

**MELBOURNE WATER AND SEWER  
DEPARTMENT**

**(A Proprietary Fund of the  
City of Melbourne, Arkansas)**

**Independent Auditor's Report  
and Financial Statements**

**December 31, 2023 and 2022**

**MELBOURNE WATER AND SEWER DEPARTMENT**  
**(A Proprietary Fund of the City of Melbourne, Arkansas)**

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## Welch, Couch & Company, PA Certified Public Accountants

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### INDEPENDENT AUDITOR'S REPORT

Mayor Mike Cone and Members of the City Council  
Melbourne Water and Sewer Department  
Melbourne, Arkansas

#### Report on the Audit of the Financial Statements

##### *Opinion*

We have audited the accompanying financial statements of the business-type activities of the Melbourne Water and Sewer Department (a proprietary fund of the City of Melbourne, Arkansas), as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Melbourne Water and Sewer Department'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 financial position of the business-type activities of the Melbourne Water and Sewer Department, as of December 31, 2023 and 2022, and the changes in financial position and its cash flows 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 Melbourne Water and Sewer Department 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 opinion.

##### *Emphasis of Matter*

As discussed in Note 1, the financial statements of the Melbourne Water and Sewer Department are intended to present the financial position, the changes in the financial position, and cash flows of only that portion of the business-type activities of the City of Melbourne, Arkansas that is attributable to the transactions of the Water and Sewer Department. They do not purport to, and do not, present fairly the financial position of the City of Melbourne, Arkansas, as of December 31, 2023 and 2022, 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.

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### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Melbourne Water and Sewer Department'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 Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 Melbourne Water and Sewer Department'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 Melbourne Water and Sewer Department'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.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and required supplementary information on pages 34 and 35 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Management is responsible for the supplementary information on pages 36 through 44. Our opinion on the basic financial statements do not cover the supplementary information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the supplementary information and consider whether a material inconsistency exists between the supplementary information and the basic financial statements, or the supplementary information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the supplementary information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2024, on our consideration of the Melbourne Water and Sewer Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Melbourne Water and Sewer Department'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 the Melbourne Water and Sewer Department's internal control over financial reporting and compliance.

*Welch, Couch & Company, PA*  
**Welch, Couch & Company, PA**  
Certified Public Accountants

Batesville, Arkansas  
August 9, 2024

**Mayor:**  
Mike Cone

**Recorder/Treasurer:**  
Alecia K. Bray



**Council Members:**  
Nina Wright  
Danny Vest  
Laura Sipe  
Ronald D. Treat  
Jerry Crosby  
Lee Melton  
Shane Linn  
Ty Woodall

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## **MELBOURNE WATER AND SEWER DEPARTMENT (A Proprietary Fund of the City of Melbourne, Arkansas)**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of Melbourne Water and Sewer Department's financial performance provides an overview of the Water and Sewer Department's financial activities for the fiscal years ended December 31, 2023 and 2022. Please read it in conjunction with the Water and Sewer Department's financial statements, which begin on page 9.

#### **Financial Highlights**

- The Water and Sewer Department's net position increased by \$87,783 from \$2,709,310 in 2022 to \$2,797,093 in 2023 as a result of this year's operations. In the prior year, the Water and Sewer Department's net position decreased by \$(177,346) from \$2,886,656 in 2021 to \$2,709,310 in 2022 as a result of prior year's operations.
- The Water and Sewer Department's operating income (loss) was \$194,199 and (\$39,963) for the years ended December 31, 2023 and 2022, respectively.
- Cash and cash equivalents increased by \$96,692 and increased by \$46 for the years ended December 31, 2023 and 2022, respectively.
- In 2023, the Water and Sewer Department purchased and/or constructed \$27,683 in capital assets as compared to \$-0- in 2022.
- In 2023 and 2022, the Water and Sewer Department issued \$22,521 and \$34,911, respectively, in long-term debt. The Water and Sewer Department decreased long-term debt by \$238,408 in 2023 and decreased long-term debt by \$233,213 in 2022.

## Using This Annual Report

This annual report consists of three parts – management’s discussion and analysis, the basic financial statements, and supplementary information. The basic financial statements consist of three financial statements – a statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows. The financial statements focus on the individual parts of the Water and Sewer Department, offering short- and long-term financial information about the activities that the government operates like businesses.

### *The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position*

One of the most important questions asked about the Water and Sewer Department’s finances is, “is the Water and Sewer Department as a whole better or worse off as a result of the year’s activities?” The statement of net position and the statement of revenues, expenses and changes in net position report information about the Water and Sewer Department’s resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and liabilities using the accrual basis of accounting. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Water and Sewer Department’s net position and changes in them. You can think of the Water and Sewer Department’s net position – the difference between assets and deferred outflows of resources minus liabilities and deferred inflows of resources – as one way to measure the Water and Sewer Department’s financial health, or financial position. Over time, increases or decreases in the Water and Sewer Department’s net position are one indicator of whether its financial health is improving or deteriorating. You will also need to consider other nonfinancial factors.

### *The Statement of Cash Flows*

The final required statement is the statement of cash flows. This statement reports cash receipts, cash payments and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as:

- Where did cash come from?
- What was cash used for?
- What was the change in cash balance during the reporting period?

### *Notes to Financial Statements*

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

## The Water and Sewer Department's Net Position

The Water and Sewer Department's net position represents the difference between its assets and deferred outflows of resources minus its liabilities and deferred inflow of resources reported in the statements of net position on pages 9 and 10. The Water and Sewer Department's net position increased during 2023 by \$87,783 or 3.24% and decreased during 2022 by \$(177,346) or (6.14%).

Table 1 below details the various elements of the statement of net position:

<b>Table 1</b>			
<b>Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position</b>			
	<b>December 31,</b>		
	<u><b>2023</b></u>	<u><b>2022</b></u>	<u><b>2021</b></u>
Total current assets	\$ 282,885	\$ 112,723	\$ 136,152
Restricted cash	541,339	599,849	565,068
Capital assets - net	6,350,488	6,669,403	6,997,041
Deferred outflows of resources	<u>70,974</u>	<u>83,105</u>	<u>28,071</u>
Total assets and deferred outflows of resources	<u><u>\$ 7,245,686</u></u>	<u><u>\$ 7,465,080</u></u>	<u><u>\$ 7,726,332</u></u>
Current liabilities	\$ 281,321	\$ 383,878	\$ 87,958
Other liabilities payable from restricted assets	78,812	75,993	305,941
Noncurrent liabilities	<u>4,074,866</u>	<u>4,292,864</u>	<u>4,317,241</u>
Total liabilities	<u>4,434,999</u>	<u>4,752,735</u>	<u>4,711,140</u>
Deferred inflows of resources	<u>13,594</u>	<u>3,035</u>	<u>128,536</u>
Net position			
Net investment in capital assets	2,285,426	2,388,454	2,517,791
Restricted expendable	541,339	599,849	565,068
Unrestricted	<u>(29,672)</u>	<u>(278,993)</u>	<u>(196,203)</u>
Total net position	<u>2,797,093</u>	<u>2,709,310</u>	<u>2,886,656</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 7,245,686</u></u>	<u><u>\$ 7,465,080</u></u>	<u><u>\$ 7,726,332</u></u>



