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ARKANSAS LEGISLATIVE AUDIT

NORTHEAST YELL COUNTY WATER ASSOCIATION

INDEPENDENT AUDITORS' REPORT

AND FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

NORTHEAST YELL COUNTY WATER ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audits of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Northeast Yell County Water Association, as of and for the years ended December 31, 2023 and 2022, 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 business-type activities of the Northeast Yell County Water Association, as of December 31, 2023 and 2022, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits 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 Auditors' 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.

Auditors' 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 auditors' 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 audits.
- 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 audits 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 14–15 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 audits 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.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Northeast Yell County Water Association's basic financial statements. The supplemental information is presented for the purpose of additional analysis and is 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 audits 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 auditors' 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 audits 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 June 4, 2024, 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

June 4, 2024



NORTHEAST YELL COUNTY WATER ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
CURRENT ASSETS			
Cash and Cash Equivalents (Note 2)			
Unrestricted		\$ 6,645,214	\$ 6,080,738
Restricted		127,603	124,103
Accounts Receivable (Note 3)		199,506	193,911
Inventories		21,749	29,615
Prepaid Expenses		1,704	1,704
Accrued Interest Income		1,928	320
Total Current Assets		6,997,704	6,430,391
PROPERTY AND EQUIPMENT (NOTE 4)			
Land		50,035	50,035
Distribution System		11,982,220	11,795,059
Building		456,255	442,184
Transportation Equipment		220,733	220,733
Machinery and Equipment		394,179	390,261
		13,103,422	12,898,272
Less: Accumulated Depreciation		8,951,931	8,600,034
		4,151,491	4,298,238
OTHER ASSETS			
Construction-in-progress		12,681	0
Utility Deposits		675	675
Lease, Net of Amortization of \$2,904 (2023) and \$2,616 (2022)		4,231	4,519
		17,587	5,194
		11,166,782	10,733,823
<u>LIABILITIES</u>			
Accounts Payable		65,073	106,293
Accrued Taxes Payable		10,261	11,531
Customer Deposits		127,603	124,103
		202,937	241,927
<u>NET ASSETS</u>			
Net Invested in Capital Assets		4,151,491	4,298,238
Unrestricted Net Assets		6,812,354	6,193,658
		10,963,845	10,491,896
		\$ 11,166,782	\$ 10,733,823

See Independent Auditors' Report and Notes to Financial Statements

NORTHEAST YELL COUNTY WATER ASSOCIATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
Water Revenue	\$ 1,893,557	\$ 1,845,710
Connection Fees	24,120	33,360
Other Revenue	79,162	11,420
	<u>1,996,839</u>	<u>1,890,490</u>
OPERATING EXPENSES		
Water Purchases	588,639	589,516
Salaries	342,521	343,642
Payroll Taxes	26,465	26,557
Insurance	97,101	89,526
Utilities and Telephone	78,731	72,419
Office Expense	48,004	49,888
Transportation	38,233	30,140
Repairs and Maintenance	82,883	95,737
Professional Fees	7,600	6,050
Operating Supplies	7,899	10,570
Miscellaneous	21,236	25,923
Depreciation and Amortization	352,185	351,962
	<u>1,691,497</u>	<u>1,691,930</u>
Operating Income	305,342	198,560
OTHER INCOME (EXPENSE)		
Interest Income	<u>166,607</u>	<u>25,007</u>
CHANGE IN NET ASSETS	471,949	223,567
NET ASSETS, BEGINNING OF YEAR	<u>10,491,896</u>	<u>10,268,329</u>
NET ASSETS, END OF YEAR	<u><u>\$ 10,963,845</u></u>	<u><u>\$ 10,491,896</u></u>

See Independent Auditors' Report and Notes to Financial Statements

NORTHEAST YELL COUNTY WATER ASSOCIATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Water Customers	\$ 1,993,130	\$ 1,895,933
Payments to Suppliers	(841,851)	(788,359)
Payments to Employees	(399,114)	(396,097)
Payments for Other Admin Costs	(131,357)	(129,056)
Net Cash Provided by Operating Activities	<u>620,808</u>	<u>582,421</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures	(217,831)	(251,776)
Interest Received	164,999	24,738
Net Cash Used by Investing Activities	<u>(52,832)</u>	<u>(227,038)</u>
 CHANGE IN CASH AND CASH EQUIVALENTS	567,976	355,383
 CASH AND CASH EQUIVALENTS, BEG OF YEAR	<u>6,204,841</u>	<u>5,849,456</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 6,772,817</u>	<u>\$ 6,204,839</u>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Reconciliation of Cash to the Statement of Net Position		
Unrestricted	\$ 6,645,214	\$ 6,080,738
Restricted	127,603	124,103
	<u>\$ 6,772,817</u>	<u>\$ 6,204,841</u>

