

Town of Valley Springs Water System
Valley Springs, Arkansas

Financial Statements
December 31, 2019 and 2018

**TOWN OF VALLEY SPRINGS WATER SYSTEM
FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Town of Valley Springs Water System (the System) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Town of Valley Springs Water System as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Town of Valley Springs Water System fund and do not purport to, and do not present fairly the financial position of the Town of Valley Springs, Arkansas, as of December 31, 2019 and 2018, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis and budgetary comparison information 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2021, on our consideration of the Town of Valley Springs Water System'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 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 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 the Town of Valley Springs Water System's internal control over financial reporting and compliance.



Porterfield & Company CPA, PLLC

Harrison, Arkansas
February 5, 2021

**TOWN OF VALLEY SPRINGS WATER SYSTEM
STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2019 AND 2018**

ASSETS		2019	2018
Current Assets			
Cash and Cash Equivalents		\$ 118,930	\$ 99,293
Customer Accounts Receivable, net of allowance for doubtful accounts of \$4,011 in 2019 and 2018		79,663	63,862
Prepaid Expenses		1,478	1,478
Total Current Assets		<u>200,071</u>	<u>164,633</u>
Restricted Assets			
Restricted Cash		10,069	12,659
Service Fee Deposit Accounts		104,737	102,465
Total Restricted Assets		<u>114,806</u>	<u>115,124</u>
Property and Equipment, at Cost			
Land		12,500	12,500
Water System		3,181,564	3,160,069
Vehicles		63,873	63,873
Accumulated Depreciation		(1,191,253)	(1,106,892)
Net Property and Equipment		<u>2,066,684</u>	<u>2,129,550</u>
Total Assets		<u>\$ 2,381,561</u>	<u>\$ 2,409,307</u>
LIABILITIES AND NET POSITION			
Current Liabilities			
Accounts Payable		\$ 33,449	\$ 29,039
Accrued Interest		1,346	1,425
Accrued Liabilities		5,061	5,227
Current Portion of Long-Term Debt		26,104	25,082
Total Current Liabilities		<u>65,960</u>	<u>60,773</u>
Liabilities Payable from Restricted Assets			
Customer Service Fee Deposits		104,737	102,465
Total Liabilities Payable from Restricted Assets		<u>104,737</u>	<u>102,465</u>
Long-Term Liabilities			
Long-Term Debt, net of Current Portion		394,117	420,231
Loan from Town of Valley Springs		70,000	70,000
Total Long-Term Liabilities		<u>464,117</u>	<u>490,231</u>
Total Liabilities		<u>634,814</u>	<u>653,469</u>
Net Position			
Invested in Capital Assets, net of Related Debt		1,576,463	1,614,237
Temporarily Restricted		10,069	12,659
Unrestricted		160,215	128,942
Total Net Position		<u>1,746,747</u>	<u>1,755,838</u>
Total Liabilities and Net Position		<u>\$ 2,381,561</u>	<u>\$ 2,409,307</u>

See notes to financial statements.

TOWN OF VALLEY SPRINGS WATER SYSTEM
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Operating Revenues		
Water and Connection Revenue	\$ 651,775	\$ 645,473
Other Operating Income	6,150	(638)
Total Operating Revenues	657,925	644,835
Operating Expenses		
Depreciation	84,361	83,851
Employee Health Insurance	8,161	10,958
Fees and Permits	4,399	5,605
Insurance and Bond	4,738	4,061
Miscellaneous	3,904	3,754
Office and Postage	7,097	6,569
Payroll Taxes	7,965	8,681
Professional Fees	22,631	11,536
Repairs and Maintenance	7,105	4,218
Salaries	76,380	92,952
Sales tax	46,307	47,628
Supplies	17,690	23,908
Utilities	3,654	3,455
Vehicle Expense	4,100	6,941
Water Purchases	351,385	342,485
Total Operating Expenses	649,877	656,602
Operating Income (Loss)	8,048	(11,767)
Other Income (Expense)		
Interest Income	191	170
Interest Expense	(17,330)	(18,343)
Total Other Income (Expense)	(17,139)	(18,173)
Net Increase (Decrease) in Net Position	(9,091)	(29,940)
Net Position, Beginning of Year	1,755,838	1,785,778
Net Position, End of Year	\$ 1,746,747	\$ 1,755,838

See notes to financial statements.