## Operating Results and Changes in the Water and Sewer Department's Net Position

In 2023, the Water and Sewer Department's net position increased by \$87,783 or 3.24% and decreased during 2022 by \$(177,346) or (6.14%). These changes are made up of very different components, as shown in table 2 which follows:

<b>Table 2</b>			
<b>Operating Results and Changes in Net Position</b>			
	<b>Years Ended</b>		
	<b>December 31,</b>		
	<u><b>2023</b></u>	<u><b>2022</b></u>	<u><b>2021</b></u>
<b>Operating revenues:</b>			
Water revenue	\$ 862,232	\$ 709,305	\$ 669,906
Sewer revenue	200,201	197,134	204,154
Other revenue	182,605	120,818	87,739
Total operating revenues	<u>1,245,038</u>	<u>1,027,257</u>	<u>961,799</u>
<b>Operating expenses:</b>			
Salaries and benefits	244,512	248,465	210,259
Tools and supplies	101,647	107,619	62,360
Truck expense	10,047	13,283	10,680
Repairs and maintenance	161,152	124,625	74,145
Utilities	94,240	100,798	101,908
Lab and testing fees	23,804	42,417	37,527
Depreciation expense	346,598	327,638	267,523
Administrative costs	68,839	102,375	57,902
Total operating expenses	<u>1,050,839</u>	<u>1,067,220</u>	<u>822,304</u>
Operating income (loss)	194,199	(39,963)	139,495
Nonoperating revenues (expenses)	<u>(106,416)</u>	<u>(137,383)</u>	<u>(149,602)</u>
Increase (Decrease) in net position	87,783	(177,346)	(10,107)
Net position - beginning of year	<u>2,709,310</u>	<u>2,886,656</u>	<u>2,896,763</u>
Net position - end of Year	<u>\$ 2,797,093</u>	<u>\$ 2,709,310</u>	<u>\$ 2,886,656</u>

### ***Operating Revenues and Expenses***

The Water and Sewer Department's total operating revenues increased by \$196,746 from \$1,027,257 in 2022 to \$1,224,003 in 2023. Total operating expenses decreased \$(37,416) from \$1,067,220 in 2022 to \$1,029,804 in 2023, primarily because of the decrease in tools and supplies, administrative costs, and lab and testing fees.

### ***Nonoperating Revenues and Expenses***

Nonoperating revenues and expenses primarily consist of interest expense on long-term debt. Interest expense was \$134,733 and \$138,560 in 2023 and 2022, respectively.

## The Water and Sewer Department's Cash Flows

Changes in the Water and Sewer Department's cash flows are consistent with changes in operating income (loss) and nonoperating revenues and expenses, discussed earlier.

### Capital Asset and Debt Administration

#### *Capital Assets*

At December 31, 2023 and 2022, the Water and Sewer Department had \$6,350,488 and \$6,669,403, respectively, invested in a broad range of capital assets (net of accumulated depreciation) including land, water tanks and lines, vehicles and maintenance equipment. The Water and Sewer Department's capital asset additions totaled \$27,683 in 2023, as compared to \$-0- in 2022.

#### *Debt*

At December 31, 2023, the Water and Sewer Department had \$4,065,060 in debt outstanding versus \$4,280,948 at December 31, 2022.

<b>Table 3</b>		
<b>Outstanding Debt at Year End</b>		
	<b>Years Ended</b>	
	<b>December 31,</b>	
	<u><b>2023</b></u>	<u><b>2022</b></u>
<b>Bonds and notes payable</b>		
Current	235,215	239,416
Long-term	<u>\$ 3,829,845</u>	<u>\$ 4,041,532</u>
Total	<u><u>\$ 4,065,060</u></u>	<u><u>\$ 4,280,948</u></u>

### Contacting the Water and Sewer Department's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Water and Sewer Department's finances and to show the Department's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Melbourne Water and Sewer Department, P.O. Box 800, Melbourne, Arkansas 72556.

**MELBOURNE WATER AND SEWER DEPARTMENT**  
**(A Proprietary Fund of the City of Melbourne, Arkansas)**

**Statements of Net Position**  
**December 31, 2023 and 2022**

**Assets and Deferred Outflows of Resources**

	<u><b>2023</b></u>	<u><b>2022</b></u>
<b>Current assets</b>		
Cash and cash equivalents - Notes 1 and 2	\$ 157,287	\$ 2,086
Accounts receivable, net of allowance for uncollectible accounts - Notes 1 and 4	111,371	96,581
Prepaid expenses	14,227	14,056
<b>Total current assets</b>	<u>282,885</u>	<u>112,723</u>
<b>Restricted cash - Notes 2 and 3</b>		
Cash in bank	458,610	517,561
Certificates of deposit	82,729	82,288
<b>Total restricted cash</b>	<u>541,339</u>	<u>599,849</u>
<b>Capital assets - net of accumulated depreciation - Notes 1 and 5</b>	<u>6,350,488</u>	<u>6,669,403</u>
<b>Deferred outflows of resources:</b>		
Deferred pension outflows - Note 8	<u>70,974</u>	<u>83,105</u>
<b>Total assets and deferred outflows of resources</b>	<u><u>\$ 7,245,686</u></u>	<u><u>\$ 7,465,080</u></u>

The notes to financial statements are an integral part of this statement.

**MELBOURNE WATER AND SEWER DEPARTMENT**  
**(A Proprietary Fund of the City of Melbourne, Arkansas)**  
**Statements of Net Position (Cont.)**  
**December 31, 2023 and 2022**

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

	<u>2023</u>	<u>2022</u>
<b>Current liabilities</b>		
Accounts payable	\$ 26,766	\$ 125,990
Accrued interest payable	12,560	12,560
Accrued expenses	6,780	5,912
Bonds and note payable, current portion - Note 7	235,215	239,416
<b>Total current liabilities</b>	<u>281,321</u>	<u>383,878</u>
<b>Other liabilities payable from restricted assets</b>		
Meter deposits - Note 7	78,812	75,993
<b>Total Other liabilities payable from restricted assets</b>	<u>78,812</u>	<u>75,993</u>
<b>Noncurrent liabilities</b>		
Bonds and notes payable, net of current portion - Note 7	3,829,845	4,041,532
Net pension obligation - Note 8	245,021	251,332
<b>Total noncurrent liabilities</b>	<u>4,074,866</u>	<u>4,292,864</u>
<b>Total liabilities</b>	<u>4,434,999</u>	<u>4,752,735</u>
<b>Deferred inflows of resources</b>		
Deferred pension inflows - Note 8	13,594	3,035
<b>Net position</b>		
Net investment in capital assets	2,285,426	2,388,454
Restricted expendable:		
Customer deposits	34,907	36,649
Debt service	285,727	527,232
Depreciation reserve	220,698	35,961
Construction fund	7	7
Unrestricted (deficit)	(29,672)	(278,993)
<b>Total net position</b>	<u>2,797,093</u>	<u>2,709,310</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<u>\$ 7,245,686</u>	<u>\$ 7,465,080</u>

The notes to financial statements are an integral part of this statement.

