

**CITY OF HAMPTON WATER & SEWER SYSTEM**

**FINANCIAL STATEMENTS**

December 31, 2024 and 2023

## TABLE OF CONTENTS

---

	Page
<b>INDEPENDENT ACCOUNTANT'S REPORT</b>	
Applying Agreed Upon Procedures	1
Compilation Report	4
<b>FINANCIAL STATEMENTS</b>	
Statement of Net Position	5
Statement of Revenues, Expenses and Changes in Net Position	6
Statement of Cash Flows	7
Notes to Financial Statements	9
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Proportionate Share of the Net Pension Liability	22
Schedule of Contributions	23
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Operating Expenses	25
Schedule of System Information	26

**SEARCY & ASSOCIATES, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

JIM SEARCY, M.B.A., C.P.A.  
CHARLES SEARCY, C.P.A.  
TINA MARTIN, C.P.A.

POST OFFICE BOX 418  
MONTICELLO, ARKANSAS 71657  
(870) 367-3580 or (870) 367-3467  
FAX (870) 367-2154  
searcyco@searcy-cpa.com

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

To the City Council of the  
City of Hampton Water & Sewer Department

We have performed the procedures enumerated below for the City of Hampton Water & Sewer Department, ("the Organization"), the year ended December 31, 2024. The Organization's management is responsible for accounting records.

The Organization has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of satisfying annual reporting requirements of the Arkansas Division of Legislative Audit. Additionally, the Arkansas Legislative Joint Auditing Committee has agreed to and acknowledged that the procedures performed are appropriate for their purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Cash and Investments

1. Perform a proof of cash for the year and reconcile year-end bank balances to book balance.
2. Confirm with depository institutions the cash on deposit and investments.
3. Agree the proof of cash ending balances to the book balances within 5% or \$500, whichever is greater.

***Findings:*** No findings identified.

Receipts

1. Agree the deposits per the proof of cash for the year with the deposits per the journal within 5% or \$500, whichever is greater.
2. Agree 10 customer payments on the accounts receivable sub-ledger to deposit and billing documents.
3. For one deposit, agree the cash/check composition of the deposit with receipt information.

***Findings:*** No findings identified.

### Accounts Receivable

1. Agree 10 customer billings to the accounts receivable sub-ledger.
2. Determine that five (5) customer adjustments were properly authorized.

**Findings:** *No findings identified.*

### Disbursements

1. Agree the disbursements per the proof of cash for the year with the disbursements per the journal within 5% or \$ 500, whichever is greater.
2. Analyze all property, plant, and equipment disbursements.
3. Select all disbursements paid to employees other than payroll and ten other disbursements and determine if they were adequately documented.

**Findings:** *No findings identified.*

### Property, Plant, and Equipment

1. Determine that additions and disposals were properly accounted for in the records. (Materiality level - 5% of total equipment or \$500, whichever is greater.)

**Findings:** *No findings identified.*

### Long-Term Debt

2. Schedule long-term debt and verify changes in all balances for the year.
3. Confirm loans, bonds, notes, and contracts payable with lender/trustee/contractor.
4. Determine that the appropriate debt service accounts have been established and maintained.

**Findings:** *No findings identified.*

### General

1. Determine that any items of financial significance were approved and documented in the minutes of the governing body's meetings.

**Findings:** *No findings identified.*

We were engaged by the Organization to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

**SEARCY & ASSOCIATES, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

JIM SEARCY, M.B.A., C.P.A.  
CHARLES SEARCY, C.P.A.  
TINA MARTIN, C.P.A.

POST OFFICE BOX 418  
MONTICELLO, ARKANSAS 71657  
(870) 367-3580 or (870) 367-3467  
FAX (870) 367-2154  
searcyco@searcy-cpa.com

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

The accompanying 2023 financial statements were previously audited by us and we stated that we were not aware of any material modifications that should be made to those financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America in our report dated April 26, 2024, but we have not performed any procedures in connection with that audit engagement since that date.

This report is intended solely for the information and use of the Organization, Arkansas Legislative Joint Auditing Committee and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in cursive script that reads "Searcy & Associates LLC". The signature is written in black ink and is positioned above the typed address and date.

Monticello, Arkansas  
April 23, 2025

**SEARCY & ASSOCIATES, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

JIM SEARCY, M.B.A., C.P.A.  
CHARLES SEARCY, C.P.A.  
TINA MARTIN, C.P.A.

