# Town of Valley Springs Water System
# Valley Springs, Arkansas

## Independent Auditors' Report
## on
## Applying Agreed-Upon Procedures

For the Year Ended December 31, 2024

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1835 E Republic Rd Ste 200 | Springfield, MO 65804
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**Independent Accountants' Report on Applying Agreed-Upon Procedures**

To the Board of Commissioners of the
Town of Valley Springs Water System
Valley Springs, Arkansas

We have performed the procedures enumerated in the accompanying Schedule of Procedures and Findings on the accounting records and related financial information of the Town of Valley Springs Water System for the year ended December 31, 2024. The procedures were performed in accordance with the minimum agreed-upon procedures prescribed by the Legislative Joint Auditing Committee for water and sewer service providers pursuant to Ark. Code Ann. Section 14-234-119.

Town of Valley Springs Water System's management is responsible for the accounting records and related financial information to which the procedures were applied. Town of Valley Springs Water System has agreed to and acknowledged that the procedures performed are appropriate for the intended purpose of assisting Town of Valley Springs Water System, its governing body, and Arkansas Legislative Audit in evaluating the results of the prescribed agreed-upon procedures for the year ended December 31, 2024.

The procedures performed and the associated findings are presented in the accompanying Schedule of Procedures and Findings, which is an integral part of this report. This report may not be suitable for any other purpose. The procedures performed may not address all items of interest to a user of this report and may not meet the needs of all users of this report. Accordingly, users are responsible for determining whether the procedures performed are appropriate for their purposes.

We were engaged by Town of Valley Springs Water System to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the subject matter. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Town of Valley Springs Water System and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

Abacus CPAs, LLC

Springfield, Missouri
June 30, 2026

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**Schedule of Procedures and Findings**

**Town of Valley Springs Water System**

For the Year Ended December 31, 2024

*This schedule is an integral part of the Independent Accountants' Report on Applying Agreed-Upon Procedures.*

**Reporting threshold, where applicable: 5 percent or $500, whichever is greater.**

| Reference | Procedure | Finding |
|---|---|---|
| **1A. Cash and Investments** | Performed a proof of cash for the year and reconciled year-end bank balances to book balance. | No exceptions were found as a result of this procedure. |
| **1B. Cash and Investments** | Confirmed with depository institutions the cash on deposit and investments. | No exceptions were found as a result of this procedure. |
| **1C. Cash and Investments** | Agreed the proof of cash ending balances to the book balances within 5 percent or $500, whichever is greater. | No exceptions were found as a result of this procedure. |
| **2A. Receipts** | Agreed deposits per the proof of cash for the year with deposits per the journal within 5 percent or $500, whichever is greater. | No exceptions were found as a result of this procedure. |
| **2B. Receipts** | Agreed ten customer payments on the accounts receivable subledger to deposit and billing documents. | No exceptions were found as a result of this procedure. |
| **2C. Receipts** | For ten deposits, agreed the cash/check composition of the deposit with receipt information. | For two selected credit card deposits, the receipt register and customer payment posting report did not reconcile to the related bank statement deposits due to settlement timing and batching differences. The System did not provide processor settlement reports or other support to reconcile the timing differences. Therefore, we were unable to agree the credit card/electronic portion of the selected deposits to receipt information. |
| **3A. Accounts Receivable** | Agreed ten customer billings to the accounts receivable subledger. | No exceptions were found as a result of this procedure. |

| Reference | Procedure | Finding |
|---|---|---|
| **3B. Accounts Receivable** | Determined that five customer adjustments were properly authorized. | No exceptions were found as a result of this procedure. |
| **4A. Disbursements** | Agreed the disbursements per the proof of cash for the year with disbursements per the journal within 5 percent or $500, whichever is greater. | No exceptions were found as a result of this procedure. |
| **4B. Disbursements** | Analyzed all property, plant, and equipment disbursements. | No exceptions were found as a result of this procedure. |
| **4C. Disbursements** | Selected all disbursements paid to employees other than payroll and ten other disbursements and determined whether they were adequately documented. | No exceptions were found as a result of this procedure. |
| **5. Property, Plant, and Equipment** | Determined that additions and disposals were properly accounted for in the records. Materiality level: 5 percent of total equipment or $500, whichever is greater. | No exceptions were found as a result of this procedure. |
| **6A. Long-Term Debt** | Scheduled long-term debt and verified changes in all balances for the year. | No exceptions were found as a result of this procedure. |
| **6B. Long-Term Debt** | Confirmed loans, bonds, notes, and contracts payable with lender, trustee, or contractor. | No exceptions were found as a result of this procedure. |
| **6C. Long-Term Debt** | Determined that the appropriate debt service accounts have been established and maintained. | No exceptions were found as a result of this procedure. |
| **7. General** | Determined that any items of financial significance were approved and documented in the minutes of the governing body's meetings. | No exceptions were found as a result of this procedure. |

