

MORRILTON WASTEWATER UTILITY
FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2023 AND 2022

MORRILTON WASTEWATER UTILITY

AUGUST 31, 2023 AND 2022

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INDEPENDENT AUDITORS' REPORT

Wastewater Committee
Morrilton Wastewater Utility
Morrilton, Arkansas

Opinions

We have audited the accompanying financial statements of the business-type activities of Morrilton Wastewater Utility ("Utility"), a component unit of the City of Morrilton, as of and for the years ended August 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Morrilton Wastewater Utility as of August 31, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our 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 Morrilton Wastewater Utility and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statement

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.

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 Morrilton Wastewater Utility's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Morrilton Wastewater Utility'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 Morrilton Wastewater Utility'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.

As discussed in Note 1, the financial statements present only the Morrilton Wastewater Utility and do not purport to, and do not, present fairly the financial position of the City of Morrilton, as of August 31, 2023 and 2022, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

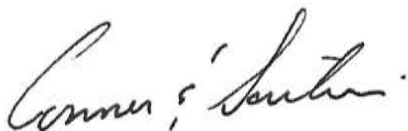
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Morrilton Wastewater Utility's basis financial statements. The accompanying supplemental information as indicated in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing

procedures applied in the audit of the basic and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial statements are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2024 on our consideration of the Morrilton Wastewater Utility's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Morrilton Wastewater's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Morrilton Wastewater Utility's internal control over financial reporting and compliance.



Conway, Arkansas
April 24, 2024

FINANCIAL STATEMENTS

MORRILTON WASTEWATER UTILITY

STATEMENTS OF NET POSITION - COMPONENT UNIT

AUGUST 31, 2023 AND 2022

ASSETS

	<u>2023</u>	<u>2022</u>
<u>Current Assets:</u>		
Cash and cash equivalents	\$ 581,206	\$ 629,877
Accounts receivable - trade	76,470	82,237
Inventory	14,785	15,182
Total Current Assets	<u>672,461</u>	<u>727,296</u>
<u>Restricted Assets:</u>		
Cash and cash equivalents - Note 3	<u>277,377</u>	<u>437,832</u>
<u>Fixed Assets - Note 5:</u>		
Sewer plant in service	13,773,501	13,664,548
Less: Accumulated depreciation	(8,853,937)	(8,584,092)
Total Capital Assets	<u>4,919,564</u>	<u>5,080,456</u>
Construction-in-progress	<u>4,173,013</u>	<u>3,994,612</u>
Total Fixed Assets	<u>9,092,577</u>	<u>9,075,068</u>
<u>Other Assets:</u>		
Bond origination costs	<u>118,617</u>	<u>122,888</u>
Total Assets	<u>\$ 10,161,032</u>	<u>\$ 10,363,084</u>

LIABILITIES AND NET POSITION

<u>Current Liabilities:</u>		
Accounts payable	\$ 29,460	\$ 43,191
Accrued expenses payable	11,544	8,854
Accrued interest expense	8,290	8,474
Current portion of long-term debt - Note 6	110,000	110,000
Total Current Liabilities	<u>159,294</u>	<u>170,519</u>
<u>Long-Term Liabilities:</u>		
Long-term debt - Note 6	4,023,874	4,134,374
Less: Current portion	(110,000)	(110,000)
Total Long-Term Liabilities	<u>3,913,874</u>	<u>4,024,374</u>
Total Liabilities	<u>4,073,168</u>	<u>4,194,893</u>
<u>Net Position:</u>		
Invested in capital assets	5,068,703	4,940,694
Unrestricted net position	1,019,161	1,227,497
Total Net Position	<u>6,087,864</u>	<u>6,168,191</u>
Total Liabilities and Net Position	<u>\$ 10,161,032</u>	<u>\$ 10,363,084</u>

The accompanying notes are an integral part of the financial statements.