See Independent Auditors' Report and Notes to Financial Statements

NORTHEAST YELL COUNTY WATER ASSOCIATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Income from Operations	\$ 305,342	\$ 198,560
Adjustments to Reconcile Operating Income to Cash Provided by Operating Activities:		
Depreciation and Amortization	352,185	351,962
(Increase) Decrease in Accounts Receivable	(5,595)	(297)
(Increase) Decrease in Inventory of Supplies	7,866	22,979
(Increase) Decrease in Prepaid Expenses	0	(72)
Increase (Decrease) in Accounts Payable	(41,220)	3,852
Increase (Decrease) in Accrued Expenses	(1,270)	1,082
Increase (Decrease) in Customer Deposits	3,500	4,355
	<u>315,466</u>	<u>383,861</u>
Net Cash Provided by Operating Activities	\$ 620,808	\$ 582,421

See Independent Auditors' Report and Notes to Financial Statements

NORTHEAST YELL COUNTY WATER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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 utilizing enterprise funds 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 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 safety, management control, accountability, or other purposes.

These financial statements represent only the Water Association funds and do not include data of other funds of the primary government necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

As a water utility, our contract with the customer is established when they complete the steps necessary to get the water service turned on. That contract is in force until they terminate their water service with us. The billing to our customers is on a regular cycle and becomes an accounts receivable balance when the bill is generated. Revenues are recognized when billed and expenses are recognized when incurred, regardless of the timing of the related cash flows.

The Department applies all Government Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1998, 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.

Cash and Cash Equivalents

The Association considers cash equivalents to be short-term highly liquid investments with original maturities of three months or less which are readily convertible to known amounts of cash. For purposes of the Statements of Cash Flows, cash and cash equivalents include "Unrestricted Cash and Cash Equivalents" and "Restricted Cash and Cash Equivalents". The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial investments.

NORTHEAST YELL COUNTY WATER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable and Bad Debts

The Association uses the allowance method of accounting for anticipated bad debts from credit sales, by setting aside a reserve to cover expected losses from uncollectible accounts.

Inventories

Inventories are stated at cost and consist of construction and maintenance supplies related to the water system.

Property and Equipment

Property and equipment are recorded at cost and is being depreciated over the estimated useful lives of the assets using the straight-line depreciation method. Estimated useful lives are as follows:

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

Depreciation expenses for the years ended December 31, 2023 and 2022 amounted to \$352,185 and \$351,962 respectively.

Net Position Classifications

Net position is classified and displayed in the following three components:

Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments.

Unrestricted net position – All other net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted.”

Regulatory Environment

The quality of water furnished to customers is subject to the requirements of the Environmental Protection Agency under the Safe Drinking Water Act and the Arkansas Department of Health.

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.

NORTHEAST YELL COUNTY WATER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 2: CASH AND CASH EQUIVALENTS

At December 31, 2023 and 2022, the Association had cash and cash equivalents as follows:

	<u>2023</u>	<u>2022</u>
Unrestricted		
Water System Operating Fund	\$ 6,645,214	\$ 6,080,738
Restricted		
Customer Deposits	<u>127,603</u>	<u>124,103</u>
	<u>\$ 6,772,817</u>	<u>\$ 6,204,841</u>

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Amounts Billed to Customers	\$ 161,232	\$ 187,189
Accrued Revenues	<u>48,274</u>	<u>16,722</u>
	209,506	203,911
Less Allowance for Doubtful Accounts	<u>(10,000)</u>	<u>(10,000)</u>
	<u>\$ 199,506</u>	<u>\$ 193,911</u>

NOTE 4: PROPERTY AND EQUIPMENT (at Cost)

At December 31, 2023, the Department had property and equipment as follows:

