

NORTHEAST YELL COUNTY WATER ASSOCIATION

INDEPENDENT AUDITORS' REPORT

AND FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NORTHEAST YELL COUNTY WATER ASSOCIATION

DECEMBER 31, 2022 AND 2021

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	4
Statements of Activities	5
Statements of Cash Flows	6
Notes to Financial Statements	7
SUPPLEMENTARY INFORMATION	
Management's Discussion and Analysis	12
INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS AND COMPLIANCE	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	14

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Management
Northeast Yell County Water Association
Dardanelle, Arkansas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Northeast Yell County Water Association, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Northeast Yell County Water Association's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Northeast Yell County Water Association, as of December 31, 2022 and 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year 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 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 the Northeast Yell County Water Association 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 Northeast Yell County Water Association'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 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 and *Government 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 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 the Northeast Yell County Water Association'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 Northeast Yell County Water Association'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 12–13 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 Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2023, on our consideration of the Northeast Yell County Water Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Northeast Yell County Water Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northeast Yell County Water Association's internal control over financial reporting and compliance.

Jones and Lawton, CPAs, P.A.

Russellville, Arkansas
October 20, 2023



NORTHEAST YELL COUNTY WATER ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
CURRENT ASSETS			
Cash and Cash Equivalents (Note 3)			
Unrestricted		\$ 6,080,738	\$ 5,729,708
Restricted		124,103	119,748
Accounts Receivable (Note 2)		193,911	193,614
Inventories, at Cost		29,615	52,594
Prepaid Expenses		1,704	1,632
Accrued Interest Income		320	51
Total Current Assets		<u>6,430,391</u>	<u>6,097,347</u>
PROPERTY AND EQUIPMENT (NOTE 7)			
Land		50,035	50,035
Distribution System		11,795,059	11,733,941
Building		442,184	251,526
Transportation Equipment		220,733	220,733
Machinery and Equipment		390,261	390,261
		<u>12,898,272</u>	<u>12,646,496</u>
Less: Accumulated Depreciation		<u>8,600,034</u>	<u>8,248,359</u>
		<u>4,298,238</u>	<u>4,398,137</u>
OTHER ASSETS			
Utility Deposits		675	675
Lease, Net of Amortization of \$2,616 (2022) and \$2,328 (2021)		4,519	4,807
		<u>5,194</u>	<u>5,482</u>
		<u>10,733,823</u>	<u>10,500,966</u>
	<u>LIABILITIES</u>		
Accounts Payable		106,293	102,441
Accrued Taxes Payable		11,531	10,448
Customer Deposits		124,103	119,748
		<u>241,927</u>	<u>232,637</u>
	<u>NET ASSETS</u>		
Invested in Capital Assets		4,298,238	4,398,137
Unrestricted Net Assets		6,193,658	5,870,192
		<u>10,491,896</u>	<u>10,268,329</u>
		<u>\$ 10,733,823</u>	<u>\$ 10,500,966</u>

See Independent Auditors' Report and Notes to Financial Statements

NORTHEAST YELL COUNTY WATER ASSOCIATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
REVENUES		
Water Revenue	\$ 1,845,710	\$ 1,786,150
Connection Fees	33,360	46,210
Other Revenue	11,420	11,486
	<u>1,890,490</u>	<u>1,843,846</u>
EXPENSES		
Water Purchases	589,516	597,588
Salaries	343,642	352,503
Payroll Taxes	26,557	26,002
Insurance	89,526	87,744
Utilities and Telephone	72,419	72,902
Office Expense	49,888	43,915
Transportation	30,140	26,867
Repairs and Maintenance	95,737	48,317
Professional Fees	6,050	6,100
Operating Supplies	10,570	4,994
Miscellaneous	25,923	16,919
Depreciation and Amortization	351,962	349,606
	<u>1,691,930</u>	<u>1,633,457</u>
OPERATING INCOME	198,560	210,389
OTHER INCOME		
Interest Income	<u>25,007</u>	<u>20,176</u>
CHANGE IN NET ASSETS	223,567	230,565
NET ASSETS, BEGINNING OF YEAR	<u>10,268,329</u>	<u>10,037,764</u>
NET ASSETS, END OF YEAR	<u><u>\$ 10,491,896</u></u>	<u><u>\$ 10,268,329</u></u>

