CITY OF HUNTINGTON, ARKANSAS
WATER AND SEWER DEPARTMENT

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2025

PRZYBYSZ & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF HUNTINGTON, ARKANSAS WATER AND SEWER DEPARTMENT

DECEMBER 31, 2025

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PRZYBYSZ & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Honorable Mayor and City Council
City of Huntington, Arkansas Water and Sewer Department
Huntington, Arkansas

Opinion

We have audited the accompanying financial statements of the City of Huntington, Arkansas Water and Sewer Department (the Department), as of and for the year ended December 31, 2025, and the related notes to the 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 financial position of the City of Huntington, Arkansas Water and Sewer Department as of December 31, 2025, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted on 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Huntington, Arkansas Water and Sewer 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the water and sewer department enterprise fund and do not purport to, and do not, present fairly the financial position of the City of Huntington, Arkansas, as of December 31, 2025, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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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.

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 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 the City of Huntington, Arkansas Water and Sewer 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.

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 management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the information for cost-sharing employer plans on pages 24-25 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is 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 supplemental 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 financial statements, and other knowledge we obtained during our audit of the 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2026, on our consideration of the City of Huntington, Arkansas Water and Sewer Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Huntington, Arkansas Water and Sewer Department's 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 City of Huntington, Arkansas Water and Sewer Department's internal control over financial reporting and compliance.

Przybysz & Associates

Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
July 9, 2026

FINANCIAL STATEMENTS

CITY OF HUNTINGTON, ARKANSAS WATER AND SEWER DEPARTMENT

STATEMENT OF NET POSITION

AS OF DECEMBER 31, 2025

Assets		
Current Assets		
Cash and cash equivalents	$	26,113
Restricted checking and savings accounts		100,047
Restricted investments		8,564
Restricted certificates of deposit		4,609
Accounts receivable, net of allowance for doubtful accounts		19,601
Sales tax receivable		6,167
Prepaid expenses		5,088
Total Current Assets		170,189
Net Capital Assets		2,319,002
Total Assets		2,489,191
Deferred Outflows of Resources		
Deferred outflows of resources related to pension		3,472
Total Deferred Outflows of Resources		3,472
Total Assets and Deferred Outflows of Resources	$	2,492,663
Liabilities		
Current Liabilities		
Accounts payable	$	20,449
Sales tax payable		794
Accrued interest		905
Meter deposits payable		30,291
Current portion of long-term debt		36,702
Total Current Liabilities		89,141
Noncurrent liabilities:		
Long-term debt		1,293,521
Net pension liability		28,938
Total Noncurrent Liabilities		1,322,459
Total Liabilities		1,411,600
Deferred Inflows		
Deferred inflows of resources related to pension		7,117
Total Deferred Inflows		7,117
Net Position		
Net investment in capital assets		988,779
Restricted		75,859
Unrestricted		9,308
Total Net Position		1,073,946
Total Liabilities, Deferred Inflows, and Net Position	$	2,492,663

See accompanying notes to financial statements.

CITY OF HUNTINGTON, ARKANSAS WATER AND SEWER DEPARTMENT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2025		
Operating Revenue		
Water and sewer revenues, less provision for bad debts	$	205,015
Other income		641
Total Operating Revenue		205,656
Operating Expenses		
Water purchases		102,841
Salaries and wages		33,632
Employee benefits		2,381
Auto expenses		1,244
Insurance		6,257
Professional fees		275
Chemicals		28
Repairs and maintenance		31,589
Utilities and telephone		17,874
Dues and subscriptions		3,450
Operating supplies		6,825
Office expense		3,127
Bank fees		635
Advertising		161
Other professional services		1,731
Miscellaneous expense		343
Payroll taxes		2,573
Depreciation		70,483
Total Operating Expenses		285,449
Net Loss From Operations		(79,793)
Nonoperating Revenue (Expenses)		
Interest income		808
Interest expense		(42,978)
Gain on asset disposal		769
Total Nonoperating Revenue (Expenses)		(41,401)
Change in Net Position Before Transfers		(121,194)
Transfers In		108,277
Change in Net Position		(12,917)
Net Position at Beginning of Year		1,086,863
Net Position at End of Year	$	1,073,946

See accompanying notes to financial statements.