**MELBOURNE WATER AND SEWER DEPARTMENT**  
**(A Proprietary Fund of the City of Melbourne, Arkansas)**  
**Statements of Revenues, Expenses and**  
**Changes in Net Position**  
**For the Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Operating revenues</b>		
Water revenue	\$ 862,232	\$ 709,305
Sewer revenue	200,201	197,134
Miscellaneous customer fees	80,286	75,299
Other revenue	102,319	45,519
<b>Total operating revenues</b>	<u>1,245,038</u>	<u>1,027,257</u>
<b>Operating expenses</b>		
Salaries	175,624	192,921
Payroll taxes and benefits	68,888	55,544
Bad debt	-	6,892
Tools and supplies	101,647	107,619
Truck expense	10,047	13,283
Insurance expense	8,479	7,364
Repairs and maintenance	161,152	124,625
Legal and auditing	-	10,000
Utilities	94,240	100,798
Telephone	13,550	13,188
Office supplies and postage	35,379	32,631
Lab and testing fees	23,804	42,417
Depreciation expense	346,598	327,638
Contract labor	3,500	4,388
Miscellaneous expense	7,931	27,912
<b>Total expenses</b>	<u>1,050,839</u>	<u>1,067,220</u>
<b>Operating income (loss)</b>	<u>194,199</u>	<u>(39,963)</u>
<b>Nonoperating revenues (expenses)</b>		
Interest expense	(134,733)	(138,560)
Interest income	634	827
Gain on sale of asset	-	350
Contribution from other funds	27,683	-
<b>Net nonoperating revenues (expenses)</b>	<u>(106,416)</u>	<u>(137,383)</u>
<b>Increase (decrease) in net position</b>	87,783	(177,346)
<b>Net position - beginning of year</b>	<u>2,709,310</u>	<u>2,886,656</u>
<b>Net position - end of year</b>	<u><u>\$ 2,797,093</u></u>	<u><u>\$ 2,709,310</u></u>

The notes to financial statements are an integral part of this statement.

**MELBOURNE WATER AND SEWER DEPARTMENT**  
**(A Proprietary Fund of the City of Melbourne, Arkansas)**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Cash flows from operating activities:</b>		
Receipts from customers	\$ 991,673	\$ 947,328
Payments to suppliers	(422,834)	(266,600)
Payments to employees	(248,465)	(248,465)
Other receipts (payments)	126,303	(96,532)
<b>Net cash provided by operating activities</b>	<u>446,677</u>	<u>335,731</u>
<b>Cash flows from capital and related financing activities:</b>		
Principal payments on long-term debt	(238,408)	(233,213)
Interest paid on long-term debt	(134,733)	(138,560)
Proceeds from issuance of debt	22,521	34,911
Proceeds from sales of asset	-	350
<b>Net cash (used in) capital and related financing activities</b>	<u>(350,620)</u>	<u>(336,512)</u>
<b>Cash flows from investing activities:</b>		
Interest received	634	827
<b>Net cash provided by investing activities</b>	<u>634</u>	<u>827</u>
<b>Net increase in cash and cash equivalents</b>	96,691	46
<b>Cash and cash equivalents - beginning of year</b>	<u>601,935</u>	<u>601,889</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 698,626</u>	<u>\$ 601,935</u>
<b><u>Reconciliation of total cash and cash equivalents</u></b>		
Current assets - cash and cash equivalents	\$ 157,287	\$ 2,086
Noncurrent assets - cash and cash equivalents	541,339	599,849
<b>Total cash and cash equivalents</b>	<u>\$ 698,626</u>	<u>\$ 601,935</u>
<b><u>Supplemental information</u></b>		
Interest paid	\$ 134,733	\$ 138,560
Assets acquired with long-term debt	22,521	34,911

(Continued)

**MELBOURNE WATER AND SEWER DEPARTMENT**  
**(A Proprietary Fund of the City of Melbourne, Arkansas)**  
**Statements of Cash Flows (Cont.)**  
**For the Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>		
Operating income (loss)	\$ 194,199	\$ (39,963)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	346,598	327,638
Provision for bad debts	-	6,892
Net change in:		
Accounts receivable	(14,791)	(17,066)
Prepaid expenses	(171)	(1,132)
Accounts payable	(99,224)	57,010
Accrued expenses	868	(505)
Meter deposits	2,819	2,305
Net pension obligation	(6,311)	181,088
Deferred outflows of resources	12,131	(55,034)
Deferred inflows of resources	10,559	(125,502)
	<u>10,559</u>	<u>(125,502)</u>
<b>Net cash provided by operating activities</b>	<u><u>\$ 446,677</u></u>	<u><u>\$ 335,731</u></u>

The notes to financial statements are an integral part of this statement.

**MELBOURNE WATER AND SEWER DEPARTMENT**  
**(A Proprietary Fund of the City of Melbourne, Arkansas)**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**Note 1 – Summary of Significant Accounting Policies**

***Nature of Activities***

Melbourne Water and Sewer Department is considered to be a proprietary fund of the City of Melbourne, Arkansas. Proprietary funds are used to account for operations in a manner similar to business enterprises. With a proprietary fund, it is the inherent intent of the governing body to recover all costs of operations through user charges.

***Financial Reporting Entity***

These financial statements present only the Melbourne Water and Sewer Department funds, accounts and balances, and are not intended to present the financial position, results of operations, and cash flows of the City of Melbourne, Arkansas.

***Measurement Focus and Basis of Accounting***

The Water and Sewer Department utilizes enterprise fund accounting through which revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

***Use of Estimates***

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Cash and Cash Equivalents***

Cash and cash equivalents include bank checking, savings accounts and certificate of deposits with original maturities of three months or less.

***Noncurrent Assets***

Restricted assets include amounts restricted for customer deposits, debt service reserve, and depreciation reserve.