NORTHEAST YELL COUNTY WATER ASSOCIATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income	\$ 198,560	\$ 210,389
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	351,962	349,606
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(297)	(7,167)
Inventory of Supplies	22,979	(26,023)
Prepaid Expenses	(72)	808
Accrued Interest Income	(269)	94
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	3,852	37,115
Taxes Payable	1,083	(974)
Customer Deposits	4,355	725
Total Adjustments	<u>383,593</u>	<u>354,184</u>
Net Cash Provided by Operating Activities	<u>582,153</u>	<u>564,573</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Expansion of Distribution System and Purchase of Fixed Assets	(251,775)	(219,534)
Interest Income	<u>25,007</u>	<u>20,176</u>
Net Cash Used by Investing Activities	<u>(226,768)</u>	<u>(199,358)</u>
NET CHANGE IN CASH & CASH EQUIVALENTS	355,385	365,215
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,849,456</u>	<u>5,484,241</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 6,204,841</u></u>	<u><u>\$ 5,849,456</u></u>
<u>SUPPLEMENTAL DISCLOSURES:</u>		
Cash Paid During the Year for Interest	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>
Reconciliation of Cash to Statements of Net Position		
Unrestricted Cash	\$ 6,080,738	\$ 5,729,708
Restricted Cash	<u>124,103</u>	<u>119,748</u>
	<u><u>\$ 6,204,841</u></u>	<u><u>\$ 5,849,456</u></u>

See Independent Auditors' Report and Notes to Financial Statements

JONES and LAWTON, CPAs, P.A.
A PROFESSIONAL ASSOCIATION
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NORTHEAST YELL COUNTY WATER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Northeast Yell County Water Association provides water services to rural users and water associations in Yell, Logan, Conway and Perry Counties in Arkansas.

Organization

The Northeast Yell County Water Association is a municipally operated system and is governed by the Northeast Yell County Water Association Public Facilities Board. The Association is a proprietary fund type used to account for activities conducted for the public (enterprise fund). The Association applies all Government Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements.

Income Tax

Northeast Yell County Water Association is a public facilities board created under the State of Arkansas Public Facilities Board Act, Act No. 146 of the Acts of Arkansas of 1975 and as such is exempt from federal and state income tax.

Use of Estimates

The preparation of financials statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Utility Plant and Equipment

Utility plant and equipment is recorded at cost and includes interest on funds borrowed to finance the construction of major capital additions. Depreciation on utility plant and equipment is calculated using the straight-line method over the following estimated useful lives:

Distribution System	25-50 years
Office Building	10-20 years
Transportation Equipment	5 years
Machinery and Equipment	3-10 years

Maintenance and repairs are charged to expense as incurred.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Association considers cash to be cash on hand and in banks, including time deposits.

Accounts Receivables

All receivables are reported at their gross value and where appropriate are reduced by the estimated portion that is expected to be uncollectible.

NORTHEAST YELL COUNTY WATER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Supply inventories are recorded at cost using first-in, first-out method of inventory valuation.

NOTE 2: ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Amounts Billed to Customers	\$ 187,189	\$ 163,451
Accrued Revenues	<u>16,722</u>	<u>40,163</u>
	203,911	203,614
Less Allowance for Doubtful Accounts	<u>(10,000)</u>	<u>(10,000)</u>
	<u>\$ 193,911</u>	<u>\$ 193,614</u>

NOTE 3: CASH AND CASH EQUIVALENTS

At December 31, 2022 and 2021, the Association had restricted cash shown as follows:

	<u>2022</u>	<u>2021</u>
Unrestricted		
Water System Operating Fund	\$ 6,080,738	\$ 5,729,708
Restricted		
Customer Deposits	<u>124,103</u>	<u>119,748</u>
	<u>\$ 6,204,841</u>	<u>\$ 5,849,456</u>

NOTE 4: WATER PURCHASE CONTRACT

The Association entered into a 40 year water purchase agreement with the Dardanelle Water System in 1992, and the Danville Water System in 1998. These contracts allow the Association to purchase treated water. The Association purchased water costing \$589,516 in 2022 and \$597,588 in 2021, under these contracts.