CITY OF HUNTINGTON, ARKANSAS WATER AND SEWER DEPARTMENT

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2025

Cash Flows From Operations		
Cash receipts from customers	$	241,119
Cash payments to suppliers for goods and services		(216,584)
Cash payments to employees for services		(33,632)
Net Cash Used In Operating Activities		(9,097)
Cash Flows From Non-capital And Related Financing Activities		
Transfers from City for sales taxes		75,197
Other transfers from City		33,130
Net Cash Provided By Non-Capital and Related Financing Activities		108,327
Cash Flows From Capital And Related Financing Activities		
Proceeds received from sale of asset		769
Repayment of debt		(35,780)
Interest paid on debt		(43,248)
Net Cash Used In Capital and Related Financing Activities		(78,259)
Cash Flows From Investing Activities		
Net activity of restricted investments		(404)
Reinvestment of certificate of deposit earnings		(212)
Interest Income		808
Net Cash Provided By Investing Activities		192
Net Increase In Cash, Cash Equivalents and Restricted Cash		21,163
Cash, Cash Equivalents and Restricted Cash At Beginning of Year		104,997
Cash, Cash Equivalents, and Restricted Cash At End of year	$	126,160
Reconciliation to the Statement of Net Position		
Cash and cash equivalents	$	26,113
Restricted checking and savings accounts		100,047
Total Cash, Cash Equivalents and Restricted Cash	$	126,160

See accompanying notes to financial statements.

CITY OF HUNTINGTON, ARKANSAS WATER AND SEWER DEPARTMENT

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2025

Reconciliation of Operating Income to Net Cash Provided By Operating Activities		
Operating loss	$	(79,793)
Non-cash adjustments:		
Depreciation		70,483
(Increase) decrease in:		
Accounts receivable		2,595
Prepaid expenses		(698)
Deferred outflow of resources		2,447
Increase (decrease) in:		
Trade accounts payable		3,544
Sales tax payable		6
Customer deposits		240
Net pension liability		(7,267)
Deferred inflows of resources		(654)
Net Cash Provided (Used) By Operating Activities	$	(9,097)

See accompanying notes to financial statements.

CITY OF HUNTINGTON, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

Nature of Business

The City of Huntington, Arkansas Water and Sewer Department (the Department) is an extension of the services provided by the City of Huntington, Arkansas to its citizens. The City of Huntington, through its mayor and city council, has oversight authority over the Water and Sewer Department. The Department provides water, which it purchases, to its customers, and also provides sewer services within the City limits. Through state law, the Department also charges and collects the fees for the local refuse collectors. The City Council of Huntington, Arkansas sets user charges, establishes budgets, selects management, and controls all aspects of the Water and Sewer Department's daily operations.

1. Summary of Significant Accounting Policies

Basis of Presentation

The Department's financial statements are prepared in conformity with principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities.

The Department accounts for its operations as an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that 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. The Department also receives a portion of a one cent sales tax received by the City.

The Department is considered to be a component unit of the City of Huntington. These financial statements reflect only the water and sewer department enterprise fund of the City of Huntington, Arkansas and, accordingly, do not reflect other activities, funds and account groups of the City.

Financial Reporting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of the Department. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Income Taxes

The Department is exempt from income taxes as a governmental agency.

1. Summary of Significant Accounting Policies (continued)

Cash Equivalents

For purposes of the Statement of Cash Flows, the Department considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents, including restricted cash

Investments

Investments are presented at fair value and are certificates of deposit and securities designated to service semi-annual bond payments.

Accounts Receivable

Accounts receivable consists of water and sewer fees and surcharges billed to residential and commercial/industrial customers based on consumption. The Department does not charge interest on past due accounts but does charge a late fee for late payments. Accounts receivable are recorded net of estimated uncollectible amounts. The allowance for doubtful accounts is estimated based on professional judgement and historical information and is $8,922 on December 31, 2025.

Prepaid Expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expense in the year which services are consumed.

Capital Assets

Capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. The estimated useful lives of the assets are as follows:

Water system	5 - 40 years
Office equipment	5 - 10 years
Transportation and other equipment	5 - 10 years

It is the Department's policy to capitalize asset purchases greater than $500 and expense asset purchases less than $500.