**MELBOURNE WATER AND SEWER DEPARTMENT**  
**(A Proprietary Fund of the City of Melbourne, Arkansas)**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

**Note 1 – Summary of Significant Accounting Policies (Cont.)**

***Accounts Receivable***

The Water and Sewer Department grants credit to its residents for water and sewer sales. The collectability of the Department's receivables is dependent upon the residents' ability to honor their obligations for their bills. Accounts receivables are carried on the statement of net position at net realizable value. Any losses on uncollectible accounts receivable are recognized when such losses become known or indicated. An allowance is estimated based on historical collection percentages. The allowance for uncollectible accounts totaled \$3,273 and \$24,308 at December 31, 2023 and 2022, respectively. The Water and Sewer Department had bad debt expense totaling \$(21,034) for the period ended December 31, 2023, and \$6,892 for the period ended December 31, 2022.

***Prepaid Expenses***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

***Capital Assets***

Capital assets costing more than \$2,500 and that have useful lives of more than three years are recorded at historical cost. Depreciation is computed using the straight-line method over the estimated useful lives ranging from three to forty 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 are charged against earnings when incurred.

***Restricted Resources***

When the Water and Sewer Department has both restricted and unrestricted resources available to finance a particular program, it is the Department's policy to use restricted resources before unrestricted resources.

***Accounts Payable***

Accounts payable consists of various trade accounts which are generally payable within thirty (30) days.

***Accrued Interest Payable***

Accrued interest payable represents interest due to the United States Department of Agriculture and Arkansas Natural Resources Commission, and Arkansas Development Finance Authority on bonds and notes payable at December 31, 2023 and 2022.

***Accrued Expenses***

Accrued expenses consist primarily of accrued payroll tax and sales tax.

***Meter Deposits***

Meter deposits are liabilities payable to water and sewer customers as a requirement to obtain services.

**MELBOURNE WATER AND SEWER DEPARTMENT**  
**(A Proprietary Fund of the City of Melbourne, Arkansas)**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

**Note 1 – Summary of Significant Accounting Policies (Cont.)**

***Long-term Debt***

At December 31, 2023 and 2022, long-term debt consisted of principal amounts due to the United States Department of Agriculture, Arkansas Natural Resources Commission and Arkansas Development Finance Authority. See Note 7 for further detail.

***Deferred Outflows of Resources***

Deferred outflows of resources represent the consumption of resources applicable to future periods.

***Deferred Inflows of Resources***

Deferred inflows of resources represent the acquisition of resources applicable to future periods.

***Net Position***

Net position classifications are defined as follows:

*Net investment in capital assets* – this component of net position consists of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

***Restricted Net Position:***

*Restricted expendable net position* – this component of net position consists of constraints placed on net position through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

*Restricted nonexpendable net position* – this component of net position is noncapital assets that are required to be maintained in perpetuity as specified by parties external to the Water and Sewer Department such as permanent endowments.

*Unrestricted net position* – this component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets,” as defined above.

**MELBOURNE WATER AND SEWER DEPARTMENT**  
**(A Proprietary Fund of the City of Melbourne, Arkansas)**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**Note 1 – Summary of Significant Accounting Policies (Cont.)**

***Operating Revenues and Expenses***

The Water and Sewer Department's statements of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing water and sewer utility services. Operating expenses are all expenses incurred to provide water and sewer utility services, other than financing costs.

***Grants and Contributions***

From time to time, the Water and Sewer Department receives grants and contributions from federal and state governments, individuals, and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

***Income Taxes***

The Department is considered a political subdivision of the State of Arkansas and is exempt from federal income taxes under Section 115 of the Internal Revenue Code and a similar provision under state law and therefore the accompanying financial statements do not reflect a provision or liability for federal or state income taxes.

**Note 2 – Concentration of Credit Risk**

Credit risk for trade accounts receivable is concentrated because substantially all of the balances are receivable from individuals located within the same geographic region. The Department grants unsecured credit to its customers, subject to a meter deposit.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the State of Arkansas; bonds of any city, county, school district or special district of the State of Arkansas; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Water and Sewer Department's deposit policy for custodial credit risk requires compliance with the provisions of state law. At December 31, 2023, the Water and Sewer Department's carrying amount of deposits was \$698,626. The bank balances totaled \$721,692 and were fully covered by Federal Depository Insurance and pledged securities held by the pledging financial institution.

*Interest rate risk* – The Water and Sewer Department does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

**MELBOURNE WATER AND SEWER DEPARTMENT**  
**(A Proprietary Fund of the City of Melbourne, Arkansas)**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

**Note 2 – Concentration of Credit Risk (Cont.)**

*Credit risk* – The Water and Sewer Department does not have a formal policy that limits exposure to credit risk.

*Concentration of credit risk* – The Water and Sewer Department places no limit on the amount it may invest in any one issuer.

The carrying amounts of deposits are included in the Water and Sewer Department’s statements of net position as follows:

	<u>2023</u>	<u>2022</u>
Deposits	\$ 698,626	\$ 601,935
<b>Total</b>	<b>\$ 698,626</b>	<b>\$ 601,935</b>

	<u>2023</u>	<u>2022</u>
Included in the following statement of net position captions:		
Cash and cash equivalents	\$ 157,287	\$ 2,086
Restricted cash and certificates of deposit	541,339	599,849
<b>Total</b>	<b>\$ 698,626</b>	<b>\$ 601,935</b>

Interest income for cash equivalents is comprised of the following for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Interest income	\$ 634	\$ 827

**MELBOURNE WATER AND SEWER DEPARTMENT**  
**(A Proprietary Fund of the City of Melbourne, Arkansas)**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

**Note 3 – Restricted Cash**

Arising from customer deposits held by Melbourne Water and Sewer Department and due to debt requirements imposed by USDA Rural Development and Arkansas Natural Resources Commission, restricted cash accounts at December 31, 2023 and 2022, consisted of the following:

	<u>2023</u>	<u>2022</u>
<b>Customer Deposit Accounts:</b>		
Cadence Bank - Checking # 8304	\$ 30,220	\$ 31,993
FNBC - C.D. # 9963	4,687	4,656
	34,907	36,649
<b>Debt Service Reserve Accounts:</b>		
Cadence Bank - Checking # 1232	7,130	7,103
Cadence Bank - Checking # 5534	221,282	463,374
FNBC - C.D. # 2855	12,052	11,987
FNBC - C.D. # 6124	6,698	6,657
FNBC - C.D. # 6184	23,136	23,027
Regions - Escrow #5723	15,430	15,084
	285,728	527,232
<b>Depreciation Reserve Account:</b>		
FNBC - C.D. # 2853	36,156	35,961
FNBC - Checking # 4301	184,541	-
	220,697	35,961
<b>Construction Fund:</b>		
FNBC - #9570	7	7
	7	7
<b>Total Restricted Cash Accounts</b>	<b>\$ 541,339</b>	<b>\$ 599,849</b>

**Note 4 – Accounts Receivable**

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

	<u>2023</u>	<u>2022</u>
Accounts receivable	\$ 114,644	\$ 120,889
Allowance for uncollectible accounts	(3,273)	(24,308)
	\$ 111,371	\$ 96,581

