

*Financial Statements*

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

For the Year Ended June 30, 2023  
(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, 2023, 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, 2023, and the changes in financial position and cash flows 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 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 July 24, 2024 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

July 24, 2024

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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, 2023. It should be read in conjunction with the accompanying financial statements of Walkers Creek-State Line Public Water Authority.

***Financial Highlights***

- At June 30, 2023, the Authority's net position totaled \$291,450. Of this amount, \$270,915 was considered unrestricted net position.
- During the year ended June 30, 2023, total assets decreased \$35,730 (2%) from \$1,698,783 to \$1,663,063 due primarily to a decrease of \$80,250 in capital assets. This decrease in capital assets was due to depreciation expense of \$82,276 exceeding capital improvements of \$2,026.
- Total liabilities decreased \$68,921 (5%) from \$1,440,534 to \$1,371,613 during the year ended June 30, 2023. Noncurrent liabilities decreased \$70,000 due to bond payments on the 2018 bonds.
- The Authority's net position increased by \$33,191 during the year ended June 30, 2023 due to operating income of \$83,610, net of nonoperating income and expense of (\$50,419). The operating income included depreciation of \$82,276. Nonoperating expenses consisted of interest expense of \$51,712 which is shown net of interest income of \$1,293.
- For the year ended June 30, 2023, operating revenues increased \$9,943 (3%) from \$333,028 in the prior fiscal year to \$342,971 due primarily to increased water sales. Operating expenses decreased \$23,649 during the year ended June 30, 2023 due primarily to reduced repairs and maintenance expense. These changes in operating revenues and expenses resulted in a net increase of \$33,592 (67%) in operating income.

***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>2023</b>	<b>2022</b>
Cash and equivalents	\$ 260,796	\$ 220,666
Accounts receivable	43,576	41,983
Total current assets	304,372	262,649
Restricted cash and equivalents	110,670	107,873
Capital assets, net of depreciation	1,245,686	1,325,936
Other non-current assets	2,335	2,335
Total non-current assets	1,248,021	1,328,271
Total assets	\$ 1,663,063	\$ 1,698,793
Current liabilities	\$ 166,613	\$ 165,534
Non-current liabilities	1,205,000	1,275,000
Total liabilities	1,371,613	1,440,534
Net position - invested in capital assets	-	-
Net position - restricted	20,535	15,980
Net position - unrestricted	270,915	242,279
Total net position	291,450	258,259
Total liability and net position	\$ 1,663,063	\$ 1,698,793

***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, \$20,535 (7%), represents resources restricted for capital improvements. The remaining \$270,915 (93%) 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 \$33,191 for the year ended June 30, 2023 compared to \$(2,823) in the prior fiscal year, an increase of \$36,014 as shown in Table 2. This increase was due primarily to improved operating revenues and reduced operating costs.

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

**Table 2:**

<b>Changes In Net Position</b>	<b>2023</b>	<b>2022</b>
Operating revenues	\$ 342,971	\$ 333,028
Operating expenses	259,361	283,010
Operating income	<u>83,610</u>	<u>50,018</u>
Non-operating revenues (expenses)	<u>(50,419)</u>	<u>(52,841)</u>
Net income	33,191	(2,823)
Net position, beginning of year	<u>258,259</u>	<u>261,082</u>
Net position, end of year	<u><u>\$ 291,450</u></u>	<u><u>\$ 258,259</u></u>

***Operating Income (Loss)***

Operating revenues increased \$9,943 (3%) during the year due to increased water usage by the Authority's customers. Operating expenses decreased \$23,649 (8%) during the year primarily due to a decrease in repairs and maintenance costs.

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

Non-operating revenues (expenses) decreased \$2,422 (5%) from (\$52,841) to (\$50,419). The decrease resulted from a decrease in interest expense of \$1,802 and an increase in interest income of \$620.

