

YORKTOWN WATER ASSOCIATION, INC.

FINANCIAL STATEMENTS

December 31, 2025 and 2024

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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, 2025 and 2024, 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, 2025 and 2024 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, See Independent Auditor's Report.

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.

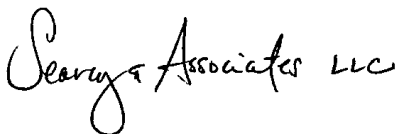
In performing an audit in accordance with generally accepted auditing standards, we:

- 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 and Schedule of System Information 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
July 9, 2026

YORKTOWN WATER ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION

December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<u>Assets</u>		
<u>Current assets</u>		
Cash and cash equivalents	\$ 511,678	\$ 577,972
Accounts receivable (net)	168,924	151,349
Accrued interest receivable	12,235	12,235
Prepaid expenses	49,080	43,280
Total current assets	<u>741,917</u>	<u>784,836</u>
<u>Investments</u>	2,563,888	2,171,382
<u>Fixed assets, net of accumulated depreciation</u>	5,228,337	3,743,874
<u>Other Assets</u>		
Investment reserve - meter deposits	<u>148,950</u>	<u>143,468</u>
Total assets	<u><u>\$ 8,683,092</u></u>	<u><u>\$ 6,843,560</u></u>
<u>Liabilities and Net Assets</u>		
<u>Current liabilities</u>		
Accounts payable	\$ 25,265	\$ 25,265
Accrued payroll	6,364	3,944
Accrued fire dues	-	4,615
Other accrued expenses	12,803	7,989
Total current liabilities	<u>44,432</u>	<u>41,813</u>
<u>Long term liabilities</u>		
Customer deposits	<u>148,950</u>	<u>143,468</u>
Total liabilities	193,382	185,281
<u>Net assets</u>		
Net assets without restrictions	8,489,710	6,658,279
Net assets with restrictions	<u>-</u>	<u>-</u>
Total net assets	<u>8,489,710</u>	<u>6,658,279</u>
Total liabilities and net assets	<u><u>\$ 8,683,092</u></u>	<u><u>\$ 6,843,560</u></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, 2025 and 2024

	2025	2024
<u>Changes in net assets without restrictions</u>		
Revenues		
Water services	\$ 1,646,008	\$ 1,348,226
Water connection and meter set fees	12,830	29,367
Penalties and late fees	36,858	31,071
Membership dues	-	(65)
Other operating income	4,410	5,585
Total revenues	1,700,106	1,414,184
Expenses		
Operating expenses	1,116,770	936,429
General and administrative	345,194	314,982
Total expenses	1,461,964	1,251,411
Income (loss) from operations	238,142	162,773
Non-operating income (expense)		
Interest income	90,945	95,940
Gain (loss) on sale of asset	50,190	-
Interest expense	(398)	-
Total non-operating income (expense)	140,737	95,940
Change in net assets without restrictions	378,879	258,713
<u>Acquisition of water system increase in net assets</u>	1,452,552	-
<u>Change in net assets</u>	1,831,431	258,713
<u>Net assets, beginning of year</u>	6,658,279	6,399,566
<u>Net assets, end of year</u>	\$ 8,489,710	\$ 6,658,279

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, 2025 and 2024

	2025	2024
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 1,831,431	\$ 258,713
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	342,514	296,116
Bad debts	30,000	50,000
Gain on disposal of asset	(50,190)	-
Changes in assets and liabilities:		
Accounts receivable	(47,575)	(57,984)
Prepaid expenses	(5,800)	(5,409)
Accounts payable	-	9,176
Accrued payroll	2,420	(301)
Accrued fire dues	(4,615)	4,615
Other accrued expenses	4,814	1,433
Total adjustments	271,568	297,646
Net cash provided by (used for) operating activities	2,102,999	556,359
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(1,776,787)	(232,246)
Purchase of certificates of deposit	(500,000)	(1,000,000)
Maturities of certificates of deposit	105,400	970,000
Interest income reinvested	(3,388)	(20,153)
Net cash provided by (used for) investing activities	(2,174,775)	(282,399)
<u>Cash flows from financing activities</u>		
Change in customer deposits	5,482	7,819
Net cash provided by (used for) financing activities	5,482	7,819
<u>Change in cash and cash equivalents</u>	(66,294)	281,779
<u>Cash and cash equivalents, beginning of year</u>	577,972	296,193
<u>Cash and cash equivalents, end of year</u>	\$ 511,678	\$ 577,972
<u>Supplemental Information</u>		
Cash paid for sales tax	\$ 130,350	\$ 145,053
Cash paid for interest	-	-