**MELBOURNE WATER AND SEWER DEPARTMENT**  
**(A Proprietary Fund of the City of Melbourne, Arkansas)**

**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**Note 5 – Capital Assets and Depreciation**

Capital assets additions, retirements and balances for the years ended December 31, 2023 and 2022, were as follows:

	Balance December 31, <u>2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Reclass</u>	Balance December 31, <u>2023</u>
Capital assets not being depreciated:					
Land	\$ 64,737	\$ -	\$ -	\$ -	\$ 64,737
Total capital assets not being depreciated	<u>64,737</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,737</u>
Capital assets being depreciated:					
System, lines, pumps and tanks	12,443,658	-	-	-	12,443,658
Maintenance equipment	159,617	-	-	-	159,617
Vehicles	99,925	27,683	-	-	127,608
Office equipment	75,674	-	-	-	75,674
Total capital assets being depreciated	<u>12,778,874</u>	<u>27,683</u>	<u>-</u>	<u>-</u>	<u>12,806,557</u>
Less accumulated depreciation for:					
System, lines, pumps and tanks	(5,895,952)	(324,251)	-	-	(6,220,203)
Maintenance equipment	(124,703)	(12,696)	-	-	(137,399)
Vehicles	(77,879)	(9,651)	-	-	(87,530)
Office equipment	(75,674)	-	-	-	(75,674)
Total accumulated depreciation	<u>(6,174,208)</u>	<u>(346,598)</u>	<u>-</u>	<u>-</u>	<u>(6,520,806)</u>
Total capital assets being depreciated, net	<u>6,604,666</u>	<u>(318,915)</u>	<u>-</u>	<u>-</u>	<u>6,285,751</u>
<b>Capital assets, net</b>	<b><u>\$ 6,669,403</u></b>	<b><u>\$ (318,915)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 6,350,488</u></b>

**MELBOURNE WATER AND SEWER DEPARTMENT**  
**(A Proprietary Fund of the City of Melbourne, Arkansas)**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

**Note 5 – Capital Assets and Depreciation**

	Balance December 31, <u>2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Reclass</u>	Balance December 31, <u>2022</u>
Capital assets not being depreciated:					
Land	\$ 64,737	\$ -	\$ -	\$ -	\$ 64,737
Construction in progress	703,036	-	-	(703,036)	-
Total capital assets not being depreciated	<u>767,773</u>	<u>-</u>	<u>-</u>	<u>(703,036)</u>	<u>64,737</u>
Capital assets being depreciated:					
System, lines, pumps and tanks	11,740,622	703,036	-	-	12,443,658
Maintenance equipment	159,617	-	(10,100)	-	159,617
Vehicles	110,025	-	-	-	99,925
Office equipment	75,674	-	-	-	75,674
Total capital assets being depreciated	<u>12,085,938</u>	<u>703,036</u>	<u>(10,100)</u>	<u>-</u>	<u>12,778,874</u>
Less accumulated depreciation for:					
System, lines, pumps and tanks	(5,589,277)	(306,675)	-	-	(5,895,952)
Maintenance equipment	(112,007)	(12,696)	-	-	(124,703)
Vehicles	(79,712)	(8,267)	10,100	-	(77,879)
Office equipment	(75,674)	-	-	-	(75,674)
Total accumulated depreciation	<u>(5,856,670)</u>	<u>(327,638)</u>	<u>10,100</u>	<u>-</u>	<u>(6,174,208)</u>
Total capital assets being depreciated, net	<u>6,229,268</u>	<u>375,398</u>	<u>-</u>	<u>-</u>	<u>6,604,666</u>
<b>Capital assets, net</b>	<b><u>\$ 6,997,041</u></b>	<b><u>\$ 375,398</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (703,036)</u></b>	<b><u>\$ 6,669,403</u></b>

Depreciation expense for the years ended December 31, 2023 and 2022, amounted to \$346,598 and \$327,638, respectively.

**Note 6 – Accrued Compensated Absences**

No provision was made for accrued vacation leave because the amount is minimal and would not have a material effect on the financial statements. Sick leave is not payable to an employee upon termination; therefore, it is not subject to accrual.

**MELBOURNE WATER AND SEWER DEPARTMENT**  
**(A Proprietary Fund of the City of Melbourne, Arkansas)**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

**Note 7 – Long-Term Debt and Other Noncurrent Liabilities**

A schedule of changes in the Water and Sewer Department's noncurrent liabilities for 2023 and 2022 follows:

	Balance at December 31, <u>2022</u>	<u>Additions</u>	<u>Reductions</u>	Balance at December 31, <u>2023</u>	Amount Due Within <u>One Year</u>
<b>Long-term debt:</b>					
USDA - 91-08 (1)	\$ 320,829	\$ -	\$ (19,067)	\$ 301,762	\$ 19,982
USDA - 92-04 (2)	97,647	-	(25,223)	72,424	26,512
USDA - 92-09 (3)	220,906	-	(6,738)	214,168	7,029
USDA - 92-11 (4)	664,975	-	(19,664)	645,311	20,514
USDA - 91-16 (5)	1,230,590	-	(25,106)	1,205,484	25,805
USDA - 91-17 (6)	133,453	-	(2,504)	130,949	2,586
USDA - 91-18 (7)	577,207	-	(10,619)	566,588	10,968
ANRC - 1996B	55,561	-	(2,965)	52,596	4,166
ANRC - 2002	104,323	-	(25,520)	78,803	26,707
ANRC - 289-WDF-D	27,460	-	(1,933)	25,527	2,030
ANRC - 376-WSSW-D (8)	227,490	-	(12,843)	214,647	13,486
ANRC - 01082-WDF-L (9)	23,291	-	(17,274)	6,017	6,050
ANRC - 02035-WSSW-L	-	22,521	-	22,521	-
ADFA - 01223-DWSRF-L (10)	597,216	-	(68,952)	528,264	69,380
Total long-term debt	<u>4,280,948</u>	<u>22,521</u>	<u>(238,408)</u>	<u>4,065,061</u>	<u>235,215</u>
<b>Other liabilities:</b>					
Meter deposits	75,933	13,250	(10,371)	78,812	-
<b>Total noncurrent liabilities</b>	<u>\$ 4,356,881</u>	<u>\$ 35,771</u>	<u>\$ (248,779)</u>	<u>\$ 4,143,873</u>	<u>\$ 235,215</u>



**MELBOURNE WATER AND SEWER DEPARTMENT**  
**(A Proprietary Fund of the City of Melbourne, Arkansas)**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