***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, 2023 amounted to \$1,245,686 (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 \$80,250 which consisted of acquisition of capital assets of \$2,026, net of accumulated depreciation of \$82,276.

Debt

The Authority issued no additional debt during the year ended June 30, 2023 and retired existing debt of \$70,000.

***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, 2023**

**ASSETS**

<b>Current Assets</b>	
Cash and cash equivalents	\$ 202,952
Cash designated for meter deposit liability	57,844
Accounts receivable, net of allowance of \$7,548	<u>43,576</u>
<b>Total Current Assets</b>	<u>304,372</u>
<b>Restricted Assets</b>	
Cash and cash equivalents	<u>110,670</u>
<b>Non-current Assets</b>	
Capital assets, not being depreciated	10,950
Capital assets, being depreciated, net	1,234,736
Utility Deposits	<u>2,335</u>
<b>Total Non-current Assets</b>	<u>1,248,021</u>
<b>Total Assets</b>	<u><u>\$ 1,663,063</u></u>

**LIABILITIES AND NET POSITION**

<b>Current Liabilities</b>	
Accounts payable	\$ 3,029
Other accrued liabilities	1,677
Customer deposit liability	50,100
Payable from restricted assets:	
Accrued interest	41,807
Current portion of bonds payable	<u>70,000</u>
<b>Total Current Liabilities</b>	<u>166,613</u>
<b>Non-current Liabilities</b>	
Bonds payable	<u>1,205,000</u>
<b>Total Liabilities</b>	<u>1,371,613</u>
<b>Net Position</b>	
Net investment in capital assets	-
Restricted:	
Expendable for capital projects	20,535
Unrestricted	<u>270,915</u>
<b>Total Net Position</b>	<u>291,450</u>
<b>Total Liabilities and Net Position</b>	<u><u>\$ 1,663,063</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, 2023**

<b>Operating Revenues</b>	
Water sales	\$ 338,511
Late fees	4,460
	4,460
<b>Total Operating Revenues</b>	342,971
<b>Operating Expenses</b>	
Fuel and oil	5,068
Legal and professional	16,311
Insurance	13,888
Dues and subscriptions	3,413
Office expense	2,579
Salaries and wages	90,190
Payroll taxes	6,974
Postage	3,542
Repairs and maintenance	2,316
Operating supplies	12,390
Telephone	3,562
Bank fees	692
Utilities	12,943
Depreciation	82,276
Miscellaneous	3,217
	3,217
<b>Total Operating Expenses</b>	259,361
<b>Operating Income</b>	83,610
<b>Nonoperating Revenues (Expenses)</b>	
Interest income	1,293
Interest expense	(51,712)
	(51,712)
<b>Total Nonoperating Revenues (Expenses)</b>	(50,419)
Change in Net Position	33,191
<b>Net Position, Beginning</b>	258,259
<b>Net Position, Ending</b>	\$ 291,450

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, 2023**

<b>Cash Flows from Operating Activities</b>	
Cash collected from customers	\$ 343,693
Cash payments to employees and related costs	(79,559)
Cash payments to suppliers for goods and services	<u>(97,633)</u>
<b>Net cash provided by operating activities</b>	<u>166,501</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Retirement of debt	(70,000)
Interest paid on bonds	(52,841)
Acquisition of capital assets	<u>(2,026)</u>
<b>Net cash (used in) capital and related financing activities</b>	<u>(124,867)</u>
<b>Cash Flows from Investing Activities</b>	
Interest income	<u>1,293</u>
<b>Net cash provided by investing activities</b>	<u>1,293</u>
<b>Net Increase in Cash and Cash Equivalents</b>	42,927
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>328,539</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 371,466</u>
<b>Presented on Statement of Net Position as follows:</b>	
Cash and cash equivalents	\$ 202,952
Cash designated for meter deposit liability	57,844
Restricted cash and cash equivalents	<u>110,670</u>
	<u>\$ 371,466</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
<b>Operating income</b>	\$ 83,610
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>	
Depreciation	82,276
(Increase) decrease in current assets:	
Accounts receivable	(1,593)
Increase (decrease) in current liabilities:	
Accounts payable	362
Accrued liabilities	(469)
Meter deposit liability	<u>2,315</u>
<b>Total adjustments</b>	<u>82,891</u>
<b>Net cash provided by operating activities</b>	<u>\$ 166,501</u>

