

**YORKTOWN WATER ASSOCIATION, INC.**

**FINANCIAL STATEMENTS**

December 31, 2023 and 2022

## TABLE OF CONTENTS

---

	Page
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to Financial Statements	7
<b>SUPPLEMENTAL INFORMATION</b>	
Schedule of Insurance in Force	14
Schedule of System Information	15
<b>COMMUNICATION OF INTERNAL CONTROL RELATED MATTERS</b>	16

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

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

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

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of the  
Yorktown Water Association, Inc.

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

***Opinions***

We have audited the accompanying financial statements of the Yorktown Water Association, Inc., (the "Organization"), (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position the Organization as of December 31, 2023 and 2022 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

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 Organization 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 opinions.

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

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

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 Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be 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 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 a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 the Organization'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.

### ***Supplementary Information and other information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Organization's basic financial statements. The accompanying Schedule of Insurance in Force are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Monticello, Arkansas  
April 19, 2024

**YORKTOWN WATER ASSOCIATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
<u>Current assets</u>		
Cash and cash equivalents	\$ 396,193	\$ 120,077
Accounts receivable (net)	143,365	121,804
Accrued interest receivable	12,235	12,235
Prepaid expenses	37,871	35,538
Total current assets	<u>589,664</u>	<u>289,654</u>
<u>Investments</u>	2,029,048	2,066,160
<u>Fixed assets, net of accumulated depreciation</u>	3,807,744	3,853,723
<u>Other Assets</u>		
Investment reserve - meter deposits	135,649	126,537
Investment reserve - debt service	-	-
Total other assets	<u>135,649</u>	<u>126,537</u>
Total assets	<u>\$ 6,562,105</u>	<u>\$ 6,336,074</u>
<u>Liabilities and Net Assets</u>		
<u>Current liabilities</u>		
Accounts payable	\$ 16,089	\$ 72,089
Accrued payroll	4,245	4,480
Other accrued expenses	6,556	7,975
Total current liabilities	<u>26,890</u>	<u>84,544</u>
<u>Long term liabilities</u>		
Customer deposits	135,649	126,537
Total liabilities	162,539	211,081
<u>Net assets</u>		
Net assets without restrictions	6,399,566	6,124,993
Net assets with restrictions	-	-
Total net assets	<u>6,399,566</u>	<u>6,124,993</u>
Total liabilities and net assets	<u>\$ 6,562,105</u>	<u>\$ 6,336,074</u>

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

**YORKTOWN WATER ASSOCIATION, INC.**  
**STATEMENT OF ACTIVITIES**  
For the Years Ended December 31, 2023 and 2022

	2023	2022
<u>Changes in net assets without restrictions</u>		
Revenues		
Water services	\$ 1,264,698	\$ 1,195,986
Water connection and meter set fees	21,152	12,234
Penalties and late fees	32,087	24,107
Membership dues	4,175	4,740
Other operating income	44,204	7,319
Total revenues	1,366,316	1,244,386
Expenses		
Operating expenses	869,388	833,927
General and administrative	281,311	250,041
Total expenses	1,150,699	1,083,968
Income (loss) from operations	215,617	160,418
Non-operating income (expense)		
Interest income	58,956	46,763
Change in net assets without restrictions	274,573	207,181
<u>Changes in net assets with restrictions</u>		
Net assets released from restrictions	-	-
Change in net assets with restrictions	-	-
<u>Change in net assets</u>	274,573	207,181
<u>Net assets, beginning of year</u>	6,124,993	5,917,812
<u>Net assets, end of year</u>	\$ 6,399,566	\$ 6,124,993

