

**WATSON CHAPEL PUBLIC WATER AUTHORITY  
OF THE STATE OF ARKANSAS  
Pine Bluff, Arkansas  
FINANCIAL STATEMENTS  
and  
SUPPLEMENTARY INFORMATION  
For the Years Ended December 31, 2023 and 2022  
and  
INDEPENDENT AUDITOR'S REPORT**

**WATSON CHAPEL PUBLIC WATER AUTHORITY  
OF THE STATE OF ARKANSAS  
Pine Bluff, Arkansas  
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
For the Years Ended December 31, 2023 and 2022**

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*American Institute of CPAs*

*Arkansas Society of CPAs*

*Texas Society of CPAs*

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**INDEPENDENT AUDITOR'S REPORT**

**Board of Directors  
Watson Chapel Public Water Authority of the State of Arkansas  
Pine Bluff, Arkansas**

**Qualified Opinion**

We have audited the accompanying financial statements of the Watson Chapel Public Water Authority of the State of Arkansas, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Watson Chapel Public Water Authority of the State of Arkansas's basic financial statements as listed in the table of contents.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the Watson Chapel Public Water Authority of the State of Arkansas, as of December 31, 2023 and 2022, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Qualified Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Watson Chapel Public Water Authority of the State of Arkansas, 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 qualified opinion.

*Matter Giving Rise to the Qualified Opinion*

Management has changed its method of accounting for pensions during the years ended December 31, 2023 and 2022, by not adopting Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*. Accounting principles generally accepted in the United States of America require that the method of accounting be changed for GASB Statement No. 68. The amount by which this departure would affect the assets, net position, and revenues of the Watson Chapel Public Water Authority of the State of Arkansas has not been determined.

**Responsibilities of Management for the Financial Statements**

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

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

**Board of Directors  
Watson Chapel Public Water Authority of the State of Arkansas**

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures including 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 Watson Chapel Public Water Authority of the State of Arkansas's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Watson Chapel Public Water Authority of the State of Arkansas's ability to continue as a going concern for a reasonable period of time.

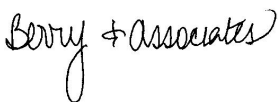
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Required Supplementary Information**

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2024 on our consideration of the Watson Chapel Public Water Authority of the State of Arkansas'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 Watson Chapel Public Water Authority of the State of Arkansas'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 Watson Chapel Public Water Authority of the State of Arkansas's internal control over financial reporting and compliance.



BERRY & ASSOCIATES, P.A.  
Little Rock, Arkansas  
March 14, 2024

**WATSON CHAPEL PUBLIC WATER AUTHORITY  
OF THE STATE OF ARKANSAS  
STATEMENTS OF NET POSITION  
December 31, 2023 and 2022**

**ASSETS**

	2023	2022
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,582,916	\$ 1,429,854
Accounts receivable	146,135	137,705
Total current assets	<u>1,729,051</u>	<u>1,567,559</u>
<b>NON-CURRENT ASSETS</b>		
Restricted cash and cash equivalents	81,853	81,634
Capital assets, net of accumulated depreciation	1,423,886	1,550,656
Total non-current assets	<u>1,505,739</u>	<u>1,632,290</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,234,790</u>	<u>\$ 3,199,849</u>

**LIABILITIES AND NET POSITION**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 30,613	\$ 58,101
Current maturities of long-term debt	63,400	62,800
Accrued interest payable	241	247
Other current liabilities	8,789	7,708
Total current liabilities	<u>103,043</u>	<u>128,856</u>
<b>LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>		
Customer water meter deposits	<u>62,475</u>	<u>63,355</u>
<b>NON-CURRENT LIABILITIES</b>		
Long-term debt, net of current maturities	<u>604,154</u>	<u>667,567</u>
<b>TOTAL LIABILITIES</b>	<u>769,672</u>	<u>859,778</u>
<b>NET POSITION</b>		
Net investment in capital assets	756,332	820,290
Restricted	71,778	71,773
Unrestricted	1,637,008	1,448,008
Total net position	<u>2,465,118</u>	<u>2,340,071</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 3,234,790</u>	<u>\$ 3,199,849</u>

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

**WATSON CHAPEL PUBLIC WATER AUTHORITY  
OF THE STATE OF ARKANSAS  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
For the Years Ended December 31, 2023 and 2022**

	2023	2022
<b>OPERATING REVENUES</b>		
Water revenue	\$ 1,116,432	\$ 1,065,747
Connection fees	1,245	1,490
Construction fees	7,590	1,425
Late charges	30,358	29,493
Total operating revenues	<u>1,155,625</u>	<u>1,098,155</u>
<b>OPERATING EXPENSES</b>		
Depreciation	126,771	138,423
Professional fees	16,461	13,417
Miscellaneous expense	6,832	6,566
Contract labor	13,795	19,500
Director's fees	8,400	9,150
Dues and subscriptions	2,553	2,930
Repairs and maintenance	55,479	66,299
Postage	10,212	9,464
Insurance	120,650	98,261
Employee benefits	57,905	55,216
Supplies	81,207	89,528
Salaries	377,968	350,426
Taxes, licenses and permits	40,963	38,470
Telephone	4,710	3,712
Travel, meals and entertainment	3,840	3,809
Uniforms	1,955	2,869
Utilities	79,327	74,378
Vehicle expense	16,123	22,626
Total operating expenses	<u>1,025,151</u>	<u>1,005,044</u>
<b>OPERATING INCOME</b>	<u>130,474</u>	<u>93,111</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	4,442	3,134
Interest expense	(10,869)	(11,278)
Gain on sale of capital assets	-	2,500
Other income	1,000	100
Net non-operating expenses	<u>(5,427)</u>	<u>(5,544)</u>
<b>CHANGE IN NET POSITION</b>	125,047	87,567
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>2,340,071</u>	<u>2,252,504</u>
<b>NET POSITION - ENDING OF YEAR</b>	<u>\$ 2,465,118</u>	<u>\$ 2,340,071</u>

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

**WATSON CHAPEL PUBLIC WATER AUTHORITY  
OF THE STATE OF ARKANSAS  
STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities:</b>		
Cash received from members	\$ 1,147,195	\$ 1,087,650
Cash payments to suppliers	(553,402)	(477,310)
Cash payments to employees	(371,599)	(344,057)
Net cash provided by operating activities	<u>222,194</u>	<u>266,283</u>
<b>Cash flows from investing activities:</b>		
Net change in restricted cash	(219)	(158)
Interest income received	4,442	3,134
Net cash provided by investing activities	<u>4,223</u>	<u>2,976</u>
<b>Cash flows from capital and related financing activities:</b>		
Proceeds from sale of capital assets	-	2,500
Other income received	1,000	100
Costs incurred on construction in progress	-	(1,300)
Principal payments on long-term debt	(62,813)	(62,261)
Interest payments on long-term debt	(11,542)	(11,437)
Net cash used by financing activities	<u>(73,355)</u>	<u>(72,398)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	153,062	196,861
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>1,429,854</u>	<u>1,232,993</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 1,582,916</u>	<u>\$ 1,429,854</u>
<b><u>Reconciliation of operating income to net cash provided by operating activities:</u></b>		
Operating income	\$ 130,474	\$ 93,111
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	126,771	138,423
(Increase) Decrease in:		
Accounts receivable	(8,430)	(10,505)
Increase (Decrease) in:		
Accounts payable	(26,822)	40,057
Other current liabilities	1,081	6,402
Customer deposit liability	(880)	(1,205)
	<u>91,720</u>	<u>173,172</u>
<b>Net cash provided by operating activities</b>	<u>\$ 222,194</u>	<u>\$ 266,283</u>

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

**WATSON CHAPEL PUBLIC WATER AUTHORITY  
OF THE STATE OF ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Organization**

Watson Chapel Public Water Authority of the State of Arkansas (the "Authority"), was established in 1967 as a domestic not-for-profit corporation under the laws of the State of Arkansas. In 2018, the Authority converted from a not-for-profit water association to a public water authority pursuant to the provision of Arkansas Code Annotated Section 4-35-101, the "Water Authority Act".

The Authority was formed to provide rural water service to its members in the Watson Chapel community in Jefferson County, Arkansas and is governed by an elected board of directors. The Authority is an independent entity and conducts its operations in a manner similar to private business enterprise, where the intent of the governing body is that costs (expenses including depreciation) of providing goods and services to its members is recovered through user charges. The principal revenues of the Authority are charges to customers for water sales.

The Authority is considered a primary governmental entity since it satisfies all of the following criteria: a) no entity appoints a voting majority of its governing body; b) it is legally separate from other entities; and c) it is fiscally independent of other state and local governments. The financial statements of the Authority include all operations and activities for the Authority for which it has financial accountability as described above.

**Basis of Presentation and Accounting**

The accounts of the Authority are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the Authority's assets, liabilities, net position, revenues and expenses. Enterprise Funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net assets. Net position (i.e., total assets net of total liabilities) are segregated into net investment in capital assets; restricted for debt service; and unrestricted components.

**Estimates**

Management of the Authority has made certain estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses to prepare these financial statements in conformity with generally accepted accounting principles. Actual results may differ from those estimates.

**Cash and Cash Equivalents**

The Authority considers all highly liquid investments (including restricted cash and investments) with maturities of three months or less when purchased to be cash equivalents. Certificate of deposits are presented at fair value. Short-term investments generally mature or are otherwise available for withdrawal in less than one year.

**Accounts Receivable**

The Authority has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to recognize bad debts; however during the years ended December 31, 2023 and 2022, management determined that no accounts needed to be written off.

**Long-Term Debt and Costs**

Long-term debt is reported at face value, net of applicable discounts and deferred loss on refunding. Costs related to the issuance of debt are deferred and amortized over the lives of the various debt issues. Losses occurring from advance refundings of debt are deferred and amortized as interest expense over the remaining life of the old bonds, or the life of the new bonds, whichever is shorter.

**Capitalized Interest**

Interest costs are capitalized when incurred on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized.



**WATSON CHAPEL PUBLIC WATER AUTHORITY  
OF THE STATE OF ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:**

**Capital Assets**

The cost of additions and major replacements of retired units of property are capitalized. The Authority defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Cost includes direct labor, outside services, materials and transportation, employee fringe benefits, overhead, and interest on funds borrowed to finance construction. The cost and accumulated depreciation of property sold or retired is deducted from capital assets and any profit or loss resulting from the disposal is credited or charged in the nonoperating section of the statements of revenues, expenses and changes in net assets. The cost of current repairs, maintenance, and minor replacements is charged to expense. Construction in progress primarily relates to upgrades of existing facilities.

Depreciation has been provided over estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Asset	Years
Machinery & Equipment	5-7
Buildings & Improvements	10-40
Vehicles	5
Water Distribution System	40
Land	-

**Income Taxes**

As a governmental entity, the Authority is exempt from federal and state income taxes

**Operating Revenues and Expenses**

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type of activities and result from nonexchange transactions or ancillary activities. When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the Authority's policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

**Equity Classifications**

Net position comprises the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net position is classified in the following three components:

*Net investment in capital assets* - This component of net position consists of 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 improvements 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 invested in capital assets, net of related debt. Rather, that portion of debt is included in the same net position component as the unspent proceeds.

*Restricted*- This component of net position consists of 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."

**Date of Management's Review**

Subsequent events have been evaluated through March 14, 2024, which is the date the financial statements were available to be issued.

**Leases**

The Authority calculates operating leases using the implicit interest rate, or their incremental borrowing rate if the lease rate is not determinable. All lease and non-lease components are combined for all leases. Lease payments for leases with a term of 12 months or less are expensed on a straight-line basis over the term of the lease with no lease asset or liability recognized.

**WATSON CHAPEL PUBLIC WATER AUTHORITY  
OF THE STATE OF ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022**

**NOTE 2 - LONG-TERM DEBT:**

	<u>2023</u>	<u>2022</u>
USDA Rural Development loan, due in monthly installments of \$1,491 including interest at 4.125%, through February 2047. (1)	\$ 267,014	\$ 273,741
ADFA Revenue Bonds Series 2019, due in semi-annual installments of \$39,775 with no interest, through October 2030. (2)	400,540	456,626
	<u>667,554</u>	<u>730,367</u>
Less Current Portion	<u>(63,400)</u>	<u>(62,800)</u>
Long Term Portion	<u>\$ 604,154</u>	<u>\$ 667,567</u>

(1) The loan has restrictive covenants, including the requirement to maintain a debt service reserve in the amount of \$149 monthly until \$17,880 is accumulated.

(2) The bond has restrictive covenants, including the requirement to establish a depreciation reserve fund, to be accumulated at a rate of 3% of the gross monthly revenues of the System, until \$77,500 is accumulated.

The annual maturities of long-term debt payable at December 31, 2023 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 63,400	\$ 34,042	\$ 97,442
2025	63,900	33,542	97,442
2026	64,500	32,942	97,442
2027	65,100	32,342	97,442
2028	65,800	31,642	97,442
2029-2033	162,840	85,720	248,560
2034-2038	57,600	31,860	89,460
2039-2043	70,600	18,860	89,460
2044-2047	53,814	3,751	57,565
	<u>\$ 667,554</u>	<u>\$ 304,701</u>	<u>\$ 972,255</u>

Long-term liability activity for the years ended December 31, 2023 and 2022 is as follows:

	<u>Balance 12/31/22</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/23</u>	<u>Due Within One Year</u>
Loans	\$ 273,741	\$ -	\$ (6,727)	\$ 267,014	\$ 7,000
Water Revenue Bonds	456,626	-	(56,086)	400,540	56,400
	<u>\$ 730,367</u>	<u>\$ -</u>	<u>\$ (62,813)</u>	<u>\$ 667,554</u>	<u>\$ 63,400</u>

	<u>Balance 12/31/21</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/22</u>	<u>Due Within One Year</u>
Loans	\$ 280,199	\$ -	\$ (6,458)	\$ 273,741	\$ 6,700
Water Revenue Bonds	512,429	-	(55,803)	456,626	56,100
	<u>\$ 792,628</u>	<u>\$ -</u>	<u>\$ (62,261)</u>	<u>\$ 730,367</u>	<u>\$ 62,800</u>

**WATSON CHAPEL PUBLIC WATER AUTHORITY  
OF THE STATE OF ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022**

**NOTE 2 - LONG-TERM DEBT, CONTINUED:**

The Authority has pledged future water customer revenues, net of specified operating expenses, to repay \$667,554 in loans and water revenue bonds. Proceeds from the loans and bonds were used for building the Authority's water system and for refunding current obligations. Principal and interest on the loans and bonds are payable through 2047, solely from the water customer net revenues. Principal and interest paid in the year ended December 31, 2023 were \$62,813 and \$11,542, respectively. Principal and interest paid in the year ended December 31, 2022 were \$62,261 and \$11,437, respectively.

**NOTE 3- DEPOSITS WITH FINANCIAL INSTITUTIONS:**

As required by law, all funds are deposited in approved banks. The deposited funds are insured by the Federal Deposit Insurance Corporation ("FDIC") or collateralized by securities held by the banks in the Authority's name. The deposited funds were properly insured at December 31, 2023 and 2022.

**NOTE 4 – CAPITAL ASSETS:**

A summary of changes in property, plant, and equipment for the years ended December 31, 2023 and 2022 are as follows:

	Balance 12/31/2022	Additions	Deletions/ Transfers	Balance 12/31/2023
Land	\$ 66,493	\$ -	\$ -	\$ 66,493
Water distribution system	4,995,306	-	-	4,995,306
Building and improvements	153,307	-	-	153,307
Fixtures and equipment	338,396	-	-	338,396
Vehicles	157,318	-	-	157,318
Construction in progress	18,104	-	-	18,104
Total	5,728,924	\$ -	\$ -	5,728,924
Less: Accumulated depreciation	(4,178,268)			(4,305,038)
Total capital assets	\$ 1,550,656			\$ 1,423,886

	Balance 12/31/2021	Additions	Deletions/ Transfers	Balance 12/31/2022
Land	\$ 66,493	\$ -	\$ -	\$ 66,493
Water distribution system	4,995,306	-	-	4,995,306
Buildings and improvements	153,307	-	-	153,307
Fixtures and equipment	338,396	-	-	338,396
Vehicles	175,118	-	(17,800)	157,318
Construction in progress	16,804	1,300	-	18,104
Total	5,745,424	\$ 1,300	\$ (17,800)	5,728,924
Less: Accumulated depreciation	(4,057,644)			(4,178,268)
Total capital assets	\$ 1,687,780			\$ 1,550,656

**WATSON CHAPEL PUBLIC WATER AUTHORITY  
OF THE STATE OF ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2023 and 2022**

**NOTE 5 – RESTRICTED CASH:**

Restricted assets consist of cash reserves restricted by long-term debt covenants and cash deposits for meters by customers. The following is a list of the restricted cash at December 31, 2023 and 2022:

	2023	2022
Debt Service Reserves	\$ 18,165	\$ 18,157
Depreciation Reserves	53,622	53,616
Escrow Bond Fund	10,066	9,861
	<u>\$ 81,853</u>	<u>\$ 81,634</u>

**NOTE 6 – EMPLOYEE BENEFIT PLAN:**

**Plan Description.** The Watson Chapel Public Water Authority of the State of Arkansas contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan that covers municipal employees whose municipalities have elected coverage under this System. APERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 W. Capitol, Little Rock, AR 72201 or by calling 1-800-682-7377, or on their website [www.apers.org](http://www.apers.org).

**Funding Policy.** APERS has contributory and non-contributory plans. Contributory members are required by code to contribute 5.25% of their salary. Each participating employer is required by code to contribute at a rate established by the Board of Trustees of the system based on the annual actuarial valuation. The current employer rate is 15.32% of annual covered payroll. The Authority's contributions to APERS for the years ending December 31, 2023 and 2022 were \$57,905 and \$55,216, respectively, equal to the required contributions for the year.

**Requirements.** GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, establishes standards for public pension plan obligations for participating employers. A cost-sharing employer whose employees receive pensions through a trust will report in the financial statements a net pension liability, deferred outflows or inflows of resources related to pensions, and pension expense based on its proportionate share of the collective net pension liability of all employers in the plan. A net pension liability can be volatile due to changes in actuarial estimates and the actual investment return. These financial statements do not include the disclosure related to this accounting principal, but would be included in the government wide financial statements and not the individual fund financial statements.

## **SUPPLEMENTARY INFORMATION**



*American Institute of CPAs*

*Arkansas Society of CPAs*

*Texas Society of CPAs*

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

**Board of Directors  
Watson Chapel Public Water Authority of the State of Arkansas  
Pine Bluff, Arkansas**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Watson Chapel Public Water Authority of the State of Arkansas, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Watson Chapel Public Water Authority of the State of Arkansas's basic financial statements and have issued our report thereon dated March 14, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Watson Chapel Public Water Authority of the State of Arkansas's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Watson Chapel Public Water Authority of the State of Arkansas's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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.

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 Watson Chapel Public Water Authority of the State of Arkansas'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*.

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**To the Board of Directors of  
Watson Chapel Public Water Authority of the State of Arkansas  
Pine Bluff, Arkansas**

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Berry & Associates*

Berry & Associates, P.A.  
Little Rock, Arkansas  
March 14, 2024