POST OFFICE BOX 418  
MONTICELLO, ARKANSAS 71657  
(870) 367-3580 or (870) 367-3467  
FAX (870) 367-2154  
searcyco@searcy-cpa.com

**INDEPENDENT ACCOUNTANT'S COMPILATION REPORT**

To the City Council of the  
City of Hampton Water & Sewer System

We have compiled the accompanying Statement of Net Position of the City of Hampton, Arkansas Water and Sewer System, (the "Organization"), a component unit of the City of Hampton, Arkansas, as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents. We have not audited or reviewed the 2024 financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the accompanying financial statements of the City of Hampton Water & Sewer Department, a component unit of the City of Hampton, Arkansas, which comprised the statement of net position as of December 31, 2024, and the related statement of revenue, expenses, and changes in net position, and cash flows as of and for the year then ended, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents, in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

Our responsibility is to conduct the compilations in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

The accompanying 2023 financial statements were previously audited by us and we stated that we were not aware of any material modifications that should be made to those financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America in our report dated April 26, 2024, but we have not performed any procedures in connection with that audit engagement since that date.



Monticello, Arkansas  
April 23, 2025

**WATER & SEWER SYSTEM OF THE CITY OF HAMPTON, ARKANSAS**  
**STATEMENT OF NET POSITION**  
December 31, 2024 and 2023

<u>Assets</u>	<u>2024</u>	<u>2023</u>
<u>Current assets</u>		
Cash and cash equivalents	\$ 463,519	\$ 490,226
Accounts receivable (net)	65,749	48,229
Total current assets	<u>529,268</u>	<u>538,455</u>
<u>Restricted cash and investments</u>		
Meter deposits	69,492	66,680
Debt reserve funds	349,725	298,497
Total restricted cash and investments	<u>419,217</u>	<u>365,177</u>
Fixed assets, net of accumulated depreciation	1,131,116	972,847
Deferred outflow of resources related to pension	60,443	96,409
Total assets	<u>\$ 2,140,044</u>	<u>\$ 1,972,888</u>
<u>Liabilities and Net Position</u>		
<u>Current liabilities</u>		
Accounts payable	\$ 7,054	\$ 7,055
Accrued interest	711	1,298
Accrued payroll	11,519	11,519
Accrued compensating absences	5,514	5,514
Due to city general fund	-	19,497
Other accrued expenses	1,523	1,969
Current portion of bonds payable	95,672	90,435
Total current liabilities	<u>121,993</u>	<u>137,287</u>
<u>Long term liabilities</u>		
Bonds payable, net of current amount	547,678	675,501
Pension liability	262,328	296,040
Customer deposits	69,492	66,680
Total long term liabilities	<u>879,498</u>	<u>1,038,221</u>
Deferred inflow of resources related to pension	16,965	16,185
<u>Net position</u>		
Invested in capital assets, net of related debt	487,766	206,911
Restricted	349,725	298,497
Unrestricted	284,097	275,787
Total net position	<u>1,121,588</u>	<u>781,195</u>
Total liabilities and net position	<u>\$ 2,140,044</u>	<u>\$ 1,972,888</u>

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

**WATER & SEWER SYSTEM OF THE CITY OF HAMPTON, ARKANSAS**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

For the Years Ended December 31, 2024 and 2023

	2024	2023
<u>Operating revenues</u>		
Sales and charges for services	\$ 645,793	\$ 603,405
Other operating revenue	1,505	11,893
Total operating revenue	647,298	615,298
 <u>Operating expenses</u>		
Plant operations and distribution	319,934	335,903
General and administrative	100,315	79,798
Depreciation	117,364	102,760
Total operating expenses	537,613	518,461
Income / (loss) from operations	109,685	96,837
 <u>Other revenue / (expenses)</u>		
Interest income	7,823	5,736
Grant revenue	252,988	58,658
Pension expense	(35,957)	(49,550)
Interest expense	(13,644)	(24,299)
Total other revenue / (expenses)	211,210	(9,455)
<u>Excess (deficit) of revenues over expenses</u>	320,895	87,382
 <u>Other financing sources (uses)</u>		
Transfers in / (out)	19,498	810
<u>Change in net position</u>	340,393	88,192
<u>Net position, beginning of year</u>	781,195	693,003
Change in net invested in capital assets	280,855	85,563
Change in restricted assets	51,228	85,290
Change in unrestricted assets	8,310	(82,661)
Change in net position	340,393	88,192
<u>Net position, end of year</u>	\$ 1,121,588	\$ 781,195