# Town of Valley Springs Water System
# Valley Springs, Arkansas

## Independent Accountants' Compilation Report
## with
## Financial Statements

For the Years Ended December 31, 2024 and 2023

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**Town of Valley Springs Water System**
**Valley Springs, Arkansas**
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**Independent Accountants' Compilation Report**

To the Board of Commissioners of the
Town of Valley Springs Water System
Valley Springs, Arkansas

Management is responsible for the accompanying financial statements of Town of Valley Springs Water System (the System), an enterprise fund of the Town of Valley Springs, as of and for the year ended December 31, 2024, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the December 31, 2024 financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any assurance on these financial statements.

The December 31, 2023 financial statements were audited by us, and we expressed an unmodified opinion on those financial statements in our report dated August 25, 2025. We have not performed any auditing procedures since that date.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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.

Abacus CPAs, LLC

Springfield, Missouri
June 30, 2026

**Town of Valley Springs Water System**
**Statements of Net Position**
**December 31, 2024 and 2023**

**Assets**

| | 2024 | 2023 |
|---|---|---|
| **Current Assets:** | | |
| Cash and cash equivalents | $ 137,508 | $ 167,440 |
| Customer accounts receivable, net of allowance for credit losses of $45,880 in 2024 and $25,981 in 2023 | 203,607 | 167,377 |
| Prepaid assets | 3,183 | - |
| Lease receivable - current | 900 | 900 |
| Due from Town | 14,149 | 12,032 |
| **Total Current Assets** | **359,347** | **347,749** |
| **Restricted Assets:** | | |
| Restricted cash | 51,530 | 49,591 |
| Service fee deposit accounts | 147,621 | 130,024 |
| **Total Restricted Assets** | **199,151** | **179,615** |
| **Noncurrent Assets:** | | |
| Lease receivable - net of current portion | 900 | 1,800 |
| **Total Noncurrent Assets** | **900** | **1,800** |
| **Property and Equipment:** | | |
| Land | 12,500 | 12,500 |
| Water system | 3,269,383 | 3,267,216 |
| Vehicles | 26,000 | 26,000 |
| Accumulated depreciation | (1,580,659) | (1,495,149) |
| **Net Property and Equipment** | **1,727,224** | **1,810,567** |
| **Total Assets** | **$ 2,286,622** | **$ 2,339,731** |

## Town of Valley Springs Water System
## Statements of Net Position
## December 31, 2024 and 2023

### Liabilities, Deferred Inflows of Resources, and Net Position

| | 2024 | 2023 |
|---|---|---|
| **Current Liabilities:** | | |
| Accounts payable | $ 20,093 | $ 39,055 |
| Accrued interest | 896 | 954 |
| Accrued liabilities | 6,041 | 8,840 |
| Current portion of long-term debt | 31,914 | 30,653 |
| **Total Current Liabilities** | **58,944** | **79,502** |
| **Liabilities Payable from Restricted Assets:** | | |
| Customer service fee deposits | 121,317 | 130,024 |
| **Total Liabilities Payable from Restricted Assets** | **121,317** | **130,024** |
| **Long-term Liabilities:** | | |
| Long-term debt, net of current portion | 246,554 | 279,040 |
| Loan from Town of Valley Springs | 49,094 | 49,094 |
| **Total Long-term Liabilities** | **295,648** | **328,134** |
| **Total Liabilities** | **475,909** | **537,660** |
| **Deferred Inflows of Resources** | **1,800** | **2,700** |
| **Net Position:** | | |
| Net investment in capital assets | 1,448,756 | 1,500,874 |
| Restricted | 77,834 | 49,591 |
| Unrestricted | 282,323 | 248,906 |
| **Total Net Position** | **1,808,913** | **1,799,371** |
| **Total Liabilities, Deferred Inflows of Resources, and Net Position** | **$ 2,286,622** | **$ 2,339,731** |