1. Summary of Significant Accounting Policies (continued)

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position has a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The Department recognizes deferred outflows of resources related to pensions.

In addition to liabilities, the Statement of Net Position has a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Department recognizes deferred inflows of resources related to pensions.

Compensated Absences

Employees earn vacation and sick pay in varying amounts based upon length of service with the Department. Vacations are non-cumulative and no more than five days may be carried forward six months past the employees anniversary date without written approval. Employees can carryforward a maximum of twenty-four sick days. Upon termination from the Department, employees are paid their accumulated unused vacation. No unused accumulated sick pay is paid upon termination. The Department did not have an accrual for compensated absences at December 31, 2025.

Customer Meter Deposits

Customers are required to make a meter deposit before being connected to the water system. These deposits are refundable to customers when the Department no longer serves the customer. The Department uses the customer deposits to pay the customers' final bill and refunds directly to the customer the balance remaining, if any, of the deposit.

Net Position

Net position of the Department are classified in three components - net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets.

1. Summary of Significant Accounting Policies (continued)

Net Position (continued)

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets".

The Department does not have a policy addressing whether it considers restricted or unrestricted to have been spent when expenditures are incurred for purposes when both are available. Department personnel decide which resources to use at the time the expenditures are incurred. For classification of net position amounts, restricted amounts would be reduced first, followed by unrestricted. The Department's restricted net position are those resources necessary to comply with state statutes and various covenants of bond financing agreements.

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the Department. Operating revenues consist primarily of water sales and fees for sewer and miscellaneous services. Operating expenses include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued the following new accounting standard which became effective during the Department's fiscal year. The standard did not have any impact on the Department's financial statements.

1. Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements (continued)

GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The statement requires a government to assess whether a concentration or constraint makes the government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of substantial impact. Additionally the statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

2. Deposits with Financial Institutions

The Department does not have a formal deposit and investment policy, but does follow state laws and bond ordinance resolutions.

State statutes generally require that municipal funds be deposited in federally insured banks located in the state of Arkansas. The municipal deposits may be in the form of checking accounts, savings accounts, and time deposits. Public funds may be invested in direct obligations of the United States of America, the principal and interest of which are fully guaranteed by the United States government.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a Department's deposits may not be recovered. On December 31, 2025, the carrying value of the Department's deposits was $126,160 and the bank balances were $126,420. The bank balances were covered by federal depository insurance.

Deposits as reported in the following statement of net position captions:

As Of December 31, 2025		
Cash and cash equivalents	$	26,113
Restricted checking and savings accounts		100,047
Total	$	126,160

Investments

Investments consist of certificates of deposit and an account established to administer the scheduled payments of principal and interest on an outstanding bond as it becomes due. The investments are stated at fair market value, which approximates cost.

2. Deposits with Financial Institutions (continued)

Investments (continued)

As Of December 31, 2025		Market Value	Maturity	Credit Rating
Government Money Market Funds	$	8,564	< 1 year	AAAm
Certificate of deposit		4,609	< 1 year	N/A
Total	$	13,173		

Investments are reported in the following statement of net position captions:

As Of December 31, 2025		
Restricted investments	$	8,564
Restricted certificates of deposit		4,609
Total	$	13,173

Interest Rate Risk
Interest rate risk is the risk the changes in interest of debt investments will adversely affect the fair value of an investment. The Department's investments are not subject to interest rate risk as the investments are short-term in nature.

Credit Risk
Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. All of the Department's investments are in money market funds that invest in U.S. Treasury securities or certificates of deposit covered under FDIC insurance.

Custodial Credit Risk
Custodial credit risk is the risk that in the event of the failure of the counterparty the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All investments held by the City or by an agent of the City are in the City's name.

Fair Value Measurements
The Department's investments are categorized using fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The categories are as follows:

Level 1 - Quoted prices for identical investments in active markets.

Level 2 - Quoted prices for identical investments in markets that are not active.