**TOWN OF VALLEY SPRINGS WATER SYSTEM
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
Cash Flows from Operating Activities		
Cash Receipts:		
Customer Payments Received	\$ 642,124	\$ 644,775
Cash Paid for:		
Water Purchases	(351,385)	(342,485)
Payroll and Related Expenses	(84,345)	(101,633)
Administrative and Other Expenses	(96,647)	(98,188)
Operating Repairs and Supplies	(28,895)	(35,067)
Net Cash Provided by (Used In) Operating Activities	80,852	67,402
Cash Flows from Capital Financing Activities		
Principal Payments on Long-Term Debt	(25,092)	(24,082)
Interest Expense	(17,409)	(18,420)
Purchase of Property and Equipment	(21,495)	-
Net Cash Provided by (Used in) Capital Financing Activities	(63,996)	(42,502)
Cash Flows from Investing Activities		
Transfers from (to) Restricted Accounts	2,590	390
Transfers from (to) Customer Service Fee Accounts	(2,272)	15,262
Increase (Decrease) in Customer Service Fee Deposits Liability	2,272	(15,262)
Interest Income	191	170
Net Cash Provided by (Used in) Investing Activities	2,781	560
Net Increase (Decrease) in Cash and Cash Equivalents	19,637	25,460
Cash and Cash Equivalents, Beginning of Year	99,293	73,833
Cash and Cash Equivalents, End of Year	\$ 118,930	\$ 99,293
Cash Flows from Operating Activities		
Operating Income (Loss)	\$ 8,048	\$ (11,767)
Depreciation	84,361	83,851
Changes in Current Assets and Liabilities:		
Accounts Receivable	(15,801)	(60)
Prepaid Expenses	-	127
Accounts Payable	4,410	(4,512)
Accrued Liabilities	(166)	(237)
Net Cash Provided by (Used In) Operating Activities	\$ 80,852	\$ 67,402

SUPPLEMENTARY INFORMATION

Cash Paid for Interest	\$ 17,409	\$ 18,420
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See notes to financial statements.

**TOWN OF VALLEY SPRINGS WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 (the System) and are not intended to present fairly the financial position and results of operations 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 on the flow of economic resources measurement focus and use 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 operating statements present increases (revenues) and decreases (expenses) in net total assets. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Cash Equivalents

The System considers all non-restricted 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 doubtful accounts of \$4,011 and \$4,011 at December 31, 2019 and 2018, 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.

**TOWN OF VALLEY SPRINGS WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

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.

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, 2019 or 2018.

Compensated Absences

Utilization of accumulated vacation and sick leave by employees in future years is not expected to have a material impact on expenditures in any one year.

Net Position Classifications

Net Position is classified and presented as follows:

Net Position Invested in Capital Assets, Net of Related Debt consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowing that is attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position consists of net assets 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 "invested in capital assets, net of related debt."

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 revenue on the statement of financial position.

Budgetary Amounts

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

**TOWN OF VALLEY SPRINGS WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

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.

Comparative Data

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

NOTE 2 - RESTRICTED ASSETS

Restricted assets are held for specific purposes as follows:

	<u>2019</u>	<u>2018</u>
Debt Service	\$ 10,068	\$ 12,651
Service Fees Deposits Accounts	104,737	102,465
Capital Reserve	1	8
Total Restricted Assets	<u>\$ 114,806</u>	<u>\$ 115,124</u>

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	<u>Balance 12/31/18</u>	<u>Additions/ Transfers</u>	<u>Disposals/ Transfers</u>	<u>Balance 12/31/19</u>
Land	\$ 12,500	\$ -	\$ -	\$ 12,500
Water System	3,160,069	21,495	-	3,181,564
Vehicles	63,873	-	-	63,873
Total Cost	3,236,442	21,495	-	3,257,937
Accumulated Depreciation	(1,106,892)	(84,361)	-	(1,191,253)
Net Property and Equipment	<u>\$ 2,129,550</u>	<u>\$ (62,866)</u>	<u>\$ -</u>	<u>\$ 2,066,684</u>

	<u>Balance 12/31/17</u>	<u>Additions/ Transfers</u>	<u>Disposals/ Transfers</u>	<u>Balance 12/31/18</u>
Land	\$ 12,500	\$ -	\$ -	\$ 12,500
Water System	3,160,069	-	-	3,160,069
Vehicles	63,873	-	-	63,873
Total Cost	3,236,442	-	-	3,236,442
Accumulated Depreciation	(1,023,041)	(83,851)	-	(1,106,892)
Net Property and Equipment	<u>\$ 2,213,401</u>	<u>\$ (83,851)</u>	<u>\$ -</u>	<u>\$ 2,129,550</u>

Depreciation expense for the years ended December 31, 2019 and 2018 was \$84,361 and \$83,851, respectively.