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

**WATER & SEWER SYSTEM OF THE CITY OF HAMPTON, ARKANSAS**  
**STATEMENT OF CASH FLOWS**

For the Years Ended December 31, 2024 and 2023

	2024	2023
<u>Cash flows from operating activities</u>		
Cash received from customers	\$ 629,778	\$ 613,982
Payments for salaries and benefits	(321,586)	(314,604)
Payments for operating and administrative expenses	(119,194)	(102,228)
Net cash provided by (used for) operating activities	<u>188,998</u>	<u>197,150</u>
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(275,633)	(254,858)
Transfers in (out)	19,498	810
Interest income	7,823	5,736
Net cash provided by (used for) investing activities	<u>(248,312)</u>	<u>(248,312)</u>
<u>Cash flows from financing activities</u>		
Proceeds from grant revenue	252,988	58,658
Proceeds from issuance of debt	-	141,592
Principal payments on debt	(122,586)	(75,057)
Interest payments	(13,644)	(24,299)
Change in pension liability	(33,712)	4,781
Pension expense	(35,957)	(49,550)
Change in deferred outflows / inflows	36,746	1,917
Change in customer deposits	2,812	1,447
Net cash provided by (used for) financing activities	<u>86,647</u>	<u>59,489</u>
<u>Change in cash and cash equivalents</u>	27,333	8,327
<u>Cash and cash equivalents, beginning of year</u>	<u>855,403</u>	<u>847,076</u>
<u>Cash and cash equivalents, end of year</u>	<u>\$ 882,736</u>	<u>\$ 855,403</u>
<u>Cash and cash equivalents</u>	\$ 463,519	\$ 490,226
<u>Restricted cash and cash equivalents</u>	419,217	365,177
	<u>\$ 882,736</u>	<u>\$ 855,403</u>

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

**WATER & SEWER SYSTEM OF THE CITY OF HAMPTON, ARKANSAS**  
**STATEMENT OF CASH FLOWS (Continued)**

For the Years Ended December 31, 2024 and 2023

	2024	2023
<u>Reconciliation of operating income to net cash from operating activities:</u>		
Operating income (loss)	\$ 109,685	\$ 96,837
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	117,364	102,760
Changes in assets and liabilities:		
Accounts receivable	(17,520)	(1,316)
Accounts payable	(1)	-
Accrued interest	(587)	-
Accrued payroll	-	(1,456)
Solid waste payments due to city	(19,497)	-
Other accrued expenses	(446)	325
Total adjustments	79,313	100,313
Net cash provided by (used for) operating activities	\$ 188,998	\$ 197,150

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

**WATER & SEWER SYSTEM OF THE CITY OF HAMPTON, ARKANSAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2024 and 2023

---

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The Water and Sewer System (the “Organization”) is a component unit of the City of Hampton, Arkansas. The Organization is governed by the City Council. The Organization provides water and sewer services to the City of Hampton and certain surrounding areas. The City Council approves the rate changes of the Organization’s services. The debt of the Organization is maintained in the name of the City of Hampton.

**B. Fund Type**

The Organization is an enterprise fund, used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**C. Basis of Accounting**

The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Operating revenues and expenses are distinguished from other revenue (expense) items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations of the Organization. All revenues and expenses not meeting this definition are reported as other revenues (expenses) but remain a major component of the overall revenues and expenses of the Organization.

In accordance with Governmental Accounting Standards Board (GASB) Statement Number 62, the Organization applies accounting standards in accordance with the Codification of Governmental Accounting and Financial Reporting Standards which incorporates applicable Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) Pronouncements issued on or before November 30, 1989.

**D. Use of Estimate**

Management used estimates and assumptions in preparing these financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**WATER & SEWER SYSTEM OF THE CITY OF HAMPTON, ARKANSAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
December 31, 2024 and 2023

---

**NOTE 1 (continued)**

**E. Assets, Liabilities, and Net Position**

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents. For the purpose of financial reporting, all demand accounts, savings accounts, cash on hand, certificates of deposits, and money market accounts are considered to be cash and cash equivalents.