MORRILTON WASTEWATER UTILITY

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - COMPONENT UNIT**

YEARS ENDED AUGUST 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>Operating Revenues:</u>		
Sewer charges	\$ 900,350	\$ 886,256
Sewer permits	2,450	6,830
Crop sales	118,693	117,601
Sewer disposal fees	103,900	91,653
Miscellaneous revenues	1,431	2,500
Total Operating Revenues	<u>1,126,824</u>	<u>1,104,840</u>
<u>Operating Expenses:</u>		
Labor	174,011	168,158
Employee benefits	42,922	38,396
Payroll taxes	12,974	12,653
Power purchased	92,958	82,261
Special services	20,394	20,587
Repairs and maintenance	66,012	98,401
Vehicle operation and repair	12,988	11,290
Engineering fees	19,778	20,498
Insurance	18,110	19,814
Operating supplies	60,920	75,468
Office expense	2,092	2,228
Collection fees	43,583	28,809
Professional fees	10,150	11,100
Telephone	3,022	3,357
Utilities	45,613	5,017
Other expenses	19,046	2,820
Amortization expense	3,771	3,771
Depreciation expense	269,845	278,590
Total Operating Expenses	<u>918,189</u>	<u>883,218</u>
Operating Income	<u>208,635</u>	<u>221,622</u>
<u>Other Income (Expenses):</u>		
Interest income	12,537	2,527
American Rescue Plan Grant	-	5,534
Municipal transfers	(200,000)	(150,000)
Interest expense	(101,499)	(103,608)
Total Other Income (Expenses)	<u>(288,962)</u>	<u>(245,547)</u>
Change in Net Position	<u>(80,327)</u>	<u>(23,925)</u>
Net Position - Beginning of Year	<u>6,168,191</u>	<u>6,192,116</u>
Net Position - End of Year	<u>\$ 6,087,864</u>	<u>\$ 6,168,191</u>

The accompanying notes are an integral part of the financial statements.

MORRILTON WASTEWATER UTILITY
STATEMENTS OF CASH FLOWS - COMPONENT UNIT
YEARS ENDED AUGUST 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>Cash Flows from Operating Activities:</u>		
Cash received from customers	\$ 1,132,591	\$ 1,100,035
Cash paid to suppliers	(481,390)	(431,256)
Cash paid to employees	(174,011)	(168,158)
Net Cash Provided (Used) by Operating Activities	<u>477,190</u>	<u>500,621</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Principal paid on long-term debt	(110,000)	(105,000)
Interest paid on long-term debt	(101,499)	(103,608)
Municipal transfer payments	(200,000)	(150,000)
American Rescue Plan Grant proceeds	-	5,534
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(411,499)</u>	<u>(353,074)</u>
<u>Cash Flows from Investing Activities:</u>		
Acquisition of fixed assets	(108,953)	-
Outlay for construction in progress	(178,401)	(1,275,899)
Cash received from interest and dividends	12,537	2,527
Net Cash Provided (Used) by Investing Activities	<u>(274,817)</u>	<u>(1,273,372)</u>
Increase (Decrease) in Cash	(209,126)	(1,125,825)
Cash - Beginning of Year	1,067,709	2,193,534
Cash - End of Year	<u>\$ 858,583</u>	<u>\$ 1,067,709</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>		
Cash Flows from Operating Activities:		
Operating Income (Loss)	\$ 208,635	\$ 221,622
Adjustments to Reconcile Net Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation and amortization	273,616	282,361
(Increase) decrease in accounts receivable	5,767	(4,805)
(Increase) decrease in inventory	397	308
Increase (decrease) in accounts payable	(13,731)	5,226
Increase (decrease) in accrued expenses payable	2,506	(4,091)
Net Cash Provided (Used) by Operating Activities	<u>\$ 477,190</u>	<u>\$ 500,621</u>
<u>Reconciliation of Cash and Cash Equivalents to Statements of Net Position:</u>		
Current assets	\$ 581,206	\$ 629,877
Restricted assets	277,377	437,832
Total Cash and Cash Equivalents	<u>\$ 858,583</u>	<u>\$ 1,067,709</u>

The accompanying notes are an integral part of the financial statements.

MORRILTON WASTEWATER UTILITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

The Utility is a component unit of a local government, the City of Morrilton, organized to provide a wastewater treatment system.