Level 3 - Unobservable inputs

CITY OF HUNTINGTON, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

2. Deposits with Financial Institutions (continued)

Investments (continued)

The following table represents the Department's investments that are measured at fair value on a recurring basis at December 31, 2025:

	Level 1	Level 2	Level 3	Total
Government money Market Fund	$ 8,564	$ -	$ -	$ 8,564
Certificate of deposit	4,609	-	-	4,609
Total	$ 13,173	$ -	$ -	$ 13,173

3. Restricted Accounts

Restricted cash and cash equivalents and restricted investments are restricted by the various council ordinances of the City Council, bond ordinances and laws and are restricted for the following:

- ***Depreciation / Refurbishment / Short-lived Reserves*** - for repairs, maintenance, betterments and improvements of the Department.
- ***Debt Service Reserve*** - restricted for payment of principal and interest of the Rural Development loans if funds are not available.
- ***Bond Funds*** - established to fund the semi-annual interests and annual principal payments of an Arkansas Natural Resources Commission note payable
- ***Meter Deposits*** - refundable customer deposits.

Restricted balances are as follows:

As of December 31, 2025	
Restricted checking and savings:	
Depreciation / Refurbishment Reserve	$ 35,772
Debt Service Reserves	21,346
Short Lived Asset Reserve	11,082
Meter Deposits checking account	31,847
Total restricted checking and savings	$ 100,047
Restricted certificates of deposit:	
Customer meter deposit fund	$ 4,609
Total restricted certificates of deposit	$ 4,609
Restricted investments	
Bond Fund	$ 8,564
Total restricted investments	$ 8,564

CITY OF HUNTINGTON, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

4. Capital Assets

Activity of capital assets consists of the following:

As Of	January 1, 2025	Additions / Transfers	Retirements/ Transfers	December 31, 2025
Capital assets being depreciated				
Water system	$ 3,459,374	$ -	$ -	$ 3,459,374
Office equipment	13,474	-	-	13,474
Transportation and other equipment	25,295	-	13,764	11,531
Total capital assets being depreciated	3,498,143	-	13,764	3,484,379
Less: accumulated depreciation				
Water system	1,070,087	70,285	-	1,140,372
Office equipment	13,384	90	-	13,474
Transportation and other equipment	25,187	108	13,764	11,531
Total accumulated depreciation	1,108,658	70,483	13,764	1,165,377
Capital assets, net	$ 2,389,485	$ (70,483)	$ -	$ 2,319,002

5. Long-Term Debt

As of December 31, 2025	
Arkansas Natural Resources Commission - Water and Sewer Revenue Bonds dated June 5, 2003 in the amount of $181,200. Payments are due semi-annually in the amount of $6,175 and include interest of 5.40%. The note is secured by revenues of the Department and is scheduled to mature December 1, 2032.	$ 71,162
Arkansas Natural Resources Commission - loan dated April 16, 2013 in the amount of $103,000. Payments are made semi-annually in the amount of $4,133 and include interest of 5.00%. The note is secured by revenues of the Department and is scheduled to mature December 1, 2032.	47,823
Rural Development - Water and Sewer Revenue Bonds dated June 25, 2019 in the amount of $798,000. Payments are made monthly in the amount of $2,690 and include interest of 2.625%. The note is secured by Department revenues and substantially all assets of the system and is scheduled to mature in 2059.	710,163
Rural Development - Water and Sewer Revenue Bonds dated June 25, 2019 in the amount of $562,000. Payments are made monthly in the amount of $2,136 and include interest of 3.375%. The note is secured by Department revenues and substantially all assets of the system and is scheduled to mature in 2059.	501,075
Total debt	1,330,223
Less current maturity	36,702
Long-term debt	$ 1,293,521

5. Long-Term Debt (continued)

Debt is scheduled to be repaid as follows:

December 31,	Principal	Interest	Total
2026	$ 36,702	$ 41,835	$ 78,537
2027	38,123	40,414	78,537
2028	39,605	38,932	78,537
2029	41,149	37,388	78,537
2030	42,759	35,778	78,537
2031-2035	174,703	156,135	330,838
2036-2040	157,706	131,901	289,607
2041-2045	184,170	105,437	289,607
2046-2050	214,484	75,123	289,607
2051-2055	248,556	41,051	289,607
2056-2059	152,266	5,884	158,150
Total	$ 1,330,223	$ 709,878	$ 2,040,101

The Department's outstanding notes from direct borrowings and direct placements contain different provisions for loan default including: outstanding principal and interest become immediately due and payable; appointing a receiver to administer the District on behalf of the issuer until all defaults have been cured; take possession of the facility, repair, maintain, and operate or rent it; foreclose; enforce any and all other rights and remedies by law.