**Town of Valley Springs Water System**
**Statements of Revenues, Expenses, and Changes in Net Position**
**For the Years Ended December 31, 2024 and 2023**

| | 2024 | 2023 |
|---|---|---|
| **Operating Revenues** | | |
| Water and connection revenue | $ 958,197 | $ 985,428 |
| Lease revenue | 900 | 900 |
| Other operating income | 228 | 567 |
| **Total Operating Revenues** | **959,325** | **986,895** |
| **Operating Expenses:** | | |
| Advertising | 295 | - |
| Depreciation | 85,510 | 84,586 |
| Employee health insurance | 2,252 | 18,263 |
| Fees and permits | 5,797 | 5,269 |
| Insurance and bond | - | 1,373 |
| Miscellaneous | 29,260 | 16,050 |
| Office and postage | 19,598 | 16,568 |
| Payroll taxes | 10,592 | 13,080 |
| Professional fees | 14,052 | 26,286 |
| Repairs and maintenance | 5,316 | 10,737 |
| Salaries | 139,187 | 149,410 |
| Sales tax | 66,709 | 63,779 |
| Supplies | 69,896 | 34,559 |
| Utilities | 2,280 | 2,415 |
| Vehicle expense | 13,654 | 11,261 |
| Water purchases | 434,655 | 438,508 |
| Bad debt expense | 36,485 | 10,182 |
| **Total Operating Expenses** | **935,538** | **902,326** |
| **Operating Income** | **23,787** | **84,569** |
| **Other Income (Expense)** | | |
| Interest income | 802 | 100 |
| Interest expense | (15,047) | (11,355) |
| **Total Other (Expense)** | **(14,245)** | **(11,255)** |
| **Net Increase in Net Position** | **9,542** | **73,314** |
| **Net Position, Beginning of Year** | **1,799,371** | **1,626,057** |
| **Correction of an error - (see Note 13)** | - | **100,000** |
| **Net Position, Beginning of Year, as restated** | - | **1,726,057** |
| **Net Position, End of Year** | **$ 1,808,913** | **$ 1,799,371** |

See Accompanying Notes to Financial Statements

## Town of Valley Springs Water System
## Statements of Cash Flows
## For the Years Ended December 31, 2024 and 2023

| | 2024 | 2023 |
|---|---|---|
| **Cash Flows from Operating Activities:** | | |
| Cash receipts: | | |
| Customer payments received | $ 886,610 | $ 940,554 |
| Cash paid for: | | |
| Water purchases | (434,655) | (438,508) |
| Payroll and related liabilities | (151,896) | (174,522) |
| Administrative and other expenses | (165,187) | (147,484) |
| Operating repairs and supplies | (88,866) | (56,557) |
| **Net Cash Provided by Operating Activities** | **46,006** | **123,483** |
| **Cash Flows from Noncapital Financing Activities:** | | |
| (Decrease) increase in customer service fee deposits liability | (8,707) | 10,302 |
| Payments on loan to Town of Valley Springs | - | (16,800) |
| **Net Cash Provided by Noncapital Financing Activities** | **(8,707)** | **(6,498)** |
| **Cash Flows from Capital Financing Activities:** | | |
| Principal payments on long-term debt | (31,225) | (31,469) |
| Interest paid | (15,105) | (11,619) |
| Purchase of property and equipment | (2,167) | (19,846) |
| **Net Cash (Used in) Capital Financing Activities** | **(48,497)** | **(62,934)** |
| **Cash Flows from Investing Activities:** | | |
| Interest income | 802 | 100 |
| **Net Cash (Used in) Investing Activities** | **802** | **100** |
| **Net (Decrease) Increase in Cash and Cash Equivalents** | **(10,396)** | **54,151** |
| **Cash and Cash Equivalents, Beginning of Year** | **347,055** | **292,904** |
| **Cash and Cash Equivalents, End of Year** | **$ 336,659** | **$ 347,055** |
| **Cash Flows from Operating Activities:** | | |
| Operating income | $ 23,787 | $ 84,569 |
| Depreciation | 85,510 | 84,586 |
| Changes in current assets and liabilities: | | |
| Accounts receivable | (36,230) | (36,159) |
| Prepaid expenses | (3,183) | - |
| Due from Town | (2,117) | (12,032) |
| Accounts payable | (18,962) | 2,251 |
| Accrued liabilities | (2,799) | 268 |
| **Net Cash Provided by Operating Activities** | **$ 46,006** | **$ 123,483** |