Specific Accounting Policies

The following is a summary of significant accounting policies:

Financial Reporting

This report includes the business-type activities of the component unit which is controlled by the Utility's governing body. Control was determined on the basis of budget adoption, authority to issue debt, authority to execute contracts, and general oversight responsibility.

Fund Accounting

The accounts of the Utility are organized on the basis of funds or account groups, each of which is considered to be a separate accounting unit. The operations of each fund are reported as a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate.

Resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into one generic fund type (proprietary) and the following broad fund category:

Proprietary Fund Type

Enterprise Fund - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs and expenses (including depreciation) of providing goods or services to the general public are financed or recovered primarily through user charges; or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of Accounting

The accounting records of the Utility are maintained on the accrual basis. Revenues are recognized when they are earned; expenses are recognized when they are incurred. The Utility does not utilize encumbrance accounting.

MORRILTON WASTEWATER UTILITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Cash and Cash Equivalents

The Utility considers all highly liquid investments stemming from unrestricted cash with a maturity of twelve months or less to be cash.

Concentrations of Credit Risk

Financial instruments that potentially subject the Utility to concentrations of credit risk consist principally of temporary cash investments and trade receivables. The Utility places its temporary cash investments with financial institutions and limits the amount of credit exposure to any one financial institution. Concentrations of credit risk with respect to trade receivables are limited due to the large number of customers comprising the Utility's customer base. As of August 31, 2023 and 2022, the Utility had no significant concentrations of credit risk.

Accounts Receivable

The Utility has entered into an agreement with the local water district for billing and collection of sewer charges. The Utility's management feels all trade accounts receivable are fully collectible; therefore, no allowance for doubtful accounts has been established. No bad debts expense has been recognized in 2023 or 2022.

Inventory

Inventory is valued at lower of average cost or net realizable value.

Fixed Assets

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated fair value on the date donated. During construction, interest expenditures are capitalized. Subsequent to development, interest expenditures are recognized as incurred.

Depreciation of all exhaustible fixed assets used is charged as an expense against their operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

	<u>Years</u>
Sewer System	50 - 75
Equipment	7 - 20

Income Taxes

Because the Utility is classified as a component of a local government, it is not subject to federal or state income taxes.

MORRILTON WASTEWATER UTILITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2023 AND 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Compensated Absences

Employees of the Utility are entitled to paid vacations and sick days depending on job classification, length of service, and other factors. It is impractical to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements. The Utility's policy is to recognize the costs of compensated absences when paid to employees.

Budget

Enterprise Fund service delivery levels are determined by the extent of consumer demand. Because Enterprise Fund revenues and expenses fluctuate with changing service delivery levels, generally accepted accounting principles do not require the financial statements to include budgetary comparisons and, accordingly, these comparisons have not been included.

Use of Estimates

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

NOTE 2 - FAIR VALUE OF FINANCIAL INSTRUMENTS:

ASC Topic 820, *Fair Value Measurements*, ("Topic 820") defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities.
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

MORRILTON WASTEWATER UTILITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2023 AND 2022

NOTE 2 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED):

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying balance sheet, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include common stock, mutual funds and United States Treasury obligations. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. The Organization did not hold any securities as of August 31, 2023 or 2022.

Other Financial Instruments

The following methods and assumptions were used in estimating the fair value disclosures for the financial instruments:

Long-term investments: The fair values of long-term investments are based on quoted market prices for those or similar investments.

Long-term debt: The fair values of the notes and bonds payable are based on their carrying amounts.

Collateralization of Cash Balances

	2023	2022
Cash in bank, fully insured by FDIC	\$ 250,000	\$ 250,000
Cash in bank, collateralized	610,054	834,060
Cash in bank, uninsured, uncollateralized	-	-
	\$ 860,054	\$ 1,084,060

NOTE 3 - RESTRICTED CASH:

Under the terms of bond ordinances, certain restricted funds must be maintained by the Utility. These include funds for a depreciation reserve, bond escrow, debt service and a construction fund to be used for the duration of the new system construction. The depreciation reserve is maintained to cover the cost of repairs and improvements to the system. The bond escrow account is funded monthly in the amount of one-twelfth of the current year's principal payment and one-sixth of the semi-annual interest payments. The debt reserve fund is maintained to ensure principal and interest payments can still be made in the event the escrow account is not fully funded. A financial institution serves as trustee of these funds.

