

*Financial Statements*

**WALKERS CREEK-STATE LINE PUBLIC WATER  
AUTHORITY**

For the Year Ended June 30, 2022  
(with Independent Auditor's Reports thereon)

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## *Independent Auditor's Report*

To the Board of Directors  
Walkers Creek-State Line Public Water Authority  
Taylor, Arkansas

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Walkers Creek-State Line Public Water Authority, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Walkers Creek-State Line Public Water Authority as of June 30, 2022, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the 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 Walkers Creek-State Line Public Water Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Walkers Creek-State Line Public Water Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Walkers Creek-State Line Public Water Authority's ability to continue as a going concern for one year after the date that the financial statements are issued.

#### ***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 GAAS 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.



**Walkers Creek-State Line Public Water Authority  
Independent Auditor's Report (Continued)**

In performing an audit in accordance with GAAS, 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 Walkers Creek-State Line Public Water Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Walkers Creek-State Line Public Water Authority'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***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 5 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2023 on our consideration of Walkers Creek-State Line Public Water Authority'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 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 Walkers Creek-State Line Public Water Authority's internal control over financial reporting and compliance.

  
Emrich & Scroggins LLP  
Certified Public Accountants

El Dorado, Arkansas

February 27, 2023

**Walkers Creek-State Line Public Water Authority**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

***Introduction***

This management's discussion and analysis of the financial performance of Walkers Creek-State Line Public Water Authority (the Authority) provides an overview of the Authority's financial activities for the year ended June 30, 2022. It should be read in conjunction with the accompanying financial statements of Walkers Creek-State Line Public Water Authority.

***Financial Highlights***

- At June 30, 2022, the Authority's net position totaled \$258,259. Of this amount, \$242,279 was considered unrestricted net position.
- Total assets decreased \$65,829 (4%) during the year from \$1,764,622 to \$1,698,793 due primarily to a decrease of \$76,291 in capital assets. This decrease in capital assets is due to current year depreciation expense of \$82,391 exceeding capital improvements of \$6,100.
- Total liabilities decreased \$63,006 (4%) during the year from \$1,503,540 to \$1,440,534. Noncurrent liabilities decreased \$65,000 due a payment made on the 2018 bonds.
- The Authority's net position decreased by \$2,823 during the fiscal year ended June 30, 2022 due to operating income of \$50,018, net of nonoperating income and expense of (\$52,841). The operating income included depreciation of \$82,391. Nonoperating expenses consisted of interest expense of \$53,514 which is shown net of interest income of \$673.
- Operating revenues increased \$19,944 (6%) from \$313,084 in 2021 to \$333,028 in 2022 due primarily to increased water sales. The increase in operating revenues was offset by an increase of \$26,702 in operating expenses, resulting in a net decrease in operating income of \$6,758. The increase in operating expenses is attributable primarily to an increase in repairs and maintenance expense and supplies expense of \$11,768 and \$7,647, respectively.

***Using this Annual Report***

The Authority's financial statements consist of three statements – a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; and a Statement of Cash Flows. These statements provide information about the activities of the Authority, including resources held by the Authority but restricted for specific purposes by creditors, regulators or enabling legislation. The Authority is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

***The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position***

One of the most important questions asked about any organization's finances is, "Did the organization as a whole end the year better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Authority's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net position and changes in them. The Authority's total net position – the difference between assets and liabilities – is one measure of the Authority's financial health or financial position. Over time, increases or decreases in the Authority's net position are an indicator of whether its financial health is improving or declining.



**Walkers Creek-State Line Public Water Authority**  
**Management's Discussion and Analysis**  
**(Continued)**

***The Statement of Cash Flows***

The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to questions such as which activity provided cash, which activity used cash and what was the change in cash balances during the reporting period.