Accounts Receivable

Accounts receivable relate to water and sewer service billings and are shown net of an allowance for doubtful accounts. The allowance is based upon historical losses and a review of the past-due accounts. Credit extended to customers is generally uncollateralized. Accounts are due ten days after the billing date. Past-due accounts are charged a late fee penalty. Customers are required to make a deposit, and deposits can be offset against the receivable. The estimated allowance for doubtful accounts as of December 31, 2024 and 2023 were \$29,010 and \$24,722, respectively.

Fixed Assets

Fixed assets are recorded at cost, including interest incurred during the construction period. Contributed property is recorded at fair value at the date of contribution. Depreciation is recorded on each class of depreciable property utilizing the straight-line method over the estimated useful lives of the assets. The ranges of estimated useful lives are as follows:

Water Plant	20-40 years
Wells & Water Tanks	20-40 years
Buildings & Improvements	20-25 years
Vehicles & Equipment	5-10 years

The Organization's capitalization policy states that capital assets are defined as assets with an estimated useful life of greater than one year and over \$1,000.

Compensated Absences

The Organization's policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off. Vacation and sick leave benefits are recognized as an expense when incurred. Any portion of the incurred benefit not paid at the end of the accounting period is recorded as a liability in the financial statements. Accrued compensated absences as of December 31, 2024 and 2023 were \$5,514.

Deferred Outflow / Inflow of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources(expense) until then. The Organization has qualifying items for reporting in this category. Deferred outflows of resources include those related to pension changes for the Organization.

**WATER & SEWER SYSTEM OF THE CITY OF HAMPTON, ARKANSAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
December 31, 2024 and 2023

---

**NOTE 1 (continued)**

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an increase to net position that applies to a future period and is recognized as an inflow of resources (revenue) until that time. The Organization has qualifying items for reporting in this category. Deferred inflows of resources include those related to pension changes for the Organization.

Pension

The Organization maintains one cost-sharing, multiple employer, defined benefit retirement plan. The plan is sponsored by the Arkansas Public Employee Retirement System.

For purposes of measuring the net pension asset or liability, deferred outflow of resources and deferred inflow of resources related to pension, and pension expense have been determined on the same basis as they are reported by the actuary. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the plan. Expenses of the plans, such as investment fees, trustee fees, and audit fees, are paid by the plan. However, certain administrative functions are performed by employees of the Organization and are not reimbursed by the plan.

Net Position Classifications

- Invested in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position – Consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments.
- Unrestricted net position – All other net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted.”

**F. Date of Management’s Review**

The Organization evaluated its December 31, 2024, financial statements for subsequent events through April 23, 2025, the date the financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

**NOTE 2 – CERTIFICATES OF DEPOSIT AND INVESTMENTS**

Arkansas Code Annotated 19-1-501 outlines the eligible investments allowed by a municipality along with Certificates of Deposits when secured in compliance with Arkansas Code 19-8-202. Deposits in excess of Federal Deposit Insurance (FDIC) are required to be secured by qualified pledged securities allowed by the Code to mitigate custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure a government’s deposits may not be returned to it.

**WATER & SEWER SYSTEM OF THE CITY OF HAMPTON, ARKANSAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

December 31, 2024 and 2023

**NOTE 2 (continued)**

The schedule below is designed to disclose the level of custodial credit risk assumed by the Organization based upon how its deposits were insured or secured by pledged securities, or unsecured at December 31, 2024.

Category 1 – Insured FDIC or secured with securities held by the Organization (or public trust) or by its agent in its name.

Category 2 – Uninsured but collateralized with securities held by the pledging financial institutions' trust Organization in the Organization's name.

Category 3 – Unsecured and uncollateralized, or collateralized with securities held by the pledging institution, or by its trust Organization or agent in the Organization's name, or collateralized with no written or approved collateralized agreement.

The level of security for the Organization's bank deposits are as follows:

Depository	Total	Category 1	Category 2	Category 3
Bank A	\$ 774,031	\$ 500,000	\$ 274,031	\$ -
Bank B	76,139	76,139	-	-
Bank C	40,864	40,864	-	-
Total	<u>\$ 891,034</u>	<u>\$ 617,003</u>	<u>\$ 274,031</u>	<u>\$ -</u>

The amounts shown are bank ledger balances of the referenced bank's deposits and may differ from the Organization's general ledger balances.