MORRILTON WASTEWATER UTILITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2023 AND 2022

NOTE 3 - RESTRICTED CASH (CONTINUED):

The balance of restricted cash balances at August 31, 2023 and 2022 consisted of the following:

	2023	2022
Depreciation fund	\$ 40,596	\$ 198,545
Bond escrow fund	25,024	18,474
Bond debt service reserve fund	211,743	211,743
Construction fund	14	9,070
	\$ 277,377	\$ 437,832

All restricted assets are insured or collateralized.

NOTE 4 – ACCOUNTS RECEIVABLE:

Accounts receivable consists of customer payments for monthly wastewater services. All trade accounts receivable balances were made up of accounts that were fewer than 90 days old for the year ended August 31, 2023 and 2022.

NOTE 5 - FIXED ASSETS:

A summary of changes in capital assets for the year ended August 31, 2023, is presented below:

	August 31, 2022	Increases	Decreases	August 31, 2023
Capital assets:				
Sewer plant	\$ 13,664,548	\$ 108,953	\$ -	\$ 13,773,501
Less accumulated depreciation:				
Sewer plant	(8,584,092)	(269,845)	-	(8,853,937)
Capital assets, net	5,080,456	(160,892)	-	4,919,564
Construction in progress	3,994,612	178,401	-	4,173,013
Total Fixed Assets	\$ 9,075,068	\$ 17,509	\$ -	\$ 9,092,577

Depreciation expense for the years ended August 31, 2023 and 2022 was \$269,845 and \$278,590 respectively.

MORRILTON WASTEWATER UTILITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2023 AND 2022

NOTE 6 - LONG-TERM DEBT:

As of August 31, 2023 and 2022, bonds payable consists of the following:

	Balance			Balance	Due Withi
	August 31,	Increases	Decreases	August 31,	One Year
	2022			2023	One Year
Sewer Revenue Bond, Series 2020 dated June 8, 2020, due in annual payments on August 1st. Interest paid semiannually on February 1st and August 1st beginning February 1, 2021, bearing interest of 2.20%	\$ 4,120,000	\$ -	\$ (110,000)	\$ 4,010,000	\$ 110,000
Unamortized premium on Sewer Revenue Bond, Series 2020.	<u>14,373</u>	<u>-</u>	<u>(500)</u>	<u>13,873</u>	<u>-</u>
Total Long-Term Debt	<u>\$ 4,134,373</u>	<u>\$ -</u>	<u>\$ (110,500)</u>	<u>\$ 4,023,873</u>	<u>\$ 110,000</u>

The Utility's revenues are pledged as security. Maturities for the years subsequent to August 31, 2023, are as follows:

August 31, 2024	\$ 110,000
August 31, 2025	110,000
August 31, 2026	115,000
August 31, 2027	115,000
August 31, 2028	120,000
Thereafter	<u>3,440,000</u>
	<u>\$ 4,010,000</u>

MORRILTON WASTEWATER UTILITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2023 AND 2022

NOTE 7 - RETIREMENT PLAN:

The Utility, as a component unit of the local government, has employees who, along with other City of Morrilton employees, participate in the Arkansas Public Employees Retirement System (APERS). The APERS plan is a defined benefit plan, qualified under Section 401(a) to the Internal Revenue Code, with defined contribution options. Members of the plan contribute 5% of their pre-tax salary to the System. Participating employers contribute a rate that is established annually by the APERS Board of Trustees. The annual contribution rate for 2023 was 15.32%. Payments to the plan are invested by the System to pay future benefits to members, beneficiaries and survivors. The entity, as a component unit of the City of Morrilton, reimburses the City for the entity's employees' contributions and matching contributions. The City of Morrilton is responsible for payment of the retirement plan contributions as well as the recording of future liabilities of the plan. The retirement plan expense for the entity for the years ended August 31, 2023 and 2022 was \$26,412 and \$24,673, respectively.