### Supplemental Information

| | 2024 | 2023 |
|---|---|---|
| Cash paid for interest | $ 15,105 | $ 11,619 |

## 1. Summary of Significant Accounting Policies

This summary of significant accounting policies is presented to assist in understanding Town of Valley Springs Water System (the System)'s financial statements. The financial statements and notes are representations of the System's management, which is responsible for its integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

### Organization

The Town of Valley Springs, Arkansas operates under a town council form of government and provides general administrative services as authorized by its charter, including water operations.

The financial statements present only the Town of Valley Springs Water System, an enterprise fund of the Town of Valley Springs, Arkansas, and do not purport to present the financial position, changes in financial position, or cash flows of the Town of Valley Springs, Arkansas.

### Fund Accounting

The System uses one fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions and activities.

A fund is a separate accounting entity with a self-balancing set of accounts. The fund presented in this report is a Proprietary Fund Type - *Enterprise Fund*. Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

### Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of these funds are included in the statement of net position. Net position is segregated into net investment in capital assets, restricted and unrestricted net position components. Proprietary fund statements of revenues, expenses, and changes in net position present increases and decreases in net position. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

1. **Summary of Significant Accounting Policies - (continued)**

**Cash Equivalents**

The System considers all unrestricted highly liquid debt instruments with maturity dates of three months or less to be cash equivalents.

**Accounts Receivable**

The System collects fees from customers based on water usage. Meters are read on the 20th of each month and payments are due by the 12th of the following month. Accounts are considered delinquent if not paid by this date. Penalty charges are assessed on past due accounts. Water service is terminated on severely delinquent accounts pending payment. Customer service fee deposits are considered adequate to cover uncollectible accounts in excess of the allowance for credit losses of $45,880 and $25,981 at December 31, 2024 and 2023, respectively.

**Restricted Assets**

The System designated certain funds to be maintained for customer service fee deposits. These deposits are held until the customer discontinues the System's services. The System also designated an account to be maintained for debt service.

**Property and Equipment**

Property and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized, but charged to expense as incurred. Major replacements and improvements are capitalized.

**Impairment of Long-Lived Assets**

Impairment of capital assets is a significant and unexpected decline, which is based on triggering events or changes in circumstances that were not anticipated when the capital assets were placed in service. Based on management's assessment, no triggering events or changes in circumstances occurred during the years ended December 31, 2024 and 2023.

**Compensated Absences**

The System provides vacation and sick leave benefits. A liability for compensated absences is recognized when the leave is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid. Management determined the liability was not material at December 31, 2024 and 2023.

1. **Summary of Significant Accounting Policies - (continued)**

**Net Position Classifications**

Net Position is classified and presented as follows:

Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation, reduced by outstanding debt attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or by law through constitutional provision, enabling legislation or ordinance.

Unrestricted Net Position consists of all other fund equity balances that do not meet the definition of "restricted" or "net investment in capital assets."

**Revenue Recognition**

The System recognizes revenue from water charges when earned, based upon customer usage or when the service is provided. Water revenues are billed to the residents in monthly cycles.

Revenue from government grant and contract agreements is recognized as it is earned through expenditures in accordance with the agreements. Any government grants received in advance of expenditures are recorded as deferred inflows of resources or unearned revenue, as applicable, on the statement of net position.

**Budgetary Amounts**

Annual budgets are submitted to USDA for approval and use as a management tool for control of water revenue and expenditures.

**Income Taxes**

Income of the System is derived from the exercise of essential governmental functions and accrues to the System, a component unit of the Town of Valley Springs, Arkansas. It is, therefore, not subject to income taxes and, accordingly, no provision for income taxes has been made in the accompanying financial statements.

**Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

1. **Summary of Significant Accounting Policies - (continued)**

**Comparative Data**

Certain minor reclassifications of prior year data have been made in order to enhance their comparability with current year figures.

**Advertising**

The System follows the policy of charging the costs of advertising to expense as incurred. Advertising expense for the years ended December 31, 2024 and 2023 was $295 and $0, respectively.

**Leases**

**Lessee**

The System evaluates contracts to determine whether they contain a lease under GASB Statement No. 87. For leases other than short-term leases, the System recognizes a lease liability and an intangible right-to-use lease asset at the commencement of the lease term. At December 31, 2024 and 2023, the System had no material lessee arrangements requiring recognition under GASB Statement No. 87.

**Lessor**

The System is a lessor in a lease agreement that provides space on the System's water tower for a third party to install and operate radio communications equipment. The agreement conveys the right to use a specific portion of the tower in exchange for lease payments.

In accordance with GASB Statement No. 87, Leases, the System recognizes a lease receivable and a corresponding deferred inflow of resources at the commencement of the lease. The lease receivable is measured at the present value of lease payments expected to be received during the lease term. The deferred inflow of resources represents the System's obligation to provide the lessee with access to the tower space over the lease term. The lease receivable is reduced as payments are received, applying principal against receivable and interest to revenue based on the amortization schedule. Deferred inflow is recognized as revenue on a straight-line basis over the life of the lease term. Payments received in advance of revenue recognition are recorded as unearned lease revenue.

Short-term leases (with a maximum possible lease term of 12 months or less, including any options to extend) are recognized as revenue when earned and are not recorded as lease receivables or deferred inflows of resources.

1. **Summary of Significant Accounting Policies - (continued)**

**Leases - (continued)**

**Lessor - (continued)**

The System uses various estimates and judgments to measure the leases. The lease receivable is measured using the rate charged to the lessee, if readily determinable, or the System's estimated incremental borrowing rate. The discount rate is considered a key estimate. Lease term includes noncancelable lease period, plus period for which System has unilateral option to extend and is reasonably certain to exercise the option, or periods after optional termination date if System is reasonably certain not to exercise termination option. Measurement of lease receivable includes fixed payments and as applicable, variable fixed in substance payments, residual value guarantee payments that are fixed in substance, and any lease incentives credited to the lessor.

**Adoption of New Accounting Standards**

**GASB 96 - Subscription-Based Information Technology**

In 2020, the Governmental Accounting Standards Board (GASB) released GASB 96. The System implemented Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA), as of January 1, 2023. This Statement provides guidance on SBITA. The beginning net position was not restated as of January 1, 2023 for the adoption of GASB 96.

**GASB 101 - Compensated Absences**

In June 2022, the GASB issued Statement No. 101, Compensated Absences ("GASB 101"), which supersedes the guidance in Statement No. 16, Accounting for Compensated Absences, issued in 1992. This statement updates the recognition and measurement guidance for compensated absences. Leave that has not been used, is attributable to services already rendered, accumulates, and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means should generally be recognized at the employee's pay rate as of the financial statement date. The standard also includes guidance for types of leave other than vacation, requires accrual of salary related payments, and changes the disclosure requirements. The System adopted the standard effective January 1, 2024. Adoption of the provisions of this statement did not have a material effect on the System's financial statements.

## 2. Restricted Assets

Restricted assets are held for specific purposes as follows:

| | 2024 | 2023 |
|---|---|---|
| Debt service | $ 51,530 | $ 49,591 |
| Service fee deposit accounts | 147,621 | 130,024 |
| **Total Restricted Assets** | **$ 199,151** | **$ 179,615** |

