Expenses	1,344,950	1,303,550	(41,400)
OPERATING INCOME (LOSS)	256,220	296,450	(40,230)
NONOPERATING REVENUES (EXPENSES)			
Interest income	27,230		27,230
Transfers from (to) City of Harrisburg	(141,184)	(70,000)	71,184
Nonoperating revenues (expenses)	(113,954)	(70,000)	(43,954)
INCREASE (DECREASE) IN NET POSITION	$ 142,266	$ 226,450	$ (84,184)

Harrisburg Gas and Water Department
Budgetary Comparison - Sewer Division
For the Year Ended September 30, 2025

	Actual	Budget	Variance
OPERATING REVENUES			
Sewer Revenue	$ 288,071	$ 360,000	$ (71,929)
Other Revenue	-		-
Total Operating Revenues	288,071	360,000	(71,929)
OPERATING EXPENSES:			
Salaries	87,636	90,000	2,364
Payroll Taxes	6,632		(6,632)
Advertising		250	250
Chemicals	30,034	35,000	4,966
Depreciation	54,978	52,000	(2,978)
Employee Insurance	15,966	26,000	10,034
Equipment		30,000	30,000
Fuel	8,347	10,000	1,653
Insurance	4,144	4,000	(144)
License, Permits, and Fees	5,013	6,200	1,187
Miscellaneous	1,718	1,600	(118)
Professional fees	392	1,000	608
Retirement	14,935		(14,935)
Repairs and Maintenance	40,137	30,000	(10,137)
Supplies	24,376	13,000	(11,376)
Unemployment	42		(42)
Utilities	43,204	32,000	(11,204)
Total Operating Expenses	337,554	331,050	(6,504)
OPERATING INCOME (LOSS)	(49,483)	28,950	(78,433)
NONOPERATING REVENUES (EXPENSES)			
Interest income	5,014		5,014
Transfers from (to) City of Harrisburg	(1,120)	(5,000)	(3,880)
Nonoperating revenues (expenses)	3,894	(5,000)	8,894
INCREASE (DECREASE) IN NET POSITION	$ (45,589)	$ 23,950	$ (69,539)

Harrisburg Gas and Water Department
Budgetary Comparison - Water Division
For the Year Ended September 30, 2025

OPERATING REVENUES	Actual	Budget	Variance
Water Revenue	430,812.00	$ 500,000	$ (69,188)
Other Revenue	5,177		5,177
Total Operating Revenues	435,989	500,000	(64,011)
OPERATING EXPENSES:			
Salaries	87,593	90,000	2,407
Payroll Taxes	6,632		(6,632)
Advertising		400	400
Chemicals	10,112	8,000	(2,112)
Depreciation	138,561	83,000	(55,561)
Employee Insurance	16,470	26,000	9,530
Equipment		30,000	30,000
Fuel	8,347	10,000	1,653
Insurance	4,144	4,000	(144)
License, Permits, and Fees	17,762	18,000	238
Miscellaneous	2,364	1,700	(664)
Professional fees	392	2,500	2,108
Retirement	14,935		(14,935)
Repairs and Maintenance	64,338	115,000	50,662
Supplies	24,857	14,500	(10,357)
Unemployment	42		(42)
Utilities	46,210	42,000	(4,210)
Total Operating Expenses	442,759	445,100	2,341
OPERATING INCOME (LOSS)	(6,770)	54,900	(61,670)
NONOPERATING REVENUES (EXPENSES)			
Interest income	20,799		20,799
Transfers from (to) City of Harrisburg	(17,664)	(15,000)	2,664
Nonoperating revenues (expenses)	3,135	(15,000)	18,135
INCREASE (DECREASE) IN NET POSITION	$ (3,635)	$ 39,900	$ (43,535)

HARRISBURG GAS AND WATER DEPARTMENT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Year Ended June 30,	Employer Allocation Percentage	Proportionate Net Pension Liabilty	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
2016	0.01897622%	453,787	362,765	125%	75.50%	49,853
2017	0.01795318%	463,935	317,873	146%	75.65%	46,918
2018	0.01675713%	365,553	310,190	118%	79.59%	45,784
2019	0.01601870%	386,456	306,540	126%	78.55%	46,962
2020	0.01450812%	415,452	283,081	147%	75.38%	43,368
2021	0.01552735%	119,379	310,065	39%	93.57%	47,502
2022	0.01502632%	405,167	314,093	129%	78.31%	48,119
2023	0.01592394%	464,053	358,615	129%	77.94%	54,071
2024	0.01758738%	437,595	396,880	110%	81.61%	61,208
2025	0.01844080%	387,033	432,872	89%	85.04%	67,631

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Harrisburg Gas and Water Department, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise Harrisburg Gas and Water Department's basic financial statements, and have issued our report thereon dated March 06, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Harrisburg Gas and Water Department'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 Harrisburg Gas and Water Department's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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 Harrisburg Gas and Water Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Meyer & Ward

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

March 06, 2026

HARRISBURG GAS AND WATER DEPARTMENT
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Internal Control

2025-01- 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.