**Note 7 – Long-Term Debt and Other Noncurrent Liabilities (Cont.)**

	<b>Balance at December 31, 2021</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at December 31, 2022</b>	<b>Amount Due Within One Year</b>
<b>Long-term debt:</b>					
USDA - 91-08 (1)	\$ 338,990	\$ -	\$ (18,161)	\$ 320,829	\$ 19,032
USDA - 92-04 (2)	121,642	-	(23,995)	97,647	25,222
USDA - 92-09 (3)	227,364	-	(6,458)	220,906	6,738
USDA - 92-11 (4)	683,822	-	(18,847)	664,975	19,661
USDA - 91-16 (5)	1,255,016	-	(24,426)	1,230,590	25,105
USDA - 91-17 (6)	135,877	-	(2,424)	133,453	2,504
USDA - 91-18 (7)	587,487	-	(10,280)	577,207	10,618
ANRC - 1996B (8)	60,335	-	(4,774)	55,561	3,965
ANRC - 2002 (9)	128,708	-	(24,385)	104,323	25,520
ANRC - 289-WDF-D (10)	29,301	-	(1,841)	27,460	1,933
ANRC - 376-WSSW-D (11)	239,723	-	(12,233)	227,490	12,843
ANRC - 01082-WDF-L (12)	40,071	-	(16,780)	23,291	17,241
ADFA - 01223-DWSRF-L (13)	630,914	34,911	(68,609)	597,216	69,034
Total long-term debt	<u>4,479,250</u>	<u>34,911</u>	<u>(233,213)</u>	<u>4,280,948</u>	<u>239,416</u>
<b>Other liabilities:</b>					
Meter deposits	<u>73,688</u>	<u>9,814</u>	<u>(7,569)</u>	<u>75,933</u>	<u>-</u>
<b>Total noncurrent liabilities</b>	<b><u>\$ 4,552,938</u></b>	<b><u>\$ 44,725</u></b>	<b><u>\$ (240,782)</u></b>	<b><u>\$ 4,356,881</u></b>	<b><u>\$ 239,416</u></b>

The Water and Sewer Department has bonds and notes payable to USDA Rural Development, Arkansas Natural Resources Commission, and Arkansas Development Finance Authority. The funding is for the original construction of the water and sewer system and subsequent improvements. The debt is secured by the Water and Sewer Department assets and pledges of revenue. Current maturities of bonds total \$235,215.

**MELBOURNE WATER AND SEWER DEPARTMENT**  
**(A Proprietary Fund of the City of Melbourne, Arkansas)**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

**Note 7 – Long-Term Debt and Other Noncurrent Liabilities (Cont.)**

The terms and due dates of the Water and Sewer Department's long-term debt at December 31, 2023 follows:

**USDA Rural Development:**

	<b><u>91-08</u></b>	<b><u>92-04</u></b>
Original date	6/27/1996	10/3/1986
Interest rate	4.88%	5.0%
Monthly payment	\$ 2,857	\$ 2,461
Original amount	\$ 597,500	\$ 505,200
Maturity date	06/27/2036	10/31/2036

**USDA Reserves:**

Maximum required	\$ 34,284	\$ 29,532
12/31/23 balance	\$ 34,284	\$ 29,532

- (1) **U.S. Department of Agriculture** - Original Balance, \$597,500, monthly payments of \$2,857 started June 27, 1996, including 4.88% interest, maturing June 2036
- (2) **U.S. Department of Agriculture** - Original Balance, \$505,200, monthly payments of \$2,461 started October 3, 1986, including 5.00% interest, maturing October 2036

**USDA Rural Development (cont.):**

	<b><u>92-09</u></b>	<b><u>92-11</u></b>
Original date	6/7/2005	5/10/2005
Interest rate	4.25%	4.25%
Monthly payment	\$ 1,333	\$ 3,962
Original amount	\$ 300,700	\$ 894,200
Maturity date	06/07/2045	05/10/2045

**USDA Reserves (cont.):**

Maximum required	\$ 16,572	\$ 49,260
12/31/23 balance	\$ 16,572	\$ 49,260

- (3) **U.S. Department of Agriculture** - Original Balance, \$300,700, monthly payments of \$1,333 started June 7, 2005, including 4.25% interest, maturing June 2045
- (4) **U.S. Department of Agriculture** - Original Balance, \$894,200, monthly payments of \$3,962 started May 10, 2005, including 4.25% interest, maturing May 2045

**MELBOURNE WATER AND SEWER DEPARTMENT**  
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**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**Note 7 – Long-Term Debt and Other Noncurrent Liabilities (Cont.)**

**USDA Rural Development (cont.):**

	<u>91-16</u>	<u>91-17</u>	<u>91-18</u>	<u>Total</u>
Original date	5/30/2014	5/30/2014	10/23/2014	
Interest rate	2.75%	3.25%	3.25%	
Monthly payment	\$ 4,886	\$ 567	\$ 2,435	\$ 18,501
Original amount	\$ 1,400,000	\$ 150,000	\$ 644,000	\$ 4,491,600
Maturity date	5/30/2054	5/30/2054	10/23/2054	

**USDA Reserves (cont.):**

Maximum required	\$ 58,632	\$ 7,056	\$ 29,220	\$ 224,556
12/31/23 balance	\$ 55,131	\$ 6,785	\$ 26,840	\$ 218,404

- (5) **U.S. Department of Agriculture** - Original Balance, \$1,400,000, monthly payments of \$4,866 started May 30, 2014, including 2.75% interest, maturing May 2054
- (6) **U.S. Department of Agriculture** - Original Balance, \$150,000, monthly payments of \$567 started May 30, 2014, including 3.25% interest, maturing May 2054
- (7) **U.S. Department of Agriculture** - Original Balance, \$644,000, monthly payments of \$2,435 started October 23, 2014, including 4.25% interest, maturing October 2054

The Water and Sewer Department is also required to fund a short-lived asset reserve that started in 2015. As of December 31, 2023, \$218,404 is required to be on hand with funding each year until \$335,042 by 2030.

As of the years ended December 31, 2023 and 2022, the Water and Sewer Department's debt reserve and short-lived asset reserve were fully funded.

**MELBOURNE WATER AND SEWER DEPARTMENT**  
**(A Proprietary Fund of the City of Melbourne, Arkansas)**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

**Note 7 – Long-Term Debt and Other Noncurrent Liabilities (Cont.)**

**Arkansas Natural Resources Commission:**

	<u>1996B</u>	<u>2002</u>	<u>289-WDF-D</u>
Original date	12/1/1999	4/26/2002	9/1/2003
Interest rate	5.0%	5.9%	5.0%
Annual payment	\$ 6,744	\$ 30,028	\$ 3,306
Original balance	\$ 104,235	\$ 460,000	\$ 41,200
Maturity date	12/31/2033	04/26/2032	06/01/2033
	<u>376-WSSW-D</u>	<u>01082-WDF-L</u>	<u>Total</u>
Original date	6/1/2006	10/1/2016	
Interest rate	5.00%	2.75%	
Annual payment	\$ 24,218	\$ 17,882	\$ 82,178
Original balance	\$ 301,808	\$ 154,500	\$ 1,061,743
Maturity date	06/01/2035	06/01/2026	