	<u>Balance at</u> <u>1-1-2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>12-31-2023</u>
Land	\$ 50,035	\$		\$ 50,035
Distribution System	11,795,059	187,161		11,982,220
Building	442,184	14,071		456,255
Transportation Equipment	220,733			220,733
Machinery and Equipment	<u>390,261</u>	<u>3,918</u>		<u>394,179</u>
	<u>\$ 12,898,272</u>	<u>\$ 205,150</u>		<u>\$ 13,103,422</u>

At December 31, 2022, the Department had property and equipment as follows:

	<u>Balance at</u> <u>1-1-2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>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	<u>390,261</u>	<u>56,216</u>		<u>390,261</u>
	<u>\$ 12,646,496</u>	<u>\$ 251,776</u>		<u>\$ 12,898,272</u>

NORTHEAST YELL COUNTY WATER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 5: 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 \$588,639 in 2023 and \$589,516 in 2022, under these contracts.

NOTE 6: 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 \$8,713 in 2023 and \$9,274 in 2022 to the plan and has been included in miscellaneous expense in the accompanying Statements of Activities.

NOTE 7: CONCENTRATION OF CREDIT RISK

The Association provides water services to rural users and water associations in Yell, Logan, Conway and Perry Counties in Arkansas. The Department grants unsecured credit to its customers. The credit risk is considered minimal because the monthly revolving accounts receivable balances are small, the customer base is very stable with minimal changes, and the limited geographical area covered.

The Association maintains cash balances with one bank located in Arkansas. The balances at this bank 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.

NOTE 8: SCHEDULE OF WATER RATES

The water rates of 2021 were unchanged as of December 31, 2023 and 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)	

NORTHEAST YELL COUNTY WATER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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, 2023:

<u>Board Member</u>	<u>Title</u>	<u>Term Expires</u>
J. L. Martin	Chairman	January 2029
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, 2024
Coverage: Government Crime / Fidelity ISO Package - \$100,000

Company: Employers Mutual Casualty Insurance Company
Policy No.: 2D84046
Expiration: June 1, 2024
Coverage: General Liability – \$2,000,000

Company: Employers Mutual Casualty Insurance Company
Policy No.: 2A84046
Expiration: June 1, 2024
Coverage: Commercial Property - \$4,886,737

Company: Employers Mutual Casualty Insurance Company
Policy No.: 2E84046
Expiration: June 1, 2024
Coverage: Business Auto - \$1,000,000

Company: Employers Mutual Casualty Insurance Company
Policy No.: 2H84046
Expiration: June 1, 2024
Coverage: Workers Compensation - \$500,000

Company: Employers Mutual Casualty Insurance Company
Policy No.: 2J84046
Expiration: June 1, 2024
Coverage: Commercial Umbrella - \$1,000,000

Company: Employers Mutual Casualty Insurance Company
Policy No.: 2C84046
Expiration: June 1, 2024
Coverage: Commercial Inland Marine - \$228,000

NORTHEAST YELL COUNTY WATER ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 10: INSURANCE COVERAGE (continued)

Company: Employers Mutual Casualty Insurance Company
Policy No.: 2Q84046
Expiration: June 1, 2024
Coverage: Cyber Solutions - \$50,000

NOTE 11: SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 4, 2024, the date the financial statements were available to be issued.

NORTHEAST YELL COUNTY WATER ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2023

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 \$10,963,845 (net assets). Of this amount \$6,812,354 (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 37.86% 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 \$11,166,782 consisting of capital assets in the amount of \$4,151,491 and other assets in the amount of \$7,015,291. Total assets at December 31, 2023, increased by 4.03% over total assets at December 31, 2022. This increase is primarily the result of an increase in cash flow from operations.

Total liabilities amounted to \$202,937, consisting of long-term liabilities in the amount of \$127,603 and other liabilities in the amount of \$75,334. The Association's total debt decreased by \$38,990.

The Association experienced an increase in total cash in the amount of \$567,976 in 2023. This increase consisted of an increase in unrestricted cash in the amount of \$564,476 and an increase in restricted cash in the amount of \$3,500. The total restricted cash amounted to \$127,603 in 2023 and consisted of customer meter deposits.

NORTHEAST YELL COUNTY WATER ASSOCIATION
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
DECEMBER 31, 2023

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.

CERTIFIED PUBLIC ACCOUNTANTS

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**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 *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 business-type activities of Northeast Yell County Water Association, as of and for the years ended December 31, 2023 and 2022, 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 June 4, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audits 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 audits 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 audits, 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

June 4, 2024

