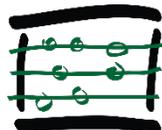


# Town of Valley Springs Water System

## Valley Springs, Arkansas

Independent Auditors' Report  
with  
Financial Statements

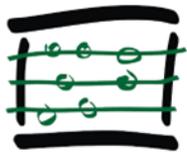
For the Years Ended December 31, 2023 and 2022



**Abacus CPAs, LLC<sup>®</sup>**  
*Better Guidance. Smarter Decisions.*

Town of Valley Springs Water System  
Valley Springs, Arkansas  
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December 31, 2023 and 2022

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## Independent Auditors' Report

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

### Opinion

We have audited the accompanying financial statements of the Town of Valley Springs Water System (the System), an enterprise fund of the Town of Valley Springs, as of and for the years ended

December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the System'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 Town of Valley Springs Water System, as of December 31, 2023 and 2022, and the respective changes in net 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 Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Valley Springs Water System 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 qualified audit opinions.

### Management's Responsibility 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 System'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' Responsibility**

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 audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System'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 System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted the management discussion, and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2025 on our consideration of 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 Town of Valley Springs Water System's internal control over financial reporting and compliance.

*Abacus CPAs, LLC*

Springfield, Missouri

August 28, 2025

Town of Valley Springs Water System  
Statements of Net Position  
December 31, 2023 and 2022

Assets

	2023	2022
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 67,441	\$ 30,639
Customer accounts receivable, net of allowance for credit losses of \$25,981 in 2023 and \$15,799 in 2022	167,377	131,218
Lease receivable - current	900	900
Due from City	12,032	-
<b>Total Current Assets</b>	<b>247,750</b>	<b>162,757</b>
<b>Restricted Assets:</b>		
Restricted cash	49,591	42,545
Service fee deposit accounts	230,024	219,720
<b>Total Restricted Assets</b>	<b>279,615</b>	<b>262,265</b>
<b>Noncurrent Assets:</b>		
Lease receivable - net of current portion	1,800	2,700
<b>Total Noncurrent Assets</b>	<b>1,800</b>	<b>2,700</b>
<b>Property and Equipment:</b>		
Land	12,500	12,500
Water system	3,267,216	3,247,370
Vehicles	26,000	26,000
Accumulated depreciation	(1,495,149)	(1,410,563)
<b>Net Property and Equipment</b>	<b>1,810,567</b>	<b>1,875,307</b>
<b>Total Assets</b>	<b>\$ 2,339,732</b>	<b>\$ 2,303,029</b>

See Accompanying Notes to Financial Statements

Town of Valley Springs Water System  
Statements of Net Position  
December 31, 2023 and 2022

Liabilities, Deferred Inflows of Resources, and Net Position

	2023	2022
<b>Current Liabilities:</b>		
Accounts payable	\$ 39,055	\$ 36,804
Accrued interest	954	1,218
Accrued liabilities	8,840	8,572
Current portion of long-term debt	30,653	29,466
<b>Total Current Liabilities</b>	<b>79,502</b>	<b>76,060</b>
<b>Liabilities Payable from Restricted Assets:</b>		
Customer service fee deposits	230,024	219,720
<b>Total Liabilities Payable from Restricted Assets</b>	<b>230,024</b>	<b>219,720</b>
<b>Long-term Liabilities:</b>		
Long-term debt, net of current portion	279,040	311,696
Loan from Town of Valley Springs	49,094	65,894
<b>Total Long-term Liabilities</b>	<b>328,134</b>	<b>377,590</b>
<b>Total Liabilities</b>	<b>637,660</b>	<b>673,370</b>
<b>Deferred Inflows of Resources</b>	<b>2,700</b>	<b>3,600</b>
<b>Net Position:</b>		
Invested in capital assets, net of related debt	1,451,780	1,468,251
Temporarily restricted	49,591	42,545
Unrestricted	198,001	115,263
<b>Total Net Position</b>	<b>1,699,372</b>	<b>1,626,059</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 2,339,732</b>	<b>\$ 2,303,029</b>

See Accompanying 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, 2023 and 2022