6. Changes in Long-Term Liabilities

Activity of long-term liabilities consists of the following:

As Of	January 1, 2025	Additions	Retirements	December 31, 2025	Due Within One Year
ANRC	$ 132,754	$ -	$ 13,769	$ 118,985	$ 14,496
Rural Development	1,233,249	-	22,011	1,211,238	22,206
Net pension liability	36,205	-	7,267	28,938	-
Total	$ 1,402,208	$ -	$ 43,047	$ 1,359,161	$ 36,702

7. Commitments and Contingencies

The bond ordinances with Arkansas Nature Resources Commission and Rural Development contain a provision (the Rate Covenant) which requires the Department to maintain their water rates at an amount sufficient to (1) pay all operation, repair and maintenance expenses, (2) fund required reserves (3) leave a minimum balance to fund debt service requirements to which the system revenues are pledged. For the year ended December 31, 2025, the Department was in compliance with the rate covenant.

7. Commitments and Contingencies (continued)

In addition, each bond ordinance requires specific reserve accounts with different funding requirements. For the year ended December 31, 2025, the Department was not in compliance with all such significant financial covenants and restrictions, but is aware of the issue and is working to correct.

8. Employee Retirement Plan

Plan Description

The Department participates in the Arkansas Public Employees Retirement Departments (APERS). 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 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 thirteen 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, 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, and four additional board positions that were added in Act 868 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 appointed by the Senate.

The state of Arkansas issues an annual report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 West Capitol, Suite 400, Little Rock, Arkansas 72201.

Summary of Significant Accounting Policies

For the purposes of measuring the 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 Employee's Retirement System (the Plan) and additions to / deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. 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.

CITY OF HUNTINGTON, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

8. Employee Retirement Plan (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 7/1/207	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 at age 55 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.

8. Employee Retirement Plan (continued)

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%. The employee contribution rate was 5.75% for the Plan fiscal year ending June 30, 2025. 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 Plan fiscal year ended June 30, 2025. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

Contributions made by the Department were $4,214 for the year ended December 31, 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.

Timing of the Valuation

The collective Net Pension Liability 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. Based on this information, the City's proportionate share as of June 30, 2025 was 0.00457152%. Approximately 30% of this amount was allocated to the Department based on their share of contributions.

There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of June 30, 2025 and the Department's report ending date of December 31, 2025, that would have had a significant impact on the net pension liability.

Actuarial Assumptions

The total pension liability, net pension liability, and certain sensitivity information was determined by an actuarial valuation as of June 30, 2025. The significant assumptions used in the valuation and adopted by the APERS Board of Trustees, were as follows:

8. Employee Retirement Plan (continued)

Actuarial Assumptions

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	14 years
Asset Valuation Method	4 year smoothed market; 25% corridor
Discount Rate	7.00%
Inflation	3.25% wage inflation, 2.50% price inflation
Salary Increases	3.25% – 9.85% including inflation
Investment Rate of Return	7.15%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality Rate Table	RP-2006 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, 2025, 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 prior periods included in the measurement.

Investment Rate of Return

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 10-year period from 2025 to 2034 were based upon GRS' 2025 Capital Market Assumptions Modeler. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2025, these best estimates are summarized in the following table:
the following table:

Asset Class	Current 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%
	100%	

CITY OF HUNTINGTON, ARKANSAS WATER AND SEWER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2025

8. Employee Retirement Plan (continued)

Investment Rate of Return (continued)

Total Real Rate of Return	5.02%
Plus: Price Inflation - Actuary's Assumption	2.50%
Net Expected Return	7.52%

Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the June 30, 2025 valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 5.20% (based on the weekly rate closest to but not later than the measurement date of The Bond Buyer "20-Bond GO Index"; and the resulting single discount rate is 7.00%. rate is 7.15%.

The 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.