The Organization has certain amounts of its cash accounts restricted at December 31, 2024 and 2023 as follows:

	2024	2023
Meter deposits	\$ 69,492	\$ 66,680
Debt reserve requirements	349,725	298,497
Total restricted cash	<u>\$ 419,217</u>	<u>\$ 365,177</u>

The debt reserve cash requirements are restricted for use of replacement of certain equipment securing the bonded indebtedness or for their repairs during the term of the debt and for the use of annual debt service payments for the Organization's indebtedness.

Customers' meter deposits are restricted for the use of refunding a departing customers' refund upon leaving the Organization or for off-setting any amounts owed by the customer upon departure.

It is the Organization's policy to use other available cash for equipment replacement or repairs rather than the restricted amounts.

**WATER & SEWER SYSTEM OF THE CITY OF HAMPTON, ARKANSAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
December 31, 2024 and 2023

**NOTE 3 – CHANGES IN FIXED ASSETS**

	Balance December 31, 2022	Transfers	Additions	Disposals	Balance December 31, 2023
Land	\$ 14,250	\$ -	\$ -	\$ -	\$ 14,250
Buildings & improvements	102,583	-	-	-	102,583
Machinery & equipment	223,147	-	171,850	-	394,997
Water & sewer system	2,360,155	-	-	-	2,360,155
Construction in progress	-	-	83,008	-	83,008
	<u>2,700,135</u>	<u>-</u>	<u>254,858</u>	<u>-</u>	<u>2,954,993</u>
Accumulated depreciation	<u>(1,879,386)</u>	<u>-</u>	<u>(102,760)</u>	<u>-</u>	<u>(1,982,146)</u>
	<u>\$ 820,749</u>	<u>\$ -</u>	<u>\$ 152,098</u>	<u>\$ -</u>	<u>\$ 972,847</u>

	Balance December 31, 2023	Transfers	Additions	Disposals	Balance December 31, 2024
Land	\$ 14,250	\$ -	\$ -	\$ -	\$ 14,250
Buildings & improvements	102,583	-	-	-	102,583
Machinery & equipment	394,997	-	-	-	394,997
Water & sewer system	2,360,155	358,641	-	-	2,718,796
Construction in progress	83,008	(358,641)	275,633	-	-
	<u>2,954,993</u>	<u>-</u>	<u>275,633</u>	<u>-</u>	<u>3,230,626</u>
Accumulated depreciation	<u>(1,982,146)</u>	<u>-</u>	<u>(117,364)</u>	<u>-</u>	<u>(2,099,510)</u>
	<u>\$ 972,847</u>	<u>\$ -</u>	<u>\$ 158,269</u>	<u>\$ -</u>	<u>\$ 1,131,116</u>

**NOTE 4 – LONG-TERM DEBT**

Series 2023 Water and Sewer Revenue Bonds

In 2023, the Organization issued \$334,214 in Water & Sewer Revenue bonds in order to finance the construction of the lift station improvements. The Arkansas Natural Resource Commission (“ANRC”) simultaneously purchased the bond and issued a 20-year note. The interest rate on the note payable is 2.55%. The proceeds of were used to pay bond issuance costs, loan servicing fee to ANRC, engineering fees, and construction costs. System revenues and assets are pledged to the note payable. The Organization is required to establish rates sufficient to pay the expenses and operation and maintenance of the water system, making monthly deposits in an amount equal to 3% of gross water system revenues for the preceding month into the depreciation fund. The Organization was in compliance with all debt covenants for the years ended December 31, 2024 and 2023.

**WATER & SEWER SYSTEM OF THE CITY OF HAMPTON, ARKANSAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

December 31, 2024 and 2023

**NOTE 4 (continued)**

Series 2016 Water and Sewer Revenue Bonds

In 2016, the Organization issued \$232,000 in Water & Sewer Revenue bonds in order to finance the repairs and renovation to a water tank. The United States Department of Agriculture (“USDA”) simultaneously purchased the bond and issued a 40-year note. The interest rate on the note payable is 2.50%. The proceeds of were used to pay bond issuance costs, engineering fees, and construction costs. System revenues and assets are pledged to the note payable. The Organization is required to establish rates sufficient to pay the expenses and operation and maintenance of the water system, making monthly deposits into a debt service account of \$77 a month until a total of \$44,796 has accumulated for repayment obligations, and monthly deposits into a short-lived asset account of \$1,873 a month until a total of \$224,760 has accumulated for expected future costs of repairs to the water tank. The Organization was in compliance with all debt covenants for the years ended December 31, 2024 and 2023.