	2023	2022
<b>Operating Revenues</b>		
Water and connection revenue	\$ 985,428	\$ 844,473
Lease revenue	900	900
Other operating income	567	922
<b>Total Operating Revenues</b>	<b>986,895</b>	<b>846,295</b>
<b>Operating Expenses:</b>		
Depreciation	84,586	82,488
Employee health insurance	18,263	15,727
Fees and permits	5,269	7,286
Insurance and bond	1,373	1,478
Miscellaneous	16,051	11,775
Office and postage	16,568	15,955
Payroll taxes	13,080	7,218
Professional fees	26,286	32,405
Repairs and maintenance	10,737	8,166
Salaries	149,410	125,892
Sales tax	63,779	64,354
Supplies	34,559	34,707
Utilities	2,415	2,011
Vehicle expense	11,261	14,472
Water purchases	438,508	405,865
Bad debt expense	10,182	11,788
<b>Total Operating Expenses</b>	<b>902,327</b>	<b>841,587</b>
<b>Operating Income</b>	<b>84,568</b>	<b>4,708</b>
<b>Other Income (Expense)</b>		
Interest income	100	54
Interest expense	(11,355)	(16,823)
<b>Total Other (Expense)</b>	<b>(11,255)</b>	<b>(16,769)</b>
<b>Net Increase (Decrease) in Net Position</b>	<b>73,313</b>	<b>(12,061)</b>
<b>Net Position, Beginning of Year</b>	<b>1,626,059</b>	<b>1,638,120</b>
<b>Net Position, End of Year</b>	<b>\$ 1,699,372</b>	<b>\$ 1,626,059</b>

See Accompanying Notes to Financial Statements

Town of Valley Springs Water System  
Statements of Cash Flows  
For the Years Ended December 31, 2023 and 2022

	2023	2022
<b>Cash Flows from Operating Activities:</b>		
Cash receipts:		
Customer payments received	\$ 940,554	\$ 794,849
Cash paid for:		
Water purchases	(438,508)	(405,865)
Payroll and related liabilities	(174,522)	(133,110)
Administrative and other expenses	(147,485)	(147,725)
Operating repairs and supplies	(56,557)	(57,345)
<b>Net Cash Provided by Operating Activities</b>	<b>123,482</b>	<b>50,804</b>
<b>Cash Flows from Capital Financing Activities:</b>		
Principal payments on long-term debt	(31,469)	(25,759)
Interest expense	(11,619)	(16,829)
Payments on loan to Town of Valley Springs	(16,800)	(4,106)
Purchase of property and equipment	(19,846)	(29,299)
<b>Net Cash (Used in) Capital Financing Activities</b>	<b>(79,734)</b>	<b>(75,993)</b>
<b>Cash Flows from Investing Activities:</b>		
Transfers (to) restricted accounts	(7,046)	(21,215)
Transfers (to) customer service fee accounts	(10,304)	(97,381)
Increase in customer service fee deposits liability	10,304	97,381
Interest income	100	54
<b>Net Cash (Used in) Investing Activities</b>	<b>(6,946)</b>	<b>(21,161)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>36,802</b>	<b>(46,350)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>30,639</b>	<b>76,989</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 67,441</b>	<b>\$ 30,639</b>
<b>Cash Flows from Operating Activities:</b>		
Operating income	\$ 84,568	\$ 4,708
Depreciation	84,586	82,488
Changes in current assets and liabilities:		
Accounts receivable	(36,159)	(39,658)
Prepaid expenses	-	1,478
Due from City	(12,032)	-
Accounts payable	2,251	4,286
Accrued liabilities	268	(2,498)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 123,482</b>	<b>\$ 50,804</b>
<b>Supplemental Information</b>		
Cash paid for interest	\$ 11,619	\$ 16,829

See Accompanying Notes to Financial Statements

**Town of Valley Springs Water System**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

**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 (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.

Town of Valley Springs Water System  
Notes to Financial Statements  
For the Years Ended December 31, 2023 and 2022

1. Summary of Significant Accounting Policies - (continued)

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 20<sup>th</sup> of each month and payments are due by the 12<sup>th</sup> 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 \$25,981 and \$15,799 at December 31, 2023 and 2022, 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.

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, 2023 and 2022.

Compensated Absences

The System allows employees to receive compensation for vacation and sick leave. Compensated absences for vacation and sick leave have not been accrued since they cannot be reasonably estimated, but are expensed as incurred.

**Town of Valley Springs Water System**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

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

**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.

**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.

**Town of Valley Springs Water System**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

**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, 2023 and 2022 was \$0 and \$0, respectively.¶

**Leases**

**Lessee**

ROU assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The System uses the implicit rate when it is readily determinable, or the risk free rate. Since most of the System's leases do not provide an implicit rate, to determine the present value of lease payments, management uses the System's incremental borrowing rate based on the information available at lease commencement. Operating lease ROU assets also includes any lease payments made and excludes any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The System's lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise the option, generally not longer than 5 years. As of December 31, 2023 and 2022, the System did not have any operating leases that were not short-term.