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

The following presents the participating employers' net pension liability, calculated using a single discount rate, as well as what the participating employers' net pension liability would be if it were calculated using a single discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate:

	1% Decrease 6.15%	Current Rate 7.15%	1% Increase 8.15%
Net Pension Liability	$ 54,001	$ 28,938	$ 8,270

8. Employee Retirement Plan (continued)

Accrued Pension, Pension Expense, and Deferred Inflows / Outflows of Resources

The City's proportionate share of pension expense was $533 and the Department's allocated share of the expense was $161 for the APERs Plan year ended June 30, 2025. At December 31, 2025, the Department reported allocated deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 897	$ 869
Net difference between projected and actual earnings on pension plan investments	-	1,920
Changes in assumptions	502	
Changes in proportion	-	4,328
Department contributions subsequent to the measurement date	2,073	-
Total	$ 3,472	$ 7,117

$2,073 reported as deferred outflows of resources related to pensions resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2026, any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Net Increase (Decrease) in Pension Expense
2026	$ 1,223
2027	(3,897)
2028	(1,981)
2029	(1,063)
	$ (5,718)

9. Interfund Transfers

Transfers from the City were for the following:

Year Ended December 31, 2025	
County 1 cent tax	$ 43,884
City tax	31,263
Operating support	33,130
Total Transfers	$ 108,277

9. Interfund Transfers (continued)

Other operating support includes payments made on behalf of the water and sewer department by the City for water purchases, insurance and other expenses.

10. Concentration of Credit Risk

a. Revenues & Receivables

Financial instruments that potentially subject the Department to credit risk consist primarily of accounts receivable. Although the Department has a diverse customer base, a portion of its customer's ability to honor their water bills is dependent upon the economy of the surrounding area. The credit risk is considered minimal as the balance is spread amongst a large number of customers with relatively small balances.

b. Water Supply System

On April 21, 2015, the Department signed a water purchase contract with James Fork Regional Water District. The contract stipulates that the Department shall purchase 100% of their water needs exclusively from James Fork Regional Water District for a term of 20 years. James Fork Regional Water District may discontinue water service at any time of the Department's daily water consumption exceeds 100,000 gallons.

No events have occurred through the date of the financial statements regarding these concentrations that would negatively impact the Department.

11. Risk Management

The Department is exposed to various risks of loss from torts, theft of, damage to and destruction of assets, business interruption, errors and omissions, employee injuries and illnesses, natural disasters, and employee health, dental and accident benefits. Commercial insurance and state pool coverage is purchased for claims arising from such matters other than business interruption. There has been no significant reduction in the District's insurance coverage from the previous year. In addition, there have been no settlements in excess of the Department's coverage in any of the prior three fiscal years.

12. Subsequent Events

The Department has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended December 31, 2025 through July 9, 2026, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF HUNTINGTON, ARKANSAS WATER AND SEWER DEPARTMENT

REQUIRED SUPPLEMENTAL INFORMATION FOR COST-SHARING EMPLOYER PLANS
ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

FOR THE YEAR ENDED DECEMBER 31, 2025

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios

	APERS at June 30, 2025	APERS at June 30, 2024	APERS at June 30, 2023	APERS at June 30, 2022	APERS at June 30, 2021	APERS at June 30, 2020	APERS at June 30, 2019	APERS at June 30, 2018	APERS at June 30, 2017	APERS at June 30, 2016
City of Huntington's proportion of the net pension liability	0.00457152%	0.00473979%	0.00573787%	0.00607205%	0.00626350%	0.00597252%	0.00567737%	0.00545070%	0.00544078%	0.00455737%
Percent allocated to the Water and Sewer Department	30%	31%	31%	32%	32%	32%	32%	32%	32%	31%
City of Huntington's proportionate share of the net pension liability	$ 95,947	$ 117,932	$ 167,212	$ 163,726	$ 48,156	$ 171,028	$ 136,968	$ 120,239	$ 140,597	$ 108,983
Amount allocated to the Water and Sewer Department	$ 28,938	$ 36,205	$ 52,321	$ 51,672	$ 15,501	$ 55,054	$ 43,734	$ 38,392	$ 44,471	$ 34,275
Department's covered-employee payroll	$ 28,347	$ 29,006	$ 40,025	$ 40,379	$ 40,264	$ 35,917	$ 34,468	$ 33,572	$ 30,267	$ 24,569
Department's proportionate share of the net pension liability as a percentage of its covered-employee payroll	102.08%	124.82%	130.72%	127.97%	38.50%	153.28%	126.88%	114.36%	146.93%	139.51%
Plan fiduciary net position as a percentage of the total pension liability	85.04%	81.61%	77.94%	78.31%	93.57%	75.38%	78.55%	79.59%	75.65%	75.50%