**TOWN OF VALLEY SPRINGS WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 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:

	<u>12/31/2018</u>	<u>Additions</u>	<u>Payments</u>	<u>12/31/2019</u>
#91-09 USDA totaling \$165,600, Annual Installments of \$814, including interest at 4.5% through 2028	\$ 75,250	\$ -	\$ (6,515)	\$ 68,735
#309 ANRC totaling \$548,300, Semi- annual Installments of \$18,556, including interest at 5% until 2033	<u>370,063</u>	<u>-</u>	<u>(18,577)</u>	<u>351,486</u>
Total	445,313	\$ -	\$ (25,092)	420,221
Less: Current Portion	<u>(25,082)</u>			<u>(26,104)</u>
Total Long-Term Debt	<u>\$ 420,231</u>			<u>\$ 394,117</u>

Future maturities of Long-Term Debt are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 26,104	\$ 16,484	\$ 42,588
2021	27,185	15,403	42,588
2022	28,302	14,286	42,588
2023	29,466	13,122	42,588
2024	30,672	11,916	42,588
2025 – 2029	158,039	40,046	198,085
2030 – 2033	<u>120,453</u>	<u>10,805</u>	<u>131,258</u>
Totals	<u>\$ 420,221</u>	<u>\$ 122,062</u>	<u>\$ 542,283</u>

NOTE 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 liability. The restricted cash balance was \$104,737 and \$102,465, and the customer service fee deposits liability was \$104,736 and \$102,465 as of December 31, 2019 and 2018, respectively. There were 1,020 and 1,061 active members in the main system and 191 and 204 active members in the Harmon extension, at December 31, 2019 and 2018, respectively.

NOTE 6 - WATER RATES

Water rates June 1, 2019 through December 31, 2019 were as follows:

	<u>Residential</u>	<u>Harmon</u>
First 1,000 gallons	\$15.75 minimum	\$22.95 minimum
All over 1,000 gallons	\$7.00 per 1,000 GA	\$7.50 per 1,000 GA
	<u>Commercial Water</u>	
First 6,000 gallons	\$42.40 minimum	
Next 4,000 gallons	\$5.90 per 1,000 GA	
All over 10,000 gallons	\$5.40 per 1,000 GA	
	<u>Wholesale</u>	<u>Bulk Water</u>
All usage gallons	\$5.40 per 1,000 GA	\$7.00 per 1,000 GA

**TOWN OF VALLEY SPRINGS WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 6 - WATER RATES, (Continued)

Water rates January 1, 2018 through May 31, 2019 were as follows:

	<u>Residential</u>	<u>Harmon</u>
First 1,000 gallons	\$13.75 minimum	\$20.95 minimum
Next 4,000 gallons	\$6.55 per 1,000 GA	\$7.50 per 1,000 GA
Next 5,000 gallons	\$5.45 per 1,000 GA	\$5.45 per 1,000 GA
	<u>Commercial Water</u>	
First 6,000 gallons	\$37.70 minimum	
Next 4,000 gallons	\$5.45 per 1,000 GA	
Next 10,000 gallons	\$4.95 per 1,000 GA	

NOTE 7 - INSURANCE COVERAGE

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

NOTE 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.

NOTE 9 - RESTRICTED NET POSITION

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

NOTE 10 - BOARD OF COMMISSIONERS

The following town council members are currently serving as the Board of Commissioners of the Town of Valley Springs Water System.

Terry Crow	Mayor	Marlene Milam	Alderman
Cheryl Breedlove	Treasurer/Recorder	Stephen Bryant	Alderman
Verna Milam	Alderman	Tracy Mullinax	Alderman
Evan Bryant	Alderman		

NOTE 11 - 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 associated 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 which 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.

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.

**TOWN OF VALLEY SPRINGS WATER SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 12 - SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the System's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the System's customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may permanently impact the System's financial condition or results of operations is uncertain.

Management has evaluated subsequent events through February 5, 2021, the date on which the financial statements were available to be issued.



***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***

To the Town Council of the
Town of Valley Springs Water System
Valley Springs, Arkansas

We have audited, 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, the financial statements of the Town of Valley Springs Water System (the System) as of and for the year ended December 31, 2019, and the related notes to the financial statements, and have issued our report thereon dated February 5, 2021.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the System's internal control over financial reporting (internal control) to determine the 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 the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 may exist that have not been identified.

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 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. We did not note any significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System'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 determination of financial statement amounts. 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*.

Town of Valley Springs Water System's Response to Findings

The System's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The System's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

A handwritten signature in cursive script that reads "Porterfield & Company CPA, PLLC".

Porterfield & Company CPA, PLLC

Harrison, Arkansas
February 5, 2021

**TOWN OF VALLEY SPRINGS WATER SYSTEM
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2019 AND 2018**

CURRENT YEAR FINDINGS

None

PRIOR YEAR FINDINGS

None