The accompanying notes are an integral part of the financial statements

**YORKTOWN WATER ASSOCIATION, INC.**  
**STATEMENT OF CASH FLOWS**  
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 274,573	\$ 207,181
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	324,478	326,695
Bad debts	10,000	7,000
Changes in assets and liabilities:		
Accounts receivable	(31,561)	(24,124)
Prepaid expenses	(2,333)	(29,938)
Accounts payable	(56,000)	25,931
Accrued payroll	(235)	938
Other accrued expenses	(1,419)	96
Total adjustments	<u>242,930</u>	<u>306,598</u>
Net cash provided by (used for) operating activities	517,503	513,779
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(278,499)	(499,885)
Purchase of certificates of deposit	(600,000)	(538,010)
Maturities of certificates of deposit	528,000	518,000
Interest income reinvested	<u>-</u>	<u>-</u>
Net cash provided by (used for) investing activities	(350,499)	(519,895)
<u>Cash flows from financing activities</u>		
Change in customer deposits	<u>9,112</u>	<u>7,634</u>
Net cash provided by (used for) financing activities	<u>9,112</u>	<u>7,634</u>
<u>Change in cash and cash equivalents</u>	176,116	1,518
<u>Cash and cash equivalents, beginning of year</u>	<u>120,077</u>	<u>118,559</u>
<u>Cash and cash equivalents, end of year</u>	<u>\$ 296,193</u>	<u>\$ 120,077</u>
<u>Supplemental Information</u>		
Cash paid for sales tax	\$ 103,983	\$ 99,498

The accompanying notes are an integral part of the financial statements

**YORKTOWN WATER ASSOCIATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Years Ended December 31, 2023 and 2022

	2023		
	Program (Water) Services	Management & General	Total
Salaries, wages, and benefits	\$ 322,638	\$ 138,274	\$ 460,912
Depreciation	308,254	16,224	324,478
Supplies	60,480	6,720	67,200
Utilities	75,492	8,388	83,880
Repairs and maintenance	29,941	1,576	31,517
Insurance	34,246	8,561	42,807
Office supplies	-	43,287	43,287
Payroll taxes	19,307	8,275	27,582
Dues, subscriptions, licenses	7,824	7,824	15,648
Board fees	-	14,985	14,985
Bad debt	-	10,000	10,000
Communication	7,046	2,348	9,394
Professional services	-	10,950	10,950
Other expenses	3,380	3,379	6,759
Training	780	520	1,300
Total expenses	<u>\$ 869,388</u>	<u>\$ 281,311</u>	<u>\$ 1,150,699</u>

	2022		
	Program (Water) Services	Management & General	Total
Salaries, wages, and benefits	\$ 272,124	\$ 116,625	\$ 388,749
Depreciation	310,360	16,335	326,695
Supplies	69,148	7,683	76,831
Utilities	61,143	6,794	67,937
Repairs and maintenance	53,399	2,810	56,209
Insurance	35,206	8,801	44,007
Office supplies	-	39,313	39,313
Payroll taxes	16,805	7,202	24,007
Dues, subscriptions, licenses	8,147	8,147	16,294
Board fees	-	14,888	14,888
Bad debt	-	7,000	7,000
Communication	4,932	1,644	6,576
Professional services	-	10,450	10,450
Other expenses	1,725	1,724	3,449
Training	938	625	1,563
Total expenses	<u>\$ 833,927</u>	<u>\$ 250,041</u>	<u>\$ 1,083,968</u>

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



**YORKTOWN WATER ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
December 31, 2023 and 2022

---

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

Organization and Nature of Operations

The Yorktown Water Association, Inc. (the “Organization”) is a not-for-profit corporation established under the laws of the State of Arkansas and is nontaxable for Federal and State income tax purposes under the Internal Revenue Code Section 501(c)12. The Organization was formed to provide rural water service to its constituents in the surrounding community.

Method of Accounting

The financial states of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Revenue Recognition

The Organization derives its revenues primarily from water services provided to its customers. Revenues are recognized when control of these services are provided to / transferred to its customers in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services. Sales and other taxes the Organization collects concurrent with revenue producing activities are excluded from revenue. Other fees charged to customers are reported within revenue. The Organization does not have any significant financing components as payment is received at or shortly after the point of sale.