Schedule of Required Contributions

	December 31, 2025	December 31, 2024	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016
Contractually required contribution	$ 4,214	$ 4,422	$ 5,299	$ 6,112	$ 6,260	$ 5,837	$ 5,372	$ 5,162	$ 4,766	$ 3,472
Contributions in relation to the contractually required contribution	$ (4,214)	$ (4,422)	$ (5,299)	$ (6,112)	$ (6,260)	$ (5,837)	$ (5,372)	$ (5,162)	$ (4,766)	$ (3,472)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Department's covered-employee payroll	$ 27,507	$ 28,863	$ 34,590	$ 39,898	$ 40,859	$ 38,100	$ 35,059	$ 34,339	$ 32,587	$ 23,948
Contributions as a percentage of covered-employee payroll	15.32%	15.32%	15.32%	15.32%	15.32%	15.32%	15.32%	15.03%	14.63%	14.50%

See independent auditor's report.

CITY OF HUNTINGTON, ARKANSAS WATER AND SEWER DEPARTMENT

REQUIRED SUPPLEMENTAL INFORMATION FOR COST-SHARING EMPLOYER PLANS
ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

FOR THE YEAR ENDED DECEMBER 31, 2025

Notes to Required Supplemental Information for Cost-Sharing Employer Plans

1. Changes in benefits:

June 30, 2025 valuation
- Amends laws concerning survivor benefits for the dependent child, effective July 1, 2025

None: June 30, 2022 through June 30, 2024
June 30, 2021 valuation
- Extending the maximum time allowed in the DROP from 7 to 10 years, effective March 31, 2021
- Increasing contributory plan member contributions from 5% to 7%, in 0.25% increments, starting July 1, 2022
- For members hired on or after July 1, 2022:
  - Change the final average compensation period from 3 to 5 years
  - COLA increases will be the lesser of 3.0% or the increase in the Consumer Price Index

None: June 30, 2016 through June 30, 2020

2. Changes in actuarial assumptions:

Single Discount Rate:	June 30, 2023 through 2025		7.00%	
	June 30, 2017 through June 30, 2022		7.15%	
	June 30, 2016		7.50%	
Investment Rate of Return:	June 30, 2017 through June 30, 2025		7.15%	
	June 30, 2016		7.50%	
Municipal Bond Rate	June 30, 2025	5.20%	June 30, 2020	3.13%
Source:	June 30, 2024	3.97%	June 30, 2019	3.62%
20-Bond GO Index	June 30, 2023	3.86%	June 30, 2018	3.56%
	June 30, 2022	3.69%	June 30, 2017	2.85%
	June 30, 2021	1.92%	June 30, 2016	3.80%
Inflation	June 30, 2016 through June 30, 2025		3.25% wage 2.50% price	
Salary Increases	June 30, 2016 through June 30, 2025		3.25% - 9.85%	
Mortality Table	June 30, 2018 through June 30, 2025		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 135% for males and 125% for females and were adjusted for fully generational mortality improvements using scale MP-2017	
	June 30, 2016 through June 30, 2017		Based on RP-2000 Combined healthy mortality table, projected to 2020 using Projection Scale BB, set forward 2 years for males and 1 year for females	

See independent auditor's report.

ADDITIONAL REQUIRED REPORT

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*

To the Honorable Mayor and City Council
City of Huntington, Arkansas Water and Sewer Department
Huntington, Arkansas

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 City of Huntington, Arkansas Water and Sewer Department, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Department's financial statements, and have issued our report thereon dated July 9, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Huntington, Arkansas Water and Sewer 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Huntington, Arkansas Water and Sewer Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Huntington, Arkansas Water and Sewer 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 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.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Huntington, Arkansas Water and Sewer 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 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

This 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 the 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.

Przybysz & Associates

Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
July 9, 2026