**Financial Analysis**

***Table 1:***

| <b>Assets, Liabilities and Net Position</b> | <b>2022</b>  | <b>2021</b>  |
|---|--------------|--------------|
| Cash and equivalents                        | \$ 165,537   | \$ 164,150   |
| Accounts receivable                         | 41,983       | 40,832       |
| Total current assets                        | 207,520      | 204,982      |
| Restricted cash and equivalents             | 107,873      | 101,978      |
| Designated cash and equivalents             | 55,129       | 53,100       |
| Capital assets, net of depreciation         | 1,325,936    | 1,402,227    |
| Other non-current assets                    | 2,335        | 2,335        |
| Total non-current assets                    | 1,328,271    | 1,404,562    |
| Total assets                                | \$ 1,698,793 | \$ 1,764,622 |
| Current liabilities                         | \$ 165,534   | \$ 158,540   |
| Non-current liabilities                     | 1,275,000    | 1,345,000    |
| Total liabilities                           | 1,440,534    | 1,503,540    |
| Net position - invested in capital assets   | -            | -            |
| Net position - restricted                   | 15,980       | 12,180       |
| Net position - unrestricted                 | 242,279      | 248,902      |
| Total net position                          | 258,259      | 261,082      |
| Total liability and net position            | \$ 1,698,793 | \$ 1,764,622 |

***Net Position***

The Authority's net position represents the difference between its assets and liabilities reported in the Statement of Net Position. A portion of the Authority's net position, \$15,980 (6%), represents restricted resources for capital improvements. The remaining \$242,279 (94%) of the Authority's net position was unrestricted and may be used to meet ongoing obligations to customers and creditors.

***Operating Results and Changes in Net Position***

The Utility's change in net position was \$(2,823) in 2022 compared to \$2,105 in 2021 a decrease of \$(4,928) as shown in Table 2. This decrease was primarily due to an increase of \$19,944 in operating income, an increase in operating expenses of \$26,702 and a decrease of \$(1,830) in nonoperating expenses.

**Walkers Creek-State Line Public Water Authority**  
**Management's Discussion and Analysis**  
**(Continued)**

**Table 2:**

| <b>Changes In Net Position</b>    | <b>2022</b> | <b>2021</b> |
|-----------------------------------|-------------|-------------|
| Operating revenues                | \$ 333,028  | \$ 313,084  |
| Operating expenses                | 283,010     | 256,308     |
| Operating income                  | 50,018      | 56,776      |
| Non-operating revenues (expenses) | (52,841)    | (54,671)    |
| Net income                        | (2,823)     | 2,105       |
| Net position, beginning of year   | 261,082     | 258,977     |
| Net position, end of year         | \$ 258,259  | \$ 261,082  |

***Operating Income (Loss)***

Operating revenues increased \$19,944 (6%) during the year due to increased water usage by the Authority's customers. Operating expenses increased \$26,702 (10%) during the year due to a general increase in operating costs.

***Non-operating Revenues and Expenses***

Non-operating revenues (expenses) decreased \$1,830 (3%) from (\$54,671) to (\$52,841). The decrease resulted from a decrease in interest expense of \$2,472 and a decrease in interest income of \$642.

***Cash Flows***

Changes in the Authority's cash flows are consistent with changes in operating income and non-operating revenue and expenses, discussed earlier.

***Capital Asset and Debt Administration***

Capital Assets

The Authority's investment in capital assets as of June 30, 2022 amounted to \$1,325,936 (net of accumulated depreciation). The investment in capital assets includes land, water treatment facilities, distribution systems, and equipment. The net decrease in the Authority's capital assets from the prior year amounted to \$76,291 which consisted of acquisition of capital assets of \$6,100, net of accumulated depreciation of \$82,391.

Debt

The Authority issued no additional debt during the year ended June 30, 2022 and retired existing debt of \$65,000.

***Requests for Information***

The financial report is designed to provide a general review of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to Nina Roby, Office Manager or Megan Whitehead, Vice-President Walkers Creek-State Line Water Authority, PO Box 17, Taylor, Arkansas 71861.