## 3. Property and Equipment

| | Balance 12/31/2023 | Additions | Disposals/ Transfers | Balance 12/31/2024 |
|---|---|---|---|---|
| Land | $ 12,500 | $ - | $ - | $ 12,500 |
| Water system | 3,267,216 | 2,167 | - | 3,269,383 |
| Vehicles | 26,000 | - | - | 26,000 |
| **Total cost** | **3,305,716** | **2,167** | **-** | **3,307,883** |
| Less: accumulated depreciation | (1,495,149) | (85,510) | - | (1,580,659) |
| **Net Property and Equipment** | **$ 1,810,567** | **$ (83,343)** | **$ -** | **$ 1,727,224** |

| | Balance 12/31/2022 | Additions | Disposals/ Transfers | Balance 12/31/2023 |
|---|---|---|---|---|
| Land | $ 12,500 | $ - | $ - | $ 12,500 |
| Water system | 3,247,370 | 19,846 | - | 3,267,216 |
| Vehicles | 26,000 | - | - | 26,000 |
| **Total cost** | **3,285,870** | **19,846** | **-** | **3,305,716** |
| Less: accumulated depreciation | (1,410,563) | (84,586) | - | (1,495,149) |
| **Net Property and Equipment** | **$ 1,875,307** | **$ (64,740)** | **$ -** | **$ 1,810,567** |

Depreciation expense for the years ended December 31, 2024 and 2023 was $85,510 and $84,586, respectively.

## 4. Long-Term Debt

The System has one loan with USDA and one with the Arkansas Natural Resources Commission. Details of the long-term debt are as follows:

| | 12/31/2023 | Additions | Payments | 12/31/2024 |
|---|---|---|---|---|
| #91-09 USDA totaling $165,600, Monthly Installments of $814, including interest at 4.5% through 2028. | $ 40,082 | $ - | $ (8,698) | $ 31,384 |
| #309 ANRC totaling $548,300, Semi-annual installments of $16,410, including interest at 3.99% until 2033. | 269,611 | - | (22,527) | 247,084 |
| **Total** | **309,693** | **$ -** | **$ (31,225)** | **278,468** |
| Less: current portion | (30,653) | | | (31,914) |
| **Total long-term debt** | **$ 279,040** | | | **$ 246,554** |

Future maturities of long-term debt are as follows:

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 31,914 | $ 10,674 | $ 42,588 |
| 2026 | 33,226 | 9,362 | 42,588 |
| 2027 | 34,594 | 7,995 | 42,589 |
| 2028 | 30,967 | 6,607 | 37,574 |
| 2029 | 27,321 | 5,499 | 32,820 |
| 2030-2034 | 120,446 | 16,307 | 136,753 |
| **Totals** | **$ 278,468** | **$ 56,444** | **$ 334,912** |

## 5. Customer Service Fee Deposits

Service fee deposits, which vary from $10 to $150 depending on the date the service began, are deposited in restricted checking accounts and also recorded as a liability. The restricted cash balance was $147,621 and $130,024, and the customer service fee deposits liability was $121,317 and $130,024 as of December 31, 2024 and 2023, respectively. There were 1,070 and 1,046 active members in the main system and 188 and 190 active members in the Harmon extension, at December 31, 2024 and 2023, respectively.

## 6. Water Rates

Water rates January 1, 2024 through December 31, 2024 were as follows:

| | Residential | Harmon |
|---|---|---|
| First 1,000 gallons | $25.00 minimum | $32.00 minimum |
| All over 1,000 gallons | $8.40 per 1,000 gallons | $8.40 per 1,000 gallons |

| | Commercial Water |
|---|---|
| First 6,000 gallons | $25.00 minimum |
| Next 4,000 gallons | $8.40 per 1,000 gallons |

| | Bulk Water |
|---|---|
| All usage gallons | $8.40 per 1,000 gallons |

Water rates March 1, 2022 through December 31, 2023 were as follows:

| | Residential | Harmon |
|---|---|---|
| First 1,000 gallons | $25.00 minimum | $32.00 minimum |
| All over 1,000 gallons | $8.40 per 1,000 gallons | $8.40 per 1,000 gallons |

| | Commercial Water |
|---|---|
| First 6,000 gallons | $25.00 minimum |
| Next 4,000 gallons | $8.40 per 1,000 gallons |

| | Bulk Water |
|---|---|
| All usage gallons | $8.40 per 1,000 gallons |

## 7. Insurance Coverage

The Water System is included in the coverage of the Town of Valley Springs, Arkansas insurance policies.