Concentrations and Credit Risks

The Organization’s credit risks primarily relate to cash and cash equivalents. The Organization maintains several cash accounts at a bank. Accounts are insured by the Federal Deposit Insurance Corporation up to an aggregate of \$250,000.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents.

Investments

The Organization’s investments are primarily brokered certificate of deposits. The Organization’s practice is to reinvest excess earnings into brokered certificate of deposits in order to reduce the risk of cash deposits within one location and allows for competition to capitalize on the prevailing interest rate of returns at that time. It is the Organization’s intentions to hold certificate of deposits until maturity. The Organization has elected to carry the investments at cost on the statement of financial position since the cost basis is the amount to be received upon maturity plus any accrued interest. Accrued interest is recorded in the year the interest is earned in the statement of activities.

**YORKTOWN WATER ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
December 31, 2023 and 2022

---

**NOTE 1 (continued)**

Accounts Receivable

Accounts receivable relate to water service billings and are recorded at estimated net realizable value. Accounts are written off as they are deemed uncollectible by management based on the length of time outstanding and historical experience. Credit extended to customers are generally uncollateralized. Accounts are due ten days after the billing date. Past-due accounts are charged a late fee penalty. Customers are required to make a deposit and deposits can be offset against the receivable for delinquent billings or returned to the customer when the account is closed.

An allowance for doubtful accounts is maintained. The allowance for doubtful accounts for the years ended December 31, 2023 and 2022 were \$127,150 and \$117,150, respectively. Bad debts are charged to operations as they are deemed uncollectible.

Property and Equipment

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

Water Plant	20-40 years
Buildings & Improvements	20-25 years
Furniture & Equipment	5-10 years

The Organization's capitalization policy states that capital assets are defined as assets with an estimated useful life of greater than one year and value greater than \$1,000. Maintenance and repairs are charged to expense as incurred.

Net Asset Classifications

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of restrictions. Accordingly, net assets and changes in net assets are classified as follows:

*Net Assets Without Restrictions* – Net assets available for use in general operations and not subject to restrictions.

*Net Assets With Restrictions* – Net assets subject to imposed restrictions.

Functional Allocation of Expenses

The costs of providing the water services and other program services of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated by management among the program and supporting services. The statement of functional expenses presents the natural classification detail of expenses by function.

The Organization classifies as program service expense those items which are directly attributable to the specific water service program. Those expenses which are not directly attributable to the program service are included in management and general expenses.

**YORKTOWN WATER ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
December 31, 2023 and 2022

---

**NOTE 1 (continued)**

Service Contract (Power Purchase Agreement)

The Organization entered into a Power Purchase Agreement (PPA) with Today's Power, Inc. in May of 2021. The PPA contract is not classified as a lease under ASC 840 or ASC 842 based on the "right of use" rule for the solar power asset(s) and is classified as a service contract by the Organization. The contract is for a term of 20 years. The Organization has agreed to purchase 100% of the power produced at a standard rate of \$0.055 per kWh. All equipment titles and land deeds are in the name of Today's Power, Inc. All ongoing service and maintenance for the solar power asset(s) are to be performed by Today's Power, Inc. The expense for the purchases of the solar power produced is classified in Utilities on the Statement of Functional Expenses.

Income Tax Status

No provision for federal income taxes is required since the Organization is exempt from income taxes under Section 501(c)(12) of the Internal Revenue Code and the applicable income tax regulations of the State of Arkansas on income other than income derived from activities unrelated to its exempt purpose. The Organization files an exempt return in the U.S. federal jurisdiction.