**Walkers Creek-State Line Public Water Authority**  
**Statement of Net Position**  
**June 30, 2022**

**ASSETS**

**Current Assets**

|  |                |
|--|----------------|
| Cash and cash equivalents                        | \$ 165,537     |
| Accounts receivable, net of allowance of \$7,548 | <u>41,983</u>  |
| <b>Total Current Assets</b>                      | <u>207,520</u> |

**Restricted Assets**

|                           |                |
|---------------------------|----------------|
| Cash and cash equivalents | <u>107,873</u> |
|---------------------------|----------------|

**Designated Assets**

|   |               |
|---|---------------|
| Cash and cash equivalents designated for long-term purposes | <u>55,129</u> |
|---|---------------|

**Non-current Assets**

|  |                  |
|--|------------------|
| Capital assets, not being depreciated  | 10,950           |
| Capital assets, being depreciated, net | 1,314,986        |
| Utility Deposits                       | <u>2,335</u>     |
| <b>Total Non-current Assets</b>        | <u>1,328,271</u> |

**Total Assets**

|                            |
|----------------------------|
| <u><u>\$ 1,698,793</u></u> |
|----------------------------|

**LIABILITIES AND NET POSITION**

**Current Liabilities**

|                                  |                |
|----------------------------------|----------------|
| Accounts payable                 | \$ 2,667       |
| Other accrued liabilities        | 2,145          |
| Customer deposit liability       | 47,785         |
| Payable from restricted assets:  |                |
| Accrued interest                 | 42,937         |
| Current portion of bonds payable | <u>70,000</u>  |
| <b>Total Current Liabilities</b> | <u>165,534</u> |

**Non-current Liabilities**

|               |                  |
|---------------|------------------|
| Bonds payable | <u>1,275,000</u> |
|---------------|------------------|

**Total Liabilities**

|                  |
|------------------|
| <u>1,440,534</u> |
|------------------|

**Net Position**

|                                  |                |
|----------------------------------|----------------|
| Net investment in capital assets | -              |
| Restricted:                      |                |
| Expendable for capital projects  | 15,980         |
| Unrestricted                     | <u>242,279</u> |
| <b>Total Net Position</b>        | <u>258,259</u> |

**Total Liabilities and Net Position**

|                            |
|----------------------------|
| <u><u>\$ 1,698,793</u></u> |
|----------------------------|

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



**Walkers Creek-State Line Public Water Authority**  
**Statement of Revenues, Expenses and Change in Net Position**  
**For the Year Ended June 30, 2022**

|   |                  |
|---|------------------|
| <b>Operating Revenues</b>                     |                  |
| Water sales                                   | \$ 329,318       |
| Late fees                                     | 3,710            |
|   | <hr/>            |
| <b>Total Operating Revenues</b>               | <hr/> 333,028    |
| <b>Operating Expenses</b>                     |                  |
| Fuel and oil                                  | 4,982            |
| Legal and professional                        | 13,049           |
| Insurance                                     | 12,637           |
| Dues and subscriptions                        | 3,203            |
| Office expense                                | 3,995            |
| Salaries and wages                            | 89,310           |
| Payroll taxes                                 | 6,932            |
| Postage                                       | 2,747            |
| Repairs and maintenance                       | 19,739           |
| Operating supplies                            | 17,762           |
| Telephone                                     | 3,424            |
| Bank fees                                     | 1,185            |
| Utilities                                     | 13,006           |
| Depreciation                                  | 82,391           |
| Bad debts                                     | 3,583            |
| Miscellaneous                                 | 5,065            |
|   | <hr/>            |
| <b>Total Operating Expenses</b>               | <hr/> 283,010    |
| <b>Operating Income</b>                       | <hr/> 50,018     |
| <b>Nonoperating Revenues (Expenses)</b>       |                  |
| Interest income                               | 673              |
| Interest expense                              | (53,514)         |
|   | <hr/>            |
| <b>Total Nonoperating Revenues (Expenses)</b> | <hr/> (52,841)   |
| <b>Change in Net Position</b>                 | (2,823)          |
| <b>Net Position, Beginning</b>                | <hr/> 261,082    |
| <b>Net Position, Ending</b>                   | <hr/> \$ 258,259 |