**Arkansas Natural Resources Commission:**

Maximum required	\$ 15,450
12/31/23 balance	\$ 15,450

**Arkansas Development Finance Authority:**

	<u>01223-DWSRF-L</u>	<u>Total</u>
Original date	12/31/2020	
Interest rate	0.5%	
Annual payment	\$ 5,974	\$ 5,974
Original balance	\$ 700,000	\$ 700,000
Maturity date	01/01/2031	

- (8) **Arkansas Natural Resources Commission** - Original Balance, \$104,235, annual payment of \$6,744 started June 1, 2004, including 5% interest, maturing December 2033
- (9) **Arkansas Natural Resources Commission** - Original Balance, \$460,000, annual payment of \$30,028 started June 1, 2002, including 5.90% interest, maturing April 2032
- (10) **Arkansas Natural Resources Commission** - Original Balance, \$41,200, annual payment of \$3,306 started December, 2003, including 5% interest, maturing June 2033
- (11) **Arkansas Natural Resources Commission** - Original Balance, \$301,808, annual payment of \$24,218 started June 1, 2006, including 5.00% interest, maturing June 2035
- (12) **Arkansas Natural Resources Commission** - Original Balance, \$154,500, annual payment of \$17,882 started October 1, 2016, including 2.75% interest, maturing June 2026
- (13) **Arkansas Development Finance Authority** - Original Balance, \$700,000, annual payment of \$5,974 started December 31, 2020, including 0.5% interest, maturing January 2031

**MELBOURNE WATER AND SEWER DEPARTMENT**  
**(A Proprietary Fund of the City of Melbourne, Arkansas)**

**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**Note 7 – Long-Term Debt and Other Noncurrent Liabilities (Cont.)**

Scheduled principal and interest repayments on long-term debt at December 31, 2023, are as follows:

<u>Year Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	235,215	128,999	364,214
2025	258,975	121,544	380,519
2026	227,703	114,018	341,721
2027	190,589	107,850	298,439
2028	195,867	102,571	298,438
2029-2033	884,982	427,430	1,312,412
2034-2038	604,803	287,195	891,998
2039-2043	604,993	183,433	788,426
2044-2048	387,692	98,534	486,226
2049-2053	434,040	39,240	473,280
2054-2058	40,201	343	40,544
	<u>4,065,060</u>	<u>1,611,157</u>	<u>5,676,217</u>
<b>Total maturities</b>	<b><u>\$ 4,065,060</u></b>	<b><u>\$ 1,611,157</u></b>	<b><u>\$ 5,676,217</u></b>

**Note 8 – Retirement Plan – APERS**

The Water and Sewer Department contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing, multiple-employer, defined benefit pension plan that covers municipal employees whose municipalities have elected coverage under this system. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, 124 W. Capitol, Suite 400, Little Rock, Arkansas 72201 or by calling 1-800-682-7377.

APERS is a cost-sharing, multiple-employer, defined benefit plan which covers all State employees who are not covered by another authorized plan. The plan was established by the authority of the Arkansas General Assembly with the passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings.

The general administration and responsibility for the proper operation of the System is vested in the thirteen members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes three state and three non-state employees, all appointed by the Governor, three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Secretary of the Department of Finance and Administration, two members who retired from the system appointed by the President Pro Tempore of the State, and two members who retired from the system appointed by the Speaker of the House of Representatives.

**MELBOURNE WATER AND SEWER DEPARTMENT**  
**(A Proprietary Fund of the City of Melbourne, Arkansas)**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

**Note 8 – Retirement Plan – APERS (Cont.)**

***Benefits Provided***

Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapters 5 and 6 and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest 3-year average compensation times the member's years of service.

Members are eligible to retire with a full benefit under the following conditions:

- at age 65 with 5 years of service,
- at any age with 28 years actual service, or
- at age 55 with 35 years of credited service for elected or public safety officials.

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service or at any age with 25 years of service.

The plan also provides for disability and survivorship benefits. A cost-of-living adjustment of 3% of the current benefit is added each year.

***Contributions***

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701)(a)). Members who began service prior to July 1, 2005, are not required to make contributions to APERS. Members who began service on or after July 1, 2005, are required to contribute 5% of their salary. Beginning July 1, 2022, the member contribution rate will increase in increments of 0.25% per year until it reaches the maximum 7%. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed 15.32% of compensation for the fiscal year ended June 30, 2023. In some cases, an additional contribution is required for elected officials.

The Water and Sewer Department's contributions to APERS for the years ending December 31, 2023 and 2022, were \$28,549 and \$29,849, respectively, equal to the required contributions for the years.

***APERS Fiduciary Net Position***

Detailed information about APERS's fiduciary net position is available in the separately issued APERS Financial Report available at <http://www.apers.org/annualreports>.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions***

At December 31, 2023 and 2022, the Water and Sewer Department reported a liability of \$245,021 and \$251,332, respectively, for its proportionate share of the net pension liability.

**MELBOURNE WATER AND SEWER DEPARTMENT**  
**(A Proprietary Fund of the City of Melbourne, Arkansas)**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

**Note 8 – Retirement Plan – APERS (Cont.)**

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions (cont.)***

The collective net pension liability was measured as of June 30, 2023 and 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Each employer's proportion of the net pension liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers. As of June 30, 2023 and 2022, the Water and Sewer Department's proportion was 0.0084% and 0.0093%, respectively.

For the years ended December 31, 2023 and 2022, the Water and Sewer Department recognized pension expense of \$39,781 and \$30,091, respectively. At December 31, 2023 and 2022, the Water and Sewer Department's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>		<u>Deferred Inflows</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Difference between expected and actual experience	\$ 13,831	\$ 6,033	\$ (1,346)	\$ (3,035)
Net difference between projected and actual investment earnings on pension plan investments	30,496	53,019	-	-
Changes of assumptions	11,519	-	-	-
Changes in proportion and differences between employer contributions and share of contributions	4,236	9,427	(12,248)	-
Contributions subsequent to the measurement date	10,892	14,626	-	-
<b>Total</b>	<b><u>\$ 70,974</u></b>	<b><u>\$ 83,105</u></b>	<b><u>\$ (13,594)</u></b>	<b><u>\$ (3,035)</u></b>





**MELBOURNE WATER AND SEWER DEPARTMENT**  
**(A Proprietary Fund of the City of Melbourne, Arkansas)**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

**Note 8 – Retirement Plan – APERS (Cont.)**

All other actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period from July 1, 2017, through June 30, 2022, and were applied to all prior periods included in the measurement.