Series 2002 Water and Sewer Revenue Bonds

In 2001, the Organization issued \$905,361 in Water & Sewer Revenue bonds in order to pay off the 1990 Bond issue and for capital improvements to the water and sewer system. The Arkansas Natural Resource Commission (“ANRC”) simultaneously purchased the bond and issued a 30-year note. The interest rate on the note payable was 5.15% initially and was lowered to 4.50% in 2005. The proceeds of were used to pay the remaining balance on the 1990 Bond issue, bond issuance costs, loan servicing fee to ANRC, engineering fees, and construction costs. System revenues and assets are pledged to the note payable. The Organization is required to establish rates sufficient to pay the expenses and operation and maintenance of the water system and to hold an amount equal to 12 months of debt service costs – equivalent to \$59,588. The Organization was in compliance with all debt covenants for the years ended December 31, 2024 and 2023.

The following is a summary of changes in bonds payable:

	Balance December 31, 2022	Increases	Decreases	Balance December 31, 2023	Amounts Due Within One Year
2002 Water & Sewer Revenue Bonds	\$ 207,773	\$ -	\$ (50,803)	\$ 156,970	\$ 53,115
2016 USDA Note Payable	201,197	-	(4,210)	196,987	4,303
2021 Water & Sewer Revenue Bonds	290,431	-	(14,104)	276,327	14,471
2023 Backhoe Note Payable	-	141,592	(5,940)	135,652	18,546
	<u>\$ 699,401</u>	<u>\$ 141,592</u>	<u>\$ (75,057)</u>	<u>\$ 765,936</u>	<u>\$ 90,435</u>

  

	Balance December 31, 2023	Increases	Decreases	Balance December 31, 2024	Amounts Due Within One Year
2002 Water & Sewer Revenue Bonds	\$ 156,970	\$ -	\$ (73,115)	\$ 83,855	\$ 55,982
2016 USDA Note Payable	196,987	-	(4,317)	192,670	4,413
2021 Water & Sewer Revenue Bonds	276,327	-	(14,502)	261,825	14,844
2023 Backhoe Note Payable	135,652	-	(30,652)	105,000	20,433
	<u>\$ 765,936</u>	<u>\$ -</u>	<u>\$ (122,586)</u>	<u>\$ 643,350</u>	<u>\$ 95,672</u>

**WATER & SEWER SYSTEM OF THE CITY OF HAMPTON, ARKANSAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
December 31, 2024 and 2023

**NOTE 4 (continued)**

Total principal and interest maturities of the Organization's bonds are as follows:

Year Ending December 31,	Principal	Interest	Total
2025	\$ 95,672	\$ 20,626	\$ 116,298
2026	69,315	15,895	85,210
2027	43,286	13,424	56,710
2028	45,225	11,485	56,710
2029	36,721	9,538	46,259
2030-2034	115,080	37,632	152,712
2035-2039	124,700	22,073	146,773
2040-2044	33,780	12,163	45,943
2045-2049	38,283	7,661	45,944
2050-2054	41,288	2,562	43,850
Thereafter	-	-	-
	<u>\$643,350</u>	<u>\$ 153,059</u>	<u>\$ 796,409</u>

**NOTE 5 – PENSION**

Plan Description

The following brief description of the Arkansas Public Employees Retirement System (APERS or the System) is provided for general information purposes 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. The plan was established by the authority of the Arkansas General Assembly with the passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings.

The general administration and responsibility for the proper operation of the System is vested in the 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 Organization of Finance and Administration, and four additional board positions that were added in Act 686 of the 2021 State of Arkansas legislative session. All of these four positions are appointed by the State of Arkansas Legislature. Two of these positions represent retirees with one being appointed by the House of Representatives and the other appointed by the Senate. The other two positions represent retired law enforcement with one being appointed by the House of Representatives and the other by the Senate.

**WATER & SEWER SYSTEM OF THE CITY OF HAMPTON, ARKANSAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
December 31, 2024 and 2023

---

**NOTE 5 (continued)**

Benefits Provided

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

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

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

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

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

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

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

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Act 365 of the 2021 regular legislative session put in place annual increases of .25% to this employee contribution rate beginning July 1, 2022 and continuing each year up to a maximum rate of 7%. 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, 2024. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

**WATER & SEWER SYSTEM OF THE CITY OF HAMPTON, ARKANSAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
December 31, 2024 and 2023

**NOTE 5 (continued)**

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>.