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

**Walkers Creek-State Line Public Water Authority**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2022**

|  |            |
|--|------------|
| <b>Cash Flows from Operating Activities</b>  |            |
| Cash collected from customers  | \$ 329,644 |
| Cash payments to employees and related costs   | (96,283)   |
| Cash payments to suppliers for goods and services  | (98,220)   |
|  | <hr/>      |
| Net cash provided by operating activities  | 135,141    |
|  | <hr/>      |
| <b>Cash Flows from Capital and Related Financing Activities</b>                                |            |
| Retirement of debt   | (65,000)   |
| Interest paid on bonds   | (55,403)   |
| Acquisition of capital assets  | (6,100)    |
|  | <hr/>      |
| Net cash (used in) capital and related financing activities                                    | (126,503)  |
|  | <hr/>      |
| <b>Cash Flows from Investing Activities</b>  |            |
| Interest income  | 673        |
|  | <hr/>      |
| Net cash provided by investing activities  | 673        |
|  | <hr/>      |
| <b>Net Increase in Cash and Cash Equivalents</b>   | 9,311      |
| <b>Cash and Cash Equivalents at Beginning of Year</b>  | 319,228    |
|  | <hr/>      |
| <b>Cash and Cash Equivalents at End of Year</b>  | \$ 328,539 |
|  | <hr/>      |
| <b>Presented on Statement of Net Position as follows:</b>                                      |            |
| Current assets - cash and cash equivalents   | \$ 165,537 |
| Restricted assets - cash and cash equivalents  | 107,873    |
| Designated assets - cash and cash equivalents designated for long-term purposes                | 55,129     |
|  | <hr/>      |
|  | \$ 328,539 |
|  | <hr/>      |
| <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>        |            |
| <b>Operating income</b>  | \$ 50,018  |
| <b>Adjustments to reconcile operating income to net cash provided by operating activities:</b> |            |
| Depreciation   | 82,391     |
| Bad debt write-offs  | 3,583      |
| (Increase) decrease in current assets:   |            |
| Accounts receivable  | (4,734)    |
| Increase (decrease) in current liabilities:  |            |
| Accounts payable   | 2,577      |
| Accrued liabilities  | (42)       |
| Meter deposit liability  | 1,348      |
|  | <hr/>      |
| Total adjustments  | 85,123     |
|  | <hr/>      |
| Net cash provided by operating activities  | \$ 135,141 |
|  | <hr/>      |

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

**Walkers Creek-State Line Public Water Authority**  
**Notes to the Financial Statements**  
**June 30, 2022**

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

Reporting Entity – Walker Creek-State Line Water Authority (the Authority) was established in 1991 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 provisions 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 Walker Creek-State Line community in Lafayette 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 enterprises, 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 of the Authority for which it has financial accountability as defined above.

Basis of Accounting and Presentation – The Authority is accounted for as an enterprise fund and uses the accrual basis of accounting. The Authority's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental enterprise units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Enterprise funds are 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 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; 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. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the enterprise fund's ongoing operations. The principal operating revenues of the Authority are charges to customers for water sales and services. Operating expenses for the Authority include the cost of pumping, treating and delivering water, administrative services, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available, the Authority's policy is to use restricted resources first, as required, and then unrestricted resources as they are needed.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents – For purposes of the presentation of cash flows, cash and cash equivalents include all restricted and unrestricted cash on hand, demand deposit accounts, money market deposits accounts and certificates of deposit. The Authority includes all certificates of deposits in cash and equivalents.

Receivables – Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The allowance is based on the Authority's prior collection experience and other circumstances which may affect the customer's ability to meet their obligations.



**Walkers Creek-State Line Public Water Authority**  
**Notes to the Financial Statements**  
**June 30, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital Assets – Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$1,000 and estimated useful life of one year or greater. Property constructed or acquired by purchase is stated at cost. Property received as a contribution is stated at estimated fair value on the date received.

The cost of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

|                              |            |
|------------------------------|------------|
| Water plant and distribution | 20-40 Year |
| Machinery and equipment      | 5-20 Year  |

Net Position – The Authority's net position is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted net position presents assets which are restricted either for debt service or capital projects, net of related payables. Net position restricted for debt service is related to assets which are restricted for use pursuant to bond agreements. Net position restricted for capital projects is related to bond proceeds, capital contributions, and contributions receivable which are restricted to certain capital projects. Unrestricted net position is the remaining assets less the remaining liabilities that do not meet the definition of net position invested in capital assets, net of related debt; or net position restricted for debt service or capital projects.