**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. 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.

**Town of Valley Springs Water System**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

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

**Leases - (continued)**

**Lessor - (continued)**

The System uses the various estimates and judgements to measure the leases. Discount rate used to discount the expected lease receipts to present value based on the term of the leases is the risk free rate. The discount rate is considered a key estimate. Lease term includes non-cancelable 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**

**ASC 326 - Allowance for Credit Losses**

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Codification (FASB ASC) 326, Financial Instruments - Credit Losses which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provided users of the financial statements with useful information in analyzing an System's exposure to credit risk and the measurement of credit losses. Financial assets held by the System that are subject to the guidance in FASB ASC 326 were trade accounts receivable.

The System adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statement and primarily resulted in new/enhanced disclosures only.

**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 fund balance 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, 2023. Adoption of the provisions of this statement did not have a material effect on the System's financial statements.

Town of Valley Springs Water System  
Notes to Financial Statements  
For the Years Ended December 31, 2023 and 2022

1. Summary of Significant Accounting Policies - (continued)

Adoption of New Accounting Standards - (continued)

**GASB 87 - Leases**

In 2017, the Governmental Accounting Standards Board (GASB), released GASB 87. For 2022, the System implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The System adopted GASB No. 87, Leases, using the modified retrospective approach with January 1, 2021 as the date of initial adoption. The System elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the System to carry forward the historical lease classification. In addition, the System elected the practical expedient to use hindsight in determining the lease term for existing leases, which resulted in shortening the lease terms for certain existing leases and the useful lives of corresponding leasehold improvements as certain options to renew were not reasonably certain. Adoption of the standard did not required the System to restate amounts as of January 1, 2021.

The System leases certain equipment. The determination of whether an arrangement is a lease is made at the lease's inception. A contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Operating leases are included in operating lease right-of-use ("ROU") assets, other current liabilities, and operating lease liabilities in our balance sheets. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities in our balance sheets, as of December 31, 2023 and 2022 the System did not have any finance or operating leases.

The System leases space on its water tower to third parties for radio communications equipment. The agreement was effective January 1, 2022, so no prior period adjustments were needed.

Town of Valley Springs Water System  
Notes to Financial Statements  
For the Years Ended December 31, 2023 and 2022

2. Restricted Assets

Restricted assets are held for specific purposes as follows:

	<u>2023</u>	<u>2022</u>
Debt service	\$ 49,591	\$ 42,545
Service fee deposits accounts	230,024	219,720
<b>Total Restricted Assets</b>	<b><u>\$ 279,615</u></b>	<b><u>\$ 262,265</u></b>

3. Property and Equipment

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

	<u>Balance 12/31/2021</u>	<u>Additions</u>	<u>Disposals/ Transfers</u>	<u>Balance 12/31/2022</u>
Land	\$ 12,500	\$ -	\$ -	\$ 12,500
Water system	3,218,072	29,298	-	3,247,370
Vehicles	26,000	-	-	26,000
<b>Total cost</b>	<b><u>3,256,572</u></b>	<b><u>29,298</u></b>	<b><u>-</u></b>	<b><u>3,285,870</u></b>
Less: accumulated depreciation	(1,328,075)	(82,488)	-	(1,410,563)
<b>Net Property and Equipment</b>	<b><u>\$ 1,928,497</u></b>	<b><u>\$ (53,190)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,875,307</u></b>

Depreciation expense for the years ended December 31, 2023 and 2022 was \$84,586 and \$82,488, respectively.

**Town of Valley Springs Water System**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

**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>12/31/2022</u>	<u>Additions</u>	<u>Payments</u>	<u>12/31/2023</u>
#91-09 USDA totaling \$165,600, Monthly Installments of \$814, including interest at 4.5% through 2028.	\$ 47,337	\$ -	\$ (7,255)	\$ 40,082
#309 ANRC totaling \$548,300, Semi-annual installments of \$16,410, including interest at 3.99% until 2033.	293,825	-	(24,214)	269,611
<b>Total</b>	<u>341,162</u>	<u>\$ -</u>	<u>\$ (31,469)</u>	<u>309,693</u>
Less: current portion	(29,466)			(30,653)
<b>Total long-term debt</b>	<u>\$ 311,696</u>			<u>\$ 279,040</u>

Future maturities of long-term debt are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 30,654	\$ 11,934	\$ 42,588
2025	31,914	10,674	42,588
2026	33,226	9,362	42,588
2027	34,594	7,995	42,589
2028	31,534	6,607	38,141
2029-2033	117,118	16,307	133,425
<b>Totals</b>	<u>\$ 279,040</u>	<u>\$ 62,880</u>	<u>\$ 341,919</u>

**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 \$230,024 and \$219,720, and the customer service fee deposits liability was \$230,024 and \$219,720 as of December 31, 2023 and 2022, respectively. There were 1,046 and 1,015 active members in the main system and 190 and 187 active members in the Harmon extension, at December 31, 2023 and 2022, respectively.