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

The collective Net Pension Liability of \$2,488,121,912 was measured as of June 30, 2024, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. Each employer's proportion of the Net Pension Liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers.

Deferred outflows of resources and deferred inflows of resources related to pensions for your employer are as follows:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 14,139	\$ (14,896)
Changes in proportion and differences between employer contributions and proportionate share of contribution	9,433	(8,667)
Changes of assumptions	12,697	-
Contributions subsequent to measurement date	37,111	-
Net difference between projected and actual earnings on pension plan investments	10,569	-
Total for City	\$ 83,949	\$ (23,563)
Department pro-rata allocation	72%	72%
Total for Department	\$ 60,443	\$ (16,965)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in your financial statements as follows:

	2025	2026	2027	2028	2029	Thereafter
Total for City	\$ (4,226)	\$ 49,992	\$(13,771)	\$ (8,720)	\$ -	\$ -
Department pro-rata allocation	72%	72%	72%	72%	72%	72%
Total for Department	\$ (3,043)	\$ 35,994	\$ (9,915)	\$ (6,278)	\$ -	\$ -

**WATER & SEWER SYSTEM OF THE CITY OF HAMPTON, ARKANSAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
December 31, 2024 and 2023

---

**NOTE 5 (continued)**

Actuarial Assumptions

The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll, Closed (Level Dollar, Closed for District Judges New Plan and Paid Off Old Plan and District Judges Still Paying Old Plan)
Remaining Amortization Period	16 years (5.6 years for District Judges New Plan/Paid Off Old Plan and 12 years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-year smoothed market; 25% corridor (Market Value for Still Paying Old Plan)
Investment Rate of Return	7%
Inflation	3.25% wage inflation, 2.50% price inflation
Salary Increases	3.25 – 9.85% including inflation (3.25% - 6.96% including inflation for District Judges)
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality Table	Based on RP-2006 Healthy Annuitant benefit weighted generational mortality tables for males and females. Mortality rates are multiplied by 135% for males and 125% for females and are adjusted for fully generational mortality improvements using Scale MP-2017.
Average Service Life of All Members	3.6281

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 each major asset class included in the System’s target asset allocation as of June 30, 2024 are summarized in the table below:

**WATER & SEWER SYSTEM OF THE CITY OF HAMPTON, ARKANSAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**

December 31, 2024 and 2023

**NOTE 5 (continued)**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37%	6.19%
International Equity	24%	6.77%
Real Assets	16%	3.34%
Absolute Return	5%	3.36%
Domestic Fixed	18%	1.79%
Total	100%	
 Total Real Rate of Return		 4.94%
Plus: Price Inflation- Actuary Assumption		2.50%
Net Expected Return		7.44%

Discount Rate

A single discount rate of 7% 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%. 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 7%, 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%) or 1-percentage-point higher (8%) than the current rate:

	Sensitivity of Discount Rate		
	1% Lower 6.00%	Discount Rate 7.00%	1% Higher 8.00%
Total for City	\$ 621,702	\$ 364,344	\$152,171
Department pro-rata allocation	72%	72%	72%
Total for Department	\$ 447,625	\$ 262,328	\$109,563

**NOTE 6 – RISK MANAGEMENT**

The Organization is exposed to various risks of loss related to 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. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

**WATER & SEWER SYSTEM OF THE CITY OF HAMPTON, ARKANSAS**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
December 31, 2024 and 2023

---

**NOTE 7 – DEPARTURE FROM GENERALLY ACCEPTED ACCOUNTING PROCEDURES**

Management has elected to omit the Budget to Actual Comparison and the Management Discussion and Analysis of the Organization from the financial statements which are required by GAAP.