NOTE 5: RETIREMENT PLAN

The Association has a Savings Incentive Match Plan for Employees (SIMPLE) individual retirement account, which covers all employees. Contributions are made by the employees through payroll deductions throughout the year. The Association matches an employee's contribution, up to 3%. The Association contributed \$9,274 in 2022 and \$9,745 in 2021 to the plan and has been included in miscellaneous expense in the accompanying Statements of Activities.

NORTHEAST YELL COUNTY WATER ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

NOTE 6: BANK DEPOSIT ACCOUNTS

The Association maintains cash balances with several banks located in Arkansas. The balances at these banks are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Association has obtained pledged securities for all funds that exceed this Federal Deposit Insurance limit. The following is a summary of the insured and pledged coverage as of December 31, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Funds insured by the Federal Deposit Insurance Corporation	\$ 250,000	\$ 250,000
Funds collateralized by securities held by the financial institution's trust department or agent	<u>5,954,590</u>	<u>5,599,546</u>
	<u>\$ 6,204,590</u>	<u>\$ 5,849,456</u>

NOTE 7: UTILITY PLANT AND EQUIPMENT

Activity of the Utility Plant and Equipment at December 31, 2022 consists of the following:

	<u>Balance at 1-1-2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12-31-2022</u>
Land	\$ 50,035	\$		\$ 50,035
Distribution System	11,733,941	61,118		11,795,059
Building	251,526	190,658		442,184
Transportation Equipment	220,733			220,733
Machinery and Equipment	390,261			390,261
Construction in Progress	<u>0</u>	<u>.</u>		<u>0</u>
	<u>\$ 12,646,496</u>	<u>\$ 251,776</u>		<u>\$ 12,898,272</u>

Activity of the Utility Plant and Equipment at December 31, 2021 consists of the following:

	<u>Balance at 1-1-2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12-31-2021</u>
Land	\$ 50,035	\$		\$ 50,035
Distribution System	11,521,247	212,694		11,733,941
Building	251,526			251,526
Transportation Equipment	220,733			220,733
Machinery and Equipment	382,921	7,340		390,261
Construction in Progress	<u>500</u>	<u>.</u>	<u>500</u>	<u>0</u>
	<u>\$ 12,426,962</u>	<u>\$ 220,034</u>	<u>\$ 500</u>	<u>\$ 12,646,496</u>

NORTHEAST YELL COUNTY WATER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 8: SCHEDULE OF MONTHLY WATER RATES

The water rates of 2021 were unchanged as of December 31, 2022:

Regular Customers	
First 1,000 gallons	\$ 22.85
Next 4,000	4.50
Next 5,000	3.50
Over 10,000	3.00
(All customers incur a \$3.00 monthly surcharge)	
(At 50,000 gallons, there is a \$50.00 surcharge)	
Mt. Nebo Customers	
First 1,000 gallons	31.25
Next 4,000	4.50
Next 5,000	3.50
Over 10,000	3.00
(All customers incur a \$3.00 monthly surcharge)	
(At 50,000 gallons, there is a \$50.00 surcharge)	

NOTE 9: PUBLIC FACILITIES BOARD OF DIRECTORS

The following is a list of the Public Facilities Board of Directors and their applicable 5-year terms as of December 31, 2022:

<u>Board Member</u>	<u>Title</u>	<u>Term Expires</u>
J. L. Martin	Chairman	January 2024
Dave Evans	Vice-Chairman	January 2027
Jim George	Secretary/Treasurer	January 2025
Tommy May	Member	January 2028
Sonny Breashears	Member	January 2026

NOTE 10: INSURANCE COVERAGE

Company: Employers Mutual Casualty Insurance Company
Policy No.: 2F84046
Expiration: June 1, 2023
Coverage: Government Crime / Fidelity ISO Package - \$100,000

Company: Employers Mutual Casualty Insurance Company
Policy No.: 2D84046
Expiration: June 1, 2023
Coverage: General Liability – \$2,000,000

Company: Employers Mutual Casualty Insurance Company
Policy No.: 2A84046
Expiration: June 1, 2023
Coverage: Commercial Property - \$4,640,049

NORTHEAST YELL COUNTY WATER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 10: INSURANCE COVERAGE (continued)

Company: Employers Mutual Casualty Insurance Company
Policy No.: 2E84046
Expiration: June 1, 2023
Coverage: Business Auto - \$1,000,000