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

**Walkers Creek-State Line Public Water Authority**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

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

Reporting Entity – Walkers Creek-State Line Public 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 Walkers 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**  
**For the Year Ended June 30, 2023**

**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.

**NOTE 2 – CASH AND CASH EQUIVALENTS**

At June 30, 2023, the Authority’s cash balances consisted of demand and time deposits.

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, 2023, 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.

**NOTE 3 – DESIGNATED AND RESTRICTED RESOURCES**

At June 30, 2023, the Authority had cash balances of \$57,844 which were designated for payment of member deposit liabilities. This designation may be removed at the discretion of the board of directors.

**Walkers Creek-State Line Public Water Authority**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

**NOTE 3 – DESIGNATED AND RESTRICTED RESOURCES (Continued)**

The Authority had restricted cash balances of \$110,670 at June 30, 2023. Of this amount, \$90,135 was restricted for debt service and \$20,535 was restricted for repairs or replacements of the Authority’s water distribution system.

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Capital assets, not being depreciated:</b>				
Land	\$ 10,950	\$ -	\$ -	\$ 10,950
<b>Total Capital Assets, Not Being Depreciated</b>	<u>10,950</u>	<u>-</u>	<u>-</u>	<u>10,950</u>
<b>Capital assets, being depreciated:</b>				
Buildings	449,591	-	-	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	2,026	-	205,872
Total Capital Assets, Being Depreciated	2,720,020	2,026	-	2,722,046
Less: Accumulated Depreciation	1,405,034	82,276	-	1,487,310
<b>Total Capital Assets, Being Depreciated, Net</b>	<u>1,314,986</u>	<u>(80,250)</u>	<u>-</u>	<u>1,234,736</u>
<b>Total Capital Assets, Net</b>	<u>\$ 1,325,936</u>	<u>\$ (80,250)</u>	<u>\$ -</u>	<u>\$ 1,245,686</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, 2023 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Current Portion</u>
2018 Revenue Bonds	<u>\$ 1,345,000</u>	<u>\$ -</u>	<u>\$ (70,000)</u>	<u>\$ 1,275,000</u>	<u>\$ (70,000)</u>

**Walkers Creek-State Line Public Water Authority**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

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

The annual principal and interest requirements to retire debt outstanding as of June 30, 2023 are presented in the following schedule:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For the years ending:			
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	80,000	36,938	116,938
June 30, 2029 - 2033	460,000	135,188	595,188
June 30, 2034 - 2037	435,000	41,435	476,435
<b>Total Long-term Maturities</b>	<u>\$ 1,275,000</u>	<u>\$ 390,000</u>	<u>\$ 1,665,000</u>

The terms of the bond agreement impose certain restrictive covenants on the Authority. Generally, the Authority is required to establish and maintain rates to provide net revenues, as defined, in each fiscal year at least equal to 110% of the maximum annual principal and interest requirements on all outstanding bonds to which the Authority's water revenues are pledged.

Pledge Revenues

The following is a summary of the Authority's pledged revenues for the year ended June 30, 2023:

Debt	Revenue Pledged	Total Pledged Revenue	Portion of Remaining Debt Service Requirements	Percentage Portion of Pledged Revenue Stream	Portion of Remaining Debt Service Requirements	Period Revenue will not be Available for Other Purposes
2018 Revenue Bonds	Revenues of the Water System	\$ 344,264	\$ 118,188	34.3%	\$ 1,546,812	Until 2037

**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 2023.

**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, 2023, 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 July 24, 2024.

***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

July 24, 2024