Revenue Recognition – Revenues for water supply, treatment and distribution services are recognized over time as the service is delivered and the performance obligation is satisfied. Revenues recognized in an accounting period include amounts billed to customers on a cycle basis and unbilled amounts based on estimated usage from the last billing to the end of the accounting period. Unbilled amounts are included in accounts receivable and operating revenues in the financial statements.

Income Taxes – As a governmental entity, the Authority is exempt from federal and state income taxes.

Subsequent Events – Management has evaluated events through February 27, 2023, the date the financials statements were available to be issued.

**NOTE 2 – DEPOSITS AND INVESTMENTS**

At June 30, 2022, the Authority's deposits consisted of demand and time deposits. These balances are classified as cash and cash equivalents in the Authority's Statement of Net Position due to their highly liquid nature.

Custodial Credit Risk – State of Arkansas (the State) statutes require the Authority to maintain cash balances on deposit with financial institutions located within the State. There is risk that, in the event of a bank failure, these deposits may not be returned to the Authority. To mitigate this risk, it is generally the Authority's policy to obtain collateral for all deposit balances in excess of Federal Deposit Insurance Corporation (FDIC) insurance and that such collateral be held in the Authority's name by an agent of the Authority. At June 30, 2022, the Authority's cash balances were fully insured or collateralized.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investing is performed in accordance with the investment policies complying with state statutes. Funds may be invested in: (1) direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities, (2) certificates of deposit at financial institutions when secured by acceptable collateral, (3) time deposit accounts at financial institutions, to the extent fully insured, (4) any bond, note or other indebtedness insured by U.S. government or those agencies insured and guaranteed by the federal government and (5) in equity securities, to a limited extent.

**Walkers Creek-State Line Public Water Authority**  
**Notes to the Financial Statements**  
**June 30, 2022**

**NOTE 3 – DESIGNATED AND RESTRICTED NET POSITION**

The Authority had designated \$55,129 of unrestricted net position at June 30, 2022 for debt service and member deposits. The designated balances may be removed at the discretion of the board of directors and are shown as cash and cash equivalents designated for long-term purposes in the Statement of Net Position.

At June 30, 2022, the Authority had restricted net position of \$15,980 which was restricted for future capital improvements.

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2022 was as follows:

|   | <b>Beginning<br/>Balance</b> | <b>Increases</b>   | <b>Decreases</b> | <b>Ending<br/>Balance</b> |
|---|------------------------------|--------------------|------------------|---------------------------|
| <b>Capital assets, not being depreciated:</b>           |                              |                    |                  |                           |
| Land  | \$ 7,950                     | \$ 3,000           | \$ -             | \$ 10,950                 |
| <b>Total Capital Assets, Not Being<br/>Depreciated</b>  | <u>7,950</u>                 | <u>3,000</u>       | <u>-</u>         | <u>10,950</u>             |
| <b>Capital assets, being depreciated:</b>               |                              |                    |                  |                           |
| Buildings   | 446,491                      | 3,100              | -                | 449,591                   |
| Water wells   | 604,080                      | -                  | -                | 604,080                   |
| Site improvements                                       | 191,034                      | -                  | -                | 191,034                   |
| Water distribution                                      | 1,271,469                    | -                  | -                | 1,271,469                 |
| Machinery and equipment                                 | 203,846                      | -                  | -                | 203,846                   |
| <b>Total Capital Assets, Being<br/>Depreciated</b>      | <u>2,716,920</u>             | <u>3,100</u>       | <u>-</u>         | <u>2,720,020</u>          |
| Less: Accumulated Depreciation                          | <u>1,322,643</u>             | <u>82,391</u>      | <u>-</u>         | <u>1,405,034</u>          |
| <b>Total Capital Assets, Being<br/>Depreciated, Net</b> | <u>1,394,277</u>             | <u>(79,291)</u>    | <u>-</u>         | <u>1,314,986</u>          |
| <b>Total Capital Assets, Net</b>                        | <u>\$ 1,402,227</u>          | <u>\$ (76,291)</u> | <u>\$ -</u>      | <u>\$ 1,325,936</u>       |

**NOTE 5 – LONG-TERM DEBT**

The Authority's long-term debt includes the following:

2018 Water Revenue Refunding Bonds

The \$1,530,000 Series 2018 Bonds were issued to replace three note payables and to finance the costs of certain capital improvements. The Series 2018 Bonds are special obligations of the Authority, payable from revenues of the water system. Annual interest rate is 3.875%, and principal payments are due annually on September 1 with the final payment scheduled in 2036. Interest payments are also due annually on September 1.