Company: Employers Mutual Casualty Insurance Company
Policy No.: 2H84046
Expiration: June 1, 2023
Coverage: Workers Compensation - \$500,000

Company: Employers Mutual Casualty Insurance Company
Policy No.: 2J84046
Expiration: June 1, 2023
Coverage: Commercial Umbrella - \$1,000,000

Company: Employers Mutual Casualty Insurance Company
Policy No.: 2C84046
Expiration: June 1, 2023
Coverage: Commercial Inland Marine - \$213,000

Company: Employers Mutual Casualty Insurance Company
Policy No.: 2Q84046
Expiration: June 1, 2023
Coverage: Cyber Solutions - \$25,000

NOTE 11: SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 20, 2023, the date the financial statements were available to be issued.

NORTHEAST YELL COUNTY WATER ASSOCIATION
MANAGEMENT DISCUSSION AND ANALYSIS
DECEMBER 31, 2022

The Northeast Yell County Water Association's management discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Association's financial activity, (c) identify changes in the Association's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (approved budget), and (e) identify individual fund issues or concerns.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements of the Association report information about the association using accounting methods similar to those used by the private-sector companies. These statements provide both long-term and short-term information about the Association's overall financial status. The basic financial statements are comprised of only two components: 1) enterprise fund financial statements and 2) notes to the financial statements.

The Statements of Financial Position presents information on all of the Association's assets and liabilities with the difference between the two reported as net assets. These statements provide one way to measure the financial health of the Association by providing the basis for evaluating the capital structure of the association and assessing the liquidity and financial flexibility of the association.

The Statements of Activities presents information showing how the Association's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occur, regardless of the timing of the cash flows.

The Statements of Cash Flows report cash receipts and expenditures that result from operations, investing, and financing activities. These statements provide answers to questions such as from where did cash come and for what was cash used.

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

FINANCIAL ANALYSIS OF THE ASSOCIATION

The assets of the Association exceeded its liabilities at the close of the most recent fiscal year by \$10,491,896 (net assets). Of this amount \$6,193,658 (unrestricted net assets) may be used to meet the Association's ongoing obligations to customers and creditors.

The largest portion of the Association's net assets representing 40.97% reflects its investment in capital assets, net of the related debt used to acquire the assets. The Association uses these capital assets to provide services to its customers.

Total assets amounted to \$10,733,823 consisting of capital assets in the amount of \$4,298,238 and other assets in the amount of \$6,435,585. Total assets at December 31, 2022, increased by 2.22% over total assets at December 31, 2021. This increase is primarily the result of an increase in cash flow from operations.

Total liabilities amounted to \$241,927, consisting of long-term liabilities in the amount of \$124,103 and other liabilities in the amount of \$117,824. The Association's total debt increased by \$9,290.

The Association experienced an increase in total cash in the amount of \$355,385 in 2022. This increase consisted of an increase in unrestricted cash in the amount of \$351,030 and an increase in restricted cash in the amount of \$4,355. The total restricted cash amounted to \$124,103 in 2022 and consisted of customer meter deposits.

NORTHEAST YELL COUNTY WATER ASSOCIATION
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
DECEMBER 31, 2022

BUDGET ANALYSIS AND VARIANCES

The Association is not required to provide budget figures for the future years of the Association. Therefore, no budget analysis and variances is provided in this management discussion and analysis.

ECONOMIC FACTORS

The service area of the Association is best described as an area of slow growth. The Association has an ongoing rehabilitation improvement program that includes repair and replacement of main lines and upgrades to the pumping stations in order to comply with the increasing regulatory requirements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Association's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Northeast Yell County Water Association office at 2443 State Highway 22 West, Suite A, Dardanelle, AR 72834.

JONES and LAWTON, CPAs, P.A.

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

Board of Directors and Management
Northeast Yell County Water Association
Dardanelle, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Northeast Yell County Water Association, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise Northeast Yell County Water Association's basic financial statements, and have issued our report thereon dated October 20, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northeast Yell County Water Association's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northeast Yell County Water Association's internal control. Accordingly, we do not express an opinion on the effectiveness of Northeast Yell County Water Association'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northeast Yell County Water Association'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.

Jones and Lawton, CPAs, P.A.

Russellville, Arkansas

October 20, 2023