**Investment Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2021 – 2030 were based upon capital market assumptions provided by the plan's investment consultant. For each major asset class included in the plan's target asset allocation as of June 30, 2023, these best estimates are summarized in the table below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad domestic equity	37%	6.19%
International equity	24%	6.77%
Real assets	16%	3.34%
Absolute return	5%	3.36%
Domestic fixed	<u>18%</u>	1.79%
Total	<u>100%</u>	

**Discount Rate**

A single discount rate of 7.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**MELBOURNE WATER AND SEWER DEPARTMENT**  
**(A Proprietary Fund of the City of Melbourne, Arkansas)**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

**Note 8 – Retirement Plan – APERS (Cont.)**

***Sensitivity of the Net Pension Liability to Changes in the Discount Rate***

The following presents the participating employers' net pension liability, calculated using the current discount rate, as well as what the participating employers' net pension liability would be if it were calculated using a single discount rate that is 1% lower and 1% higher than the current rate:

	<b>1% Lower 6.00%</b>	<b>Discount Rate 7.00%</b>	<b>1% Higher 8.00%</b>
Net pension liability	\$ 390,541	\$ 245,021	\$ 125,126

**Note 9 – Risk Management**

The Water and Sewer Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties and participation in a public entity risk pool. The amount of settlements has not exceeded the insurance coverage for the past three years. There were no significant reductions in insurance coverage in the major categories of risk from coverage in the prior year.

The Water and Sewer Department participates in the Arkansas Municipal League Program (public entity risk pools) for coverage in the following areas:

*Workers' compensation* - this program provides statutory benefits for losses incurred by municipal officials, employees and volunteer fire fighters while performing work for the municipality. Rates for municipalities participating in this program are revised annually based on the cost experience of the particular municipality or group as determined by the workers' compensation commission.

*Municipal vehicle program* -

- A. *Liability* — this program may pay all sums the municipality legally must pay as damages because of bodily injury, death or property damage to which this agreement applies involving a covered municipal vehicle and for which the municipality is liable. The limit of payment by the program is \$25,000 for bodily injury per person, \$50,000 for bodily injury per accident and \$25,000 for property damage per accident. The Water and Sewer Department shall pay into the program each year a charge established annually by the program administrator for covered municipal vehicles and mobile equipment owned or leased by the Water and Sewer Department.
- B. *Physical damage* — this program covers vehicles and permanently attached equipment which are the property of the participating municipality. Property is valued at the full cost to repair or replace the property after deduction for depreciation. Loss amounts payable will be reduced by the deductible amount of \$1,000 per occurrence. The Water and Sewer Department agrees to pay into the program each year a service charge established annually by the program administrator for covered property.

**MELBOURNE WATER AND SEWER DEPARTMENT**  
**(A Proprietary Fund of the City of Melbourne, Arkansas)**

**Notes to Financial Statements**

**December 31, 2023 and 2022**

**Note 9 – Risk Management (Cont.)**

The Water and Sewer Department also participates in the self-insured fidelity bond program administered by the Governmental Bonding Board. This program covers actual losses sustained by the participating entity through any fraudulent or dishonest act or acts committed by any of the officials or employees, acting alone or in collusion with others, during the bond period to an amount not exceeding the lesser of \$300,000 or the amount of the bond. Premiums for coverage are determined by the state risk manager and approved by the board. These premiums are paid by the state treasurer from funds withheld from the municipal aid fund. There is a \$2,500 deductible per occurrence.

**Note 10 – Budgets and Budgetary Accounting**

The Water and Sewer Department prepares and submits a budget for the subsequent year to the City Council of the City of Melbourne, Arkansas, prior to December 31 of the current year for approval. The budget is prepared on a basis other than GAAP; therefore, the actual amounts in the budgetary comparison, included as supplementary information, are presented on the same non-GAAP basis.

**Note 11 – Subsequent Events**

Management has evaluated subsequent events through August 9, 2024, the date on which the financial statements were available to be issued. No events were noted which would require recognition or disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**MELBOURNE WATER AND SEWER DEPARTMENT**  
**(A Proprietary Fund of the City of Melbourne, Arkansas)**

**Schedule of Water and Sewer Department's Proportionate Share  
of the Net Pension Liability  
Last Eight State Fiscal Years**

	June 30, <u>2023</u>	June 30, <u>2022</u>	June 30, <u>2021</u>	June 30, <u>2020</u>	June 30, <u>2019</u>	June 30, <u>2018</u>	June 30, <u>2017</u>	June 30, <u>2016</u>
Water and Sewer Department's portion of the net pension liability (asset)	0.0084%	0.0093%	0.0091%	0.0088%	0.0086%	0.0084%	0.0159%	0.0159%
	\$ 245,021	\$ 251,332	\$ 70,244	\$ 251,093	\$ 208,333	\$ 184,456	\$ 232,819	\$ 218,875
Water and Sewer Department's proportionate share of the net pension liability (asset)	\$ 186,354	\$ 194,839	\$ 182,447	\$ 171,090	\$ 165,268	\$ 156,615	\$ 162,382	\$ 165,843
Water and Sewer Department's covered-employee payroll	131.48%	128.99%	38.50%	146.76%	126.06%	117.78%	143.38%	131.98%
Water and Sewer Department's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	77.94%	78.31%	93.57%	75.38%	78.55%	79.59%	75.65%	75.50%
Plan fiduciary net position as a percentage of the total pension liability								

Ten years worth of data will be presented as it is available.

**MELBOURNE WATER AND SEWER DEPARTMENT**  
**(A Proprietary Fund of the City of Melbourne, Arkansas)**  
**Schedule of Water and Sewer Department Contributions**  
**Last Eight State Fiscal Years**

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Contractually required contributions	\$ 28,549	\$ 29,849	\$ 27,951	\$ 26,211	\$ 25,319	\$ 23,101	\$ 23,545	\$ 24,047
Contributions in relation to the contractually required contribution	<u>(28,549)</u>	<u>(29,849)</u>	<u>(27,951)</u>	<u>(26,211)</u>	<u>(25,319)</u>	<u>(23,101)</u>	<u>(23,545)</u>	<u>(24,047)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Water and Sewer Department's covered-employee payroll	\$ 186,354	\$ 194,839	\$ 182,447	\$ 171,090	\$ 165,268	\$ 156,615	\$ 162,382	\$ 165,843
Contributions as a percentage of covered-employee payroll	15.32%	15.32%	15.32%	15.32%	15.32%	14.75%	14.50%	14.50%

Ten years worth of data will be presented as it is available.

**SUPPLEMENTARY INFORMATION**

**MELBOURNE WATER AND SEWER DEPARTMENT**  
**(A Proprietary Fund of the City of Melbourne, Arkansas)**  
**Statement of Revenues and Expenses- Budget and Actual**  
**(Non-GAAP Budgetary Basis)**  
**For the Year Ended December 31, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Anticipated revenues</b>			
Water revenue	\$ 830,000	\$ 869,095	\$ 39,095
Sewer revenue	200,000	200,201	201
Miscellaneous customer fees	147,500	80,286	(67,214)
Interest income	40	634	594
Other revenue	25,000	81,285	56,