NOTE 8 - SUBSEQUENT EVENTS:

No events occurring subsequent to year end, having a direct and material effect on the financial statements for the year ended August 31, 2023, have been determined as of April 24, 2024, the date of the audit report.

NON-FINANCIAL SECTION

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

Wastewater Committee
Morrilton Wastewater Utility
Morrilton, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Morrilton Wastewater Utility, a component unit of the City of Morrilton, which comprise the statements of net position – component unit as of and for the years ended August 31, 2023 and 2022, and the related statements of revenues, expenses, and changes in net position – component unit, and cash flows – component unit for the year ended, and the related notes to the financial statements, and have issued our report thereon dated April 24, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Morrilton Wastewater Utility's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Morrilton Wastewater Utility's internal control. Accordingly, we do not express an opinion on the effectiveness of Morrilton Wastewater Utility's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

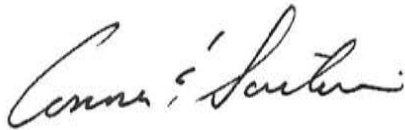
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items referenced as item 22-01 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Morrilton Wastewater Utility's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Utility'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 Utility's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Conway, Arkansas
April 24, 2024

MORRILTON WASTEWATER UTILITY

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEARS ENDED AUGUST 31, 2023 AND 2022

FINANCIAL STATEMENT FINDINGS:

FINDING 21-01

Condition:	Proper allocation of the accounting procedures between personnel is required for an adequate internal control structure.
Recommendation:	Procedures should be implemented to segregate duties to the extent of personnel available.
Current Status:	Segregation of duties is performed by personnel to the extent possible. Hiring of additional personnel is not feasible for the department.

MORRILTON WASTEWATER UTILITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEARS ENDED AUGUST 31, 2023 AND 2022

SECTION I - SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Morrilton Wastewater Utility.
2. One significant deficiency disclosed during the audit of the financial statements is reported in the report on Internal Control over Financial Reporting.
3. No instances of noncompliance material to the financial statements of Morrilton Wastewater Utility, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

SECTION II - FINANCIAL STATEMENT AUDIT

FINDING 22-01

Condition:	Proper allocation of the accounting procedures between personnel is required for an adequate internal control structure.
Criteria:	An accounting department staff is required to segregate duties.
Effect:	Because of the size of the entity, it is not practical to employ a staff. Therefore, an individual is responsible for several duties.
Recommendation:	Procedures should be implemented to segregate duties to the extent of personnel available.
Views from Responsible Officials and Planned Corrective Actions:	We concur with the recommendation. Such procedures will be implemented when possible.

SUPPLEMENTAL INFORMATION

MORRILTON WASTEWATER UTILITY

SUPPLEMENTAL INFORMATION

AUGUST 31, 2023 AND 2022

SCHEDULE OF RATES CHARGED:

Inside City Limits-Residential Customers:	\$ 9.00 minimum, includes 1,000 gallons \$ 3.10 for each additional 1,000 gallons
Commercial Customers:	\$17.00 minimum, includes 1,000 gallons \$ 3.10 for each additional 1,000 gallons

GROSS REVENUE RECEIVED:

	<u>2023</u>	<u>2022</u>
Gross Sewer Revenue	\$ 900,350	\$ 886,256
Number of Connections	3,304	3,296

NAMES AND TITLES OF DIRECTORS:

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Scott Keeton	Commissioner	12/31/2024
Dennis Decker	Commissioner	12/31/2023

INSURANCE COVERAGE:

1. Commercial Package

A. Building located at Plant #1	\$ 183,090
B. Building located at Plant #2	\$ 85,000
C. Building located at Plant #3	\$ 87,355
D. Building located at Plant #4	\$ 77,366
E. Building located at Plant #5	\$ 251,655
F. Building located north of Plant #5	\$ 69,800
G. Building located at Plant #6	\$ 313,217
H. Building located north of Plant #6	\$ 69,800
I. Building located at Plant #7	\$ 75,000
J. Building located at Plant #8	\$ 34,479
K. Headquarters Building	\$ 550,000
L. Pump Stations	\$ 151,346
M. Buildings located at Lagoon	\$ 525,014
N. Pivots -	\$ 800,000
Insurer - Arkansas Municipal League	