**REQUIRED SUPPLEMENTARY INFORMATION**

**WATER & SEWER SYSTEM OF THE CITY OF HAMPTON, ARKANSAS**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
For the Years Ended December 31, 2024 through 2015

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015 *
Proportion of the net pension liability	0.015%	0.014%	0.015%	0.015%	0.016%	0.014%	0.016%	0.014%	0.013%	0.012%
Proportionate share of the net pension liability	\$ 262,328	\$ 296,040	\$ 291,259	\$ 82,236	\$ 328,033	\$ 244,569	\$ 251,092	\$ 266,149	\$ 221,203	\$ 153,781
Covered - employee payroll	\$ 264,387	\$ 253,912	\$ 230,547	\$ 213,423	\$ 252,977	\$ 160,953	\$ 209,683	\$ 208,958	\$ 190,349	\$ 163,503
Proportionate share of the net pension liability as percentage of covered - employee payroll	99.22%	116.59%	126.33%	38.53%	129.67%	151.95%	119.75%	127.37%	116.21%	94.05%
Plan's fiduciary net position as a percentage of the total pension liability	81.61%	77.94%	78.31%	93.57%	75.38%	78.55%	79.59%	75.65%	75.50%	80.39%

\* Fiscal Year 2015 was the first year of implementation, and is based on actuarial valuation as of June 30, 2014, therefore only ten years are shown.

See independent auditor's report.

**WATER & SEWER SYSTEM OF THE CITY OF HAMPTON, ARKANSAS**  
**SCHEDULE OF CONTRIBUTIONS**  
For the Years Ended December 31, 2024 through 2015

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015 *
Contractually required contribution	\$ 36,693	\$ 34,494	\$ 34,591	\$ 32,723	\$ 34,242	\$ 29,720	\$ 31,448	\$ 26,916	\$ 24,301	\$ 21,866
Contributions in relation to the contractually required contribution	\$ (36,693)	\$ (34,494)	\$ (34,591)	\$ (32,723)	\$ (34,242)	\$ (29,720)	\$ (31,448)	\$ (26,916)	\$ (24,301)	\$ (21,866)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Department's covered - employee payroll	\$ 264,387	\$ 253,912	\$ 230,547	\$ 213,423	\$ 252,977	\$ 160,953	\$ 209,683	\$ 208,958	\$ 190,349	\$ 163,503
Contributions as a percentage of covered - employee payroll	13.88%	13.58%	15.00%	15.33%	13.54%	18.47%	15.00%	12.88%	12.77%	13.37%

\* Fiscal Year 2015 was the first year of implementation, therefore only ten years are shown. Information in this schedule has been determined as of the most recent fiscal year-end.

See independent auditor's report.

**SUPPLEMENTARY INFORMATION**

**WATER & SEWER SYSTEM OF THE CITY OF HAMPTON, ARKANSAS**  
**SCHEDULE OF OPERATING EXPENSES**

For the Years Ended December 31, 2024 and 2023

	2024	2023
<u>Plant operations and distributions</u>		
Salaries, wages, and benefits	\$ 241,370	\$ 234,782
Payroll taxes	15,899	15,737
Repairs and maintenance	2,997	14,416
Utilities	35,147	36,799
Insurance	-	563
Travel expenses	4,464	6,054
License, permits, fees	10,567	7,100
Contract labor	-	573
Operating supplies and other	9,490	19,879
Total plant operations and distributions	319,934	335,903
 <u>General and administrative</u>		
Salaries, wages, and benefits	60,342	58,695
Payroll taxes	3,975	3,934
Office supplies	5,036	5,994
Professional fees	16,500	-
Communication	10,174	8,127
Bad debt	4,288	3,048
Total general and administrative	100,315	79,798
 <u>Depreciation</u>	117,364	102,760
 Total operating expenses	\$ 537,613	\$ 518,461

See independent auditor's report.

**WATER & SEWER SYSTEM OF THE CITY OF HAMPTON, ARKANSAS**  
**SCHEDULE OF SYSTEM INFORMATION**  
For the Year Ended December 31, 2024

---

Number of Users	664
Annual billable gallons	42,058,031
Date of last rate study:	N/A
Next required date:	July 1, 2026
Met board/council training requirements:	Yes

Debt Service Coverage Ratio (1.05 minimum required)

Net Income (loss)	\$ 320,895
Add: Depreciation	117,364
Add: Interest expense	13,644
Add: Non operating expense	-
Add/Subtract: GASB 68 pension expense/income adjustment	(4,663)
Subtract: Interest income	(7,823)
Subtract: Non operating income	<u>(252,988)</u>
 Total	 \$ 186,429
Divided by next year principal & interest	<u>\$ 116,298</u>
 Debt service coverage ratio	 <u><u>1.60</u></u>

Free Cash Flow Determination

Total unrestricted cash	\$ 463,519
One twelfth of total expenses	<u>44,801</u>
 Excess / (deficient) cash	 <u><u>\$ 418,718</u></u>