## 8. Related Party Transactions

During 2015, the System was loaned $70,000 from the Town of Valley Springs, Arkansas for an operating shortage. No formal agreement exists and there are no set payment terms. No interest has been accrued. The System has paid down the loan by paying for Town obligations. The Town has stated the remaining loan balance is due in 2025. The balance as of December 31, 2024 and 2023 was $49,094 and $49,094, respectively. The remaining loan balance was subsequently paid in full in 2025.

The System processed payroll for the Town Council for the years ended December 31, 2024 and 2023. During 2024 and 2023, the System paid the payroll out of its account, which is then reimbursed by the Town. At December 31, 2023, the System reported a receivable from the Town in the amount of $12,032 for payroll expenditures paid on behalf of the Town Council. This amount was collected in full in February 2024. At December 31, 2024, the System reported a receivable from the Town in the amount of $14,149. The transaction is reported as Due from Town in the accompanying financial statements.

## 9. Restricted Net Position

Restricted Net Position is restricted by loan covenants or capital project restrictions in the amount of related restricted assets less the current amount payable from restricted assets.

## 10. Board of Commissioners

The following Town Council members served on the Board of Commissioners of the Town of Valley Springs Water System during the year ended December 31, 2024.

| | | | |
|---|---|---|---|
| Terry Crow | Mayor | Cheryl Breedlove | Treasurer/Recorder |
| Evan Bryant | Alderman | Julia Yarbrough | Alderman |
| Verna Milam | Alderman | Roger Breedlove | Alderman |
| Bob Yarbrough | Alderman | | |

## 11. Lessor Agreements

In December 2021, the System, as lessor, entered into an agreement with a third party to lease space on water towers for radio communication equipment. The lease began January 1, 2022 with an initial term of 5 years. The lease has an automatic renewal of two additional contracts of 10 years, with a 3% annual increase for all other years. Automatic renewal will take place unless a 90 days' termination is given. The renewals were excluded as the System is uncertain about renewal.

At December 31, 2024 and 2023, the System reported a lease receivable of $1,800 and $2,700, respectively, and a related deferred inflow of resources of $1,800 and $2,700, respectively. Lease revenue of $900 and interest income of $0 were recognized during the year ended December 31, 2024. Lease revenue of $900 and interest income of $0 were recognized during the year ended December 31, 2023.

Future lease payments are as follows:

| Year | Principal | Interest | Total |
|---|---|---|---|
| 2025 | $ 900 | $ - | $ 900 |
| 2026 | 900 | - | 900 |
| **Totals** | **$ 1,800** | **$ -** | **$ 1,800** |

## 12. Concentrations of Economic and Credit Risk

The System's business activities are concentrated with customers located in and near the Town of Valley Springs, Arkansas. All future revenue is expected to be generated within the above-mentioned geographic region.

The System purchases 100% of its water supply from one source, the Ozark Mountain Regional Public Water Authority.

Financial instruments that potentially subject the System to concentrations of credit risk consist primarily of trade receivables with a variety of customers, and cash and cash investments deposited with financial institutions that at times may exceed the FDIC limit of $250,000.

Concentrations of credit risk with respect to accounts receivable are limited due to the System's customer base being made up of a large number of customers, thus spreading the trade credit risk. The System performs ongoing credit evaluations of its customers. Customer meter deposits are available to the System to apply to any outstanding balance upon termination of service.

## 13. Correction of Errors in Previously Issued Financial Statements

During 2024, management identified errors in the Town of Valley Springs Water System's previously issued financial statements. Customer service fee deposits were overstated by $100,000 in prior years. The overstatement originated before January 1, 2023 and resulted in an overstatement of liabilities and an understatement of net position.

The accompanying 2023 financial statements have been restated to correct these errors. The correction of customer service fee deposits has been reported as a restatement of beginning net position as of January 1, 2023.

The effect of the corrections on beginning net position was as follows:

| **2023 Beginning Net Position** | **Total** |
|---|---|
| Net position, January 1, 2023 as previously reported | $ 1,626,057 |
| Correction of overstated customer service fee deposits | 100,000 |
| **Net position, January 1, 2023 as restated** | **$ 1,726,057** |

## 14. Subsequent Events

Management has evaluated subsequent events through June 30, 2026, the date on which the financial statements were available to be issued.