Date of Management's Review

The Organization evaluated its December 31, 2023 financial statements for subsequent events through April 19, 2024, the date the financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

**NOTE 2 – LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2023	2022
Cash and cash equivalents	\$ 296,193	\$ 120,077
Receivables	143,365	121,804
Available for general expenditure	<u>\$ 439,558</u>	<u>\$ 241,881</u>
Investments (certificate of deposits)	\$ 2,264,697	\$ 2,192,697
Less: restricted investment for deposits	<u>(135,649)</u>	<u>(126,537)</u>
Other investments available	<u>\$ 2,129,048</u>	<u>\$ 2,066,160</u>

Restricted cash consists of funds to be maintained to repay customers' deposits upon the closing of the customers' accounts.

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (currently approximately \$400,000). As part of its liquidity plan, excess funds are held in investments.

**YORKTOWN WATER ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
December 31, 2023 and 2022

**NOTE 3 – DETAIL ON CASH DEPOSITED IN COMMERCIAL BANKS**

The schedule below is designed to disclose the level of custodial credit risk assumed by the Organization based upon how its deposits were insured or secured by pledged securities, or unsecured at December 31, 2023.

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

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

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

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

Depository	December 31, 2023			
	Total	Category 1	Category 2	Category 3
Relyance Bank	\$ 447,365	\$ 250,000	\$ 197,365	\$ -
Union Bank	567,121	250,000	317,121	-
Connect Bank	559,566	250,000	309,566	-
Simmons First Sweep Account	9,953	9,953	-	-
Brokered Certificates	1,038,010	1,038,010	-	-
Total	<u>\$ 2,622,015</u>	<u>\$ 1,797,963</u>	<u>\$ 824,052</u>	<u>\$ -</u>

Depository	December 31, 2022			
	Total	Category 1	Category 2	Category 3
Relyance Bank	\$ 128,386	\$ 128,386	\$ -	\$ -
Union Bank	567,121	250,000	317,121	-
Connect Bank	559,566	250,000	309,566	-
Simmons First Sweep Account	5,291	5,291	-	-
Brokered Certificates	1,066,010	1,066,010	-	-
Total	<u>\$ 2,326,374</u>	<u>\$ 1,699,687</u>	<u>\$ 626,687</u>	<u>\$ -</u>

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

**YORKTOWN WATER ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
December 31, 2023 and 2022

**NOTE 4 – INVESTMENTS**

The balance of investments are as follows at December 31:

	2023	2022
Certificate of deposits		
CitiBank	\$ -	\$ 250,000
Discover Bank	-	250,000
Wells Fargo Bank	-	28,000
Charles Schwab Bank	250,003	-
Wells Fargo Bank	250,003	-
Relyance Bank	100,000	-
Barclays Bank	250,002	250,004
BMO Harris Bank	68,000	68,001
Capital One	220,002	220,004
Connect Bank	508,485	508,485
Union Bank	567,121	567,122
Connect Bank	51,081	51,081
Total	<u>\$ 2,264,697</u>	<u>\$ 2,192,697</u>

The investment maturities are as follows at December 31:

	2023			
	Investment Maturity (in Years)			
	Less than 1	1 through 5	6 through 10	More than 10
Certificate of deposits				
Relyance Bank	\$ -	\$ 100,000	\$ -	\$ -
Charles Schwab Bank	250,003	-	-	-
Wells Fargo Bank	250,003	-	-	-
Barclays Bank	250,002	-	-	-
BMO Harris Bank	-	68,000	-	-
Capital One	220,002	-	-	-
Connect Bank	-	508,485	-	-
Union Bank	567,121	-	-	-
Connect Bank	51,081	-	-	-
Total	<u>\$ 1,588,212</u>	<u>\$ 676,485</u>	<u>\$ -</u>	<u>\$ -</u>

**YORKTOWN WATER ASSOCIATION, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
December 31, 2023 and 2022

**NOTE 4 (continued)**

	2022			
	Investment Maturity (in Years)			
	Less than 1	1 through 5	6 through 10	More than 10
Certificate of deposits				
CitiBank	\$ 250,000	\$ -	\$ -	\$ -
Discover Bank	250,000	-	-	-
Wells Fargo Bank	28,000	-	-	-
Barclays Bank	-	250,004	-	-
BMO Harris Bank	-	68,001	-	-
Capital One	-	220,004	-	-
Connect Bank	-	508,485	-	-
Union Bank	-	567,122	-	-
Connect Bank	-	51,081	-	-
Total	<u>\$ 528,000</u>	<u>\$ 1,664,697</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and Equipment consisted of the following balances at December 31:

	2023	2022
Land	\$ 120,381	\$ 120,381
Building	321,298	321,298
Plant and equipment	<u>9,066,265</u>	<u>8,787,766</u>
	9,507,944	9,229,445
Accumulated depreciation	<u>(5,700,200)</u>	<u>(5,375,722)</u>
	<u>\$ 3,807,744</u>	<u>\$ 3,853,723</u>

## **SUPPLEMENTAL INFORMATION**

**YORKTOWN WATER ASSOCIATION, INC.**  
**SCHEDULE OF INSURANCE IN FORCE**  
For the Year Ended December 31, 2023

---

<u>Type of Coverage</u>	<u>Policy Number</u>	<u>Coverage Date</u>	<u>Policy Amount</u>
Workers' Compensation	2h5-45-86-24	10/1/2023 - 10/1/2024	Statutory
Automobile Liability	2e5-45-86-24	10/1/2023 - 10/1/2024	\$ 1,000,000
Comprehensive General Liability	2d5-45-86-24	10/1/2023 - 10/1/2024	\$ 2,000,000
Commercial Property	2a5-45-86-24	10/1/2023 - 10/1/2024	\$ 2,900,333
Fidelity Bond	2f5-45-86-24	10/1/2023 - 10/1/2024	\$ 250,000
Director's and Officer's Liability	2k5-45-86-24	10/1/2023 - 10/1/2024	\$ 1,000,000
Umbrella	2j5-45-86-24	10/1/2023 - 10/1/2024	\$ 5,000,000
CyberSolutions	2q5-45-86-24	10/1/2023 - 10/1/2024	\$ 50,000

See Independent Auditor's Report.



**YORKTOWN WATER ASSOCIATION, INC.**  
**SCHEDULE OF SYSTEM INFORMATION**  
For the Year Ended December 31, 2023

---

Number of Water Users	3,187
Annual billable gallons of water	240,740,900
Date of last rate study:	N/A
Next required date:	July 1, 2026
Met board training requirements:	Yes
<b>Debt Service Coverage Ratio (1.05 minimum required)</b>	
Net Income (loss)	\$ 274,573
Add: Depreciation	324,478
Subtract: Interest income	<u>(58,956)</u>
Total	\$ 540,095
Divided by next year principal & interest	<u>-</u>
Debt service coverage ratio	<u><u>N/A - no debt service</u></u>
<b>Free Cash Flow Determination</b>	
Total unrestricted cash	\$ 296,193
One twelfth of total expenses	<u>95,892</u>
Excess / (deficient) cash	<u><u>\$ 200,301</u></u>

See Independent Auditor's Report.

# SEARCY & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

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

## Communication of Internal Control-Related Matters

To the Board of Directors  
Yorktown Water Association, Inc.

In planning and performing our audit of the financial statements of Yorktown Water Association, Inc. (the "Organization") as of and for the years ended December 31, 2023 and 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated April 19, 2024, on the financial statements of the Organization.

### Segregation of Duties

During the audit, we noted several financial accounting duties relating to initiating, receipting, depositing, disbursing, and recording of cash transactions are performed by one or two individuals. Without proper segregation of duties of these accounting duties, there is an increased risk of fraud or errors to occur that will not be prevented or detected in a timely manner. We are aware of the limitations of the Organization with regards to financial resources to employ additional personnel for these tasks. However, we believe it is important for the board to be aware of the risks and limitations of the current internal control procedures.

We will review the status of these comments during our next audit engagement. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing any changes.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.



Monticello, Arkansas  
April 19, 2024