**Town of Valley Springs Water System**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

**6. Water Rates**

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 GA	\$8.40 per 1,000 GA
	Commercial Water	
First 6,000 gallons	\$25.00 minimum	
Next 4,000 gallons	\$8.40 per 1,000 GA	
	Bulk Water	
All usage gallons	\$8.40 per 1,000 GA	

Water rates June 1, 2021 through February 28, 2022 were as follows:

	Residential	Harmon
First 1,000 gallons	\$15.98 minimum	\$23.20 minimum
All over 1,000 gallons	\$7.21 per 1,000 GA	\$7.72 per 1,000 GA
	Commercial Water	
First 6,000 gallons	\$42.69 minimum	
Next 4,000 gallons	\$6.11 per 1,000 GA	
All over 10,000 gallons	\$5.61 per 1,000 GA	
	Wholesale	Bulk Water
All usage gallons	\$5.42 per 1,000 GA	\$7.21 per 1,000 GA

**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 City obligations. The City has stated the remaining loan balance is due in 2026. The balance as of December 31, 2023 and 2024 was \$49,094 and \$65,894, respectively.

The System processes payroll for the Town Council, during 2023, the System paid the payroll out of their account, which is then reimbursed by the City. At December 31, 2023, the System reported a receivable from the City 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. The transaction is reported as Due from City in the accompanying financial statements.

**Town of Valley Springs Water System**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

**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.

**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, 2023.

Terry Crow	Mayor	Cheryl Breedlove	Treasurer/Recorder
Betsy Cash	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 day termination is given.

At December 31, 2023 and 2022, the System reported a lease receivable of \$2,700 and \$3,600, respectively, and a related deferred inflow of resources of \$2,700 and \$3,600, respectively. Lease revenue of \$900 and interest income of \$0 were recognized during the year ended December 31, 2023. Lease revenue of \$900 and interest income of \$0 were recognized during the year ended December 31, 2022.

Future lease payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 900	\$ -	\$ 900
2025	900	-	900
2026	900	-	900
<b>Totals</b>	<b><u>\$ 2,700</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,700</u></b>

**Town of Valley Springs Water System**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2023 and 2022**

**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 associated within the above-mentioned geographic region.

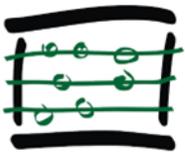
The System purchases 100% of its water supply from one source, the Ozark Mountain Regional Public Water Authority.

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 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. Subsequent Events**

Management has evaluated subsequent events through August 28, 2025 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 Board of Commissioners of the  
Town of Valley Springs Water System  
Valley Springs, 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 Town of Valley Springs Water System (the System), an enterprise fund of the Town of Valley Springs, Arkansas, which comprise the statements of net position as December 31, 2023 and 2022, 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 financial statements, and have issued our report thereon dated August 28, 2025.

**Independent Auditors' Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, 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.

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 System'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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2023-1 and 2023-2 that we consider to be significant deficiencies.

## Independent Auditors' Report on 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*.

### Response to Findings

The System's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. 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 System'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 System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Abacus CPAs, LLC*

Springfield, Missouri  
August 28, 2025

Town of Valley Springs Water System  
Valley Springs, Arkansas  
Schedule of Findings and Responses  
December 31, 2023 and 2022

**Current Year Findings**

*Significant Deficiencies*

**Finding Number 2023-1 Old and Unusual Checks and Deposits – (repeated)**

**Criteria:** According to internal control standards, management should design control activities to achieve objectives and respond to risks, including reconciling differences in accounting records and investigating unusual items. Additionally, timely resolution of reconciling items is necessary to ensure the accuracy of reported cash balances.

**Condition:** During our audit, we noted several old and unusual outstanding checks and deposits on the System’s bank reconciliations. Some reconciling items had remained outstanding for more than one year without resolution or clearing.