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, 2025 and 2024

	2025		
	Program (Water) Services	Management & General	Total
Salaries, wages, and benefits	\$ 353,093	\$ 151,325	\$ 504,418
Depreciation	325,388	17,126	342,514
Supplies	109,687	12,187	121,874
Utilities	88,805	9,867	98,672
Repairs and maintenance	135,427	7,128	142,555
Insurance	54,572	13,643	68,215
Office supplies	-	45,506	45,506
Payroll taxes	21,288	9,124	30,412
Dues, subscriptions, licenses	9,661	9,661	19,322
Board fees	-	14,390	14,390
Bad debt	-	30,000	30,000
Communication	7,214	2,404	9,618
Professional services	-	14,100	14,100
Other expenses	4,995	4,994	9,989
Training	5,521	3,680	9,201
Travel expenses	1,119	59	1,178
Total expenses	<u>\$ 1,116,770</u>	<u>\$ 345,194</u>	<u>\$ 1,461,964</u>

	2024		
	Program (Water) Services	Management & General	Total
Salaries, wages, and benefits	\$ 338,460	\$ 145,054	\$ 483,514
Depreciation	281,310	14,806	296,116
Supplies	102,155	11,350	113,505
Utilities	63,450	7,050	70,500
Repairs and maintenance	65,622	3,454	69,076
Insurance	39,049	9,762	48,811
Office supplies	-	22,427	22,427
Payroll taxes	21,904	9,387	31,291
Dues, subscriptions, licenses	7,898	7,898	15,796
Board fees	-	12,740	12,740
Bad debt	-	50,000	50,000
Communication	10,229	3,410	13,639
Professional services	-	13,042	13,042
Other expenses	3,673	3,672	7,345
Training	1,286	857	2,143
Total expenses	<u>\$ 936,429</u>	<u>\$ 314,982</u>	<u>\$ 1,251,411</u>

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

YORKTOWN WATER ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025 and 2024

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, 2025 and 2024

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, 2025 and 2024 were \$207,150 and \$177,150, 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, 2025 and 2024

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, 2025 financial statements for subsequent events through July 9, 2026, 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:

	2025	2024
Cash and cash equivalents	\$ 511,678	\$ 577,972
Receivables	168,924	151,349
Available for general expenditure	<u>\$ 680,602</u>	<u>\$ 729,321</u>
Investments (certificate of deposits)	\$ 2,712,838	\$ 2,314,850
Less: restricted investment for deposits	<u>(148,950)</u>	<u>(143,468)</u>
Other investments available	<u>\$ 2,563,888</u>	<u>\$ 2,171,382</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, 2025 and 2024

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, 2025.

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:

December 31, 2025				
Depository	Total	Category 1	Category 2	Category 3
Relyance Bank	\$ 2,042,378	\$ 250,000	\$ 1,792,378	\$ -
Union Bank	567,121	250,000	317,121	-
Connect Bank	560,327	250,000	310,327	-
Simmons First Sweep Account	2,943	2,943	-	-
Brokered Certificates	68,000	68,000	-	-
Total	<u>\$ 3,240,769</u>	<u>\$ 820,943</u>	<u>\$ 2,419,826</u>	<u>\$ -</u>

December 31, 2024				
Depository	Total	Category 1	Category 2	Category 3
Relyance Bank	\$ 1,746,451	\$ 250,000	\$ 1,496,451	\$ -
Union Bank	567,121	250,000	317,121	-
Connect Bank	558,527	250,000	308,527	-
Simmons First Sweep Account	630	630	-	-
Brokered Certificates	68,000	68,000	-	-
Total	<u>\$ 2,940,729</u>	<u>\$ 818,630</u>	<u>\$ 2,122,099</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, 2025 and 2024

NOTE 4 – INVESTMENTS

The balance of investments are as follows at December 31:

	2025	2024
Certificate of deposits		
Relyance Bank	\$ 250,000	\$ 105,400
Relyance Bank	250,000	-
Relyance Bank	1,017,390	1,015,802
BMO Harris Bank	68,000	68,000
Connect Bank	506,784	506,784
Union Bank	567,121	567,121
Connect Bank	53,543	51,743
Total	<u>\$2,712,838</u>	<u>\$2,314,850</u>

The investment maturities are as follows at December 31:

		2025			
		Investment Maturity (in Years)			
		Less than 1	1 through 5	6 through 10	More than 10
Certificate of deposits					
Relyance Bank	\$ 1,017,390	\$ -	\$ -	\$ -	-
Relyance Bank	250,000				
Relyance Bank	250,000		-	-	-
BMO Harris Bank	-		68,000	-	-
Connect Bank	506,784		-	-	-
Union Bank	567,121		-	-	-
Connect Bank	53,543		-	-	-
Total	<u>\$2,644,838</u>	<u>\$ 68,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>
		2024			
		Investment Maturity (in Years)			
		Less than 1	1 through 5	6 through 10	More than 10
Certificate of deposits					
Relyance Bank	\$ 105,400	\$ -	\$ -	\$ -	-
Relyance Bank	1,015,802		-	-	-
BMO Harris Bank	-		68,000	-	-
Connect Bank	506,784		-	-	-
Union Bank	567,121		-	-	-
Connect Bank	51,743		-	-	-
Total	<u>\$2,246,850</u>	<u>\$ 68,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>

YORKTOWN WATER ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS (continued)
December 31, 2025 and 2024

NOTE 5 – PROPERTY AND EQUIPMENT

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

	<u>2025</u>	<u>2024</u>
Land	\$ 120,381	\$ 120,381
Building	321,298	321,298
Plant and equipment	<u>11,036,463</u>	<u>9,298,511</u>
	11,478,142	9,740,190
Accumulated depreciation	<u>(6,249,805)</u>	<u>(5,996,316)</u>
	<u><u>\$ 5,228,337</u></u>	<u><u>\$ 3,743,874</u></u>

SUPPLEMENTAL INFORMATION

YORKTOWN WATER ASSOCIATION, INC.
SCHEDULE OF INSURANCE IN FORCE
For the Year Ended December 31, 2025

<u>Type of Coverage</u>	<u>Policy Number</u>	<u>Coverage Date</u>	<u>Policy Amount</u>
Workers' Compensation	2h5-45-86-26	10/1/2025 - 10/1/2026	Statutory
Automobile Liability	2e5-45-86-26	10/1/2025 - 10/1/2026	\$ 1,000,000
Comprehensive General Liability	2d5-45-86-26	10/1/2025 - 10/1/2026	\$ 2,000,000
Commercial Property	2a5-45-86-26	10/1/2025 - 10/1/2026	\$ 2,900,333
Fidelity Bond	2f5-45-86-26	10/1/2025 - 10/1/2026	\$ 250,000
Director's and Officer's Liability	2k5-45-86-26	10/1/2025 - 10/1/2026	\$ 1,000,000
Umbrella	2j5-45-86-26	10/1/2025 - 10/1/2026	\$ 5,000,000
CyberSolutions	2q5-45-86-26	10/1/2025 - 10/1/2026	\$ 50,000

See Independent Auditor's Report.

YORKTOWN WATER ASSOCIATION, INC.
SCHEDULE OF SYSTEM INFORMATION
For the Year Ended December 31, 2025

Number of Water Users	3,490
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Annual billable gallons of water	271,834,400
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Date of last rate study:	October 14, 2025
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Next required date:	October 14, 2030
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Met board training requirements:	Yes
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Debt Service Coverage Ratio (1.05 minimum required)

Net Income (loss)	\$ 1,831,431
Add: Depreciation	342,514
Subtract: Interest income	<u>(90,945)</u>

Total	\$ 2,083,000
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Divided by next year principal & interest	<u>-</u>
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Debt service coverage ratio	<u><u>N/A - no debt service</u></u>
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Free Cash Flow Determination

Total unrestricted cash	\$ 511,678
One twelfth of total expenses	<u>121,830</u>

Excess / (deficient) cash	<u><u>\$ 389,848</u></u>
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See Independent Auditor's Report.