Changes in long-term debt for the year ended June 30, 2022 are as follows:

|                    | <b>Beginning<br/>Balance</b> | <b>Additions</b> | <b>Retirements</b> | <b>Ending<br/>Balance</b> | <b>Current<br/>Portion</b> |
|--------------------|------------------------------|------------------|--------------------|---------------------------|----------------------------|
| 2018 Revenue Bonds | \$ 1,410,000                 | \$ -             | \$ (65,000)        | \$ 1,345,000              | \$ (70,000)                |
|                    | <u>\$ 1,410,000</u>          | <u>\$ -</u>      | <u>\$ (65,000)</u> | <u>\$ 1,345,000</u>       | <u>\$ (70,000)</u>         |

**Walkers Creek-State Line Public Water Authority**  
**Notes to the Financial Statements**  
**June 30, 2022**

**NOTE 5 – LONG-TERM DEBT (Continued)**

The annual principal and interest requirements to retire debt outstanding as of June 30, 2022 are presented in the following schedule:

|                                   | <u>Principal</u>    | <u>Interest</u>   | <u>Total</u>        |
|-----------------------------------|---------------------|-------------------|---------------------|
| For the years ending:             |                     |                   |                     |
| June 30, 2023                     | \$ 70,000           | \$ 50,813         | \$ 120,813          |
| June 30, 2024                     | 70,000              | 48,188            | 118,188             |
| June 30, 2025                     | 75,000              | 45,563            | 120,563             |
| June 30, 2026                     | 75,000              | 42,750            | 117,750             |
| June 30, 2027                     | 80,000              | 39,938            | 119,938             |
| June 30, 2028 - 2032              | 440,000             | 152,063           | 592,063             |
| June 30, 2033 - 2037              | 535,000             | 61,500            | 596,500             |
|                                   | <u>\$ 1,345,000</u> | <u>\$ 440,815</u> | <u>\$ 1,785,815</u> |
| <b>Total Long-term Maturities</b> | <u>\$ 1,345,000</u> | <u>\$ 440,815</u> | <u>\$ 1,785,815</u> |

**NOTE 6 – CONCENTRATIONS**

The Authority provides water services to its members which are concentrated in designated rural areas of Lafayette County, Arkansas. Accordingly, the Authority's water revenues and related receivables are concentrated with members in the service area.

**NOTE 7 – RISK MANAGEMENT**

The Authority 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, life and accident benefits. Commercial insurance is purchased for claims arising from such matters other than business interruption.

Settled claims have not materially exceeded coverage in any of the three preceding years and there has been no significant reduction in coverage in fiscal year 2022.

**NOTE 8 – UNCERTAINTIES**

The United States and global markets experienced significant economic turmoil resulting from uncertainty caused by the world-wide coronavirus pandemic. The impact on the Authority's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Authority's customers, employees, and vendors, all of which at present, cannot be determined. The accompanying financial statements do not include adjustments relating to the effects of the pandemic.



**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 Board of Directors  
Walkers Creek-State Line Public Water Authority  
Taylor, 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 Walkers Creek-State Line Public Water Authority as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Walkers Creek-State Line Public Water Authority's basic financial statements, and have issued our report thereon dated February 27, 2023.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Walkers Creek-State Line Public Water Authority's internal control over financial reporting (internal control) as a basis for designing 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 Walkers Creek-State Line Public Water Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Walkers Creek-State Line Public Water 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

***Compliance and Other Matters***

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

**Purpose of this Report**

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

  
Emrich & Scroggins, LLP

Certified Public Accountants

El Dorado, Arkansas

February 27, 2023