**Cause:** The District does not have a consistent process in place to review and clear old or unusual reconciling items from bank reconciliations.

**Effect:** The presence of unresolved reconciling items increases the risk of misstated cash balances, misclassification of transactions, or misappropriation of assets going undetected. This represents a significant deficiency in the System’s internal controls over financial reporting.

**Recommendation:** We recommend that management establish procedures to routinely investigate, document, and resolve old and unusual reconciling items. This may include voiding stale-dated checks, promptly reissuing valid payments, and researching unusual deposits. Regular supervisory review should be performed to ensure items are resolved in a timely manner.

**Responses:** The System has started the process of reviewing old transactions and establishing a policy.

**Finding Number 2023-2 Reliability and Timeliness of Reporting – (repeated)**

**Criteria:** Under Arkansas law, water systems are required to file an annual audit report within 18 months of fiscal year-end.

**Condition:** The System did not file its annual audit report within the required 18 months after year-end. During the audit process, the City and System experienced staff turnover, which contributed to delays in completing and submitting the audit.

**Cause:** The delay in reporting was primarily due to turnover in key staff positions for the System and City, geographical area where the System is located, and nature of the entity. Contributing factors included limited personnel experience and a lack of established procedures to mitigate the impact of turnover.

**Effect:** Untimely filing of required audit reports reduces transparency, decreases reliability of financial information, and may impair compliance with state reporting requirements. This represents a significant deficiency in internal control over financial reporting, as the System lacks adequate processes to ensure timely completion and submission of required reports.

**Town of Valley Springs Water System  
Valley Springs, Arkansas  
Schedule of Findings and Responses  
December 31, 2023 and 2022**

**Recommendation:** We recommend that the System implement procedures to ensure audit reports are filed within the required timeframe. This may include cross-training staff, developing a formal reporting calendar, engaging outside assistance when vacancies occur, and implementing succession planning to mitigate the impact of staff turnover.

**Responses:** The System has started the process to ensure audits are completed in a timely manner.

**Prior Year Findings**

*Significant Deficiencies*

**Finding Number 2022-1 Old and Unusual Checks and Deposits**

**Criteria:** According to internal control standards, management should design control activities to achieve objectives and respond to risks, including reconciling differences in accounting records and investigating unusual items. Additionally, timely resolution of reconciling items is necessary to ensure the accuracy of reported cash balances.

**Condition:** During our audit, we noted several old and unusual outstanding checks and deposits on the System's bank reconciliations. Some reconciling items had remained outstanding for more than one year without resolution or clearing.

**Cause:** The District does not have a consistent process in place to review and clear old or unusual reconciling items from bank reconciliations.

**Effect:** The presence of unresolved reconciling items increases the risk of misstated cash balances, misclassification of transactions, or misappropriation of assets going undetected. This represents a significant deficiency in the System's internal controls over financial reporting.

**Recommendation:** We recommend that management establish procedures to routinely investigate, document, and resolve old and unusual reconciling items. This may include voiding stale-dated checks, promptly reissuing valid payments, and researching unusual deposits. Regular supervisory review should be performed to ensure items are resolved in a timely manner.

**Current Status:** The System has not corrected this as of December 31, 2023.

**Finding Number 2022-2 Reliability and Timeliness of Reporting**

**Criteria:** Under Arkansas law, water systems are required to file an annual audit report within 18 months of fiscal year-end.

**Condition:** The System did not file its annual audit report within the required 18 months after year-end. During the audit process, the City and System experienced staff turnover, which contributed to delays in completing and submitting the audit.

**Cause:** The delay in reporting was primarily due to turnover in key staff positions for the System and City, geographical area where the System is located, and nature of the entity. Contributing factors included limited personnel experience and a lack of established procedures to mitigate the impact of turnover.

**Town of Valley Springs Water System**  
**Valley Springs, Arkansas**  
**Schedule of Findings and Responses**  
**December 31, 2023 and 2022**

**Effect:** Untimely filing of required audit reports reduces transparency, decreases reliability of financial information, and may impair compliance with state reporting requirements. This represents a significant deficiency in internal control over financial reporting, as the System lacks adequate processes to ensure timely completion and submission of required reports.

**Recommendation:** We recommend that the System implement procedures to ensure audit reports are filed within the required timeframe. This may include cross-training staff, developing a formal reporting calendar, engaging outside assistance when vacancies occur, and implementing succession planning to mitigate the impact of staff turnover.

**Current Status:** The System has started the process to ensure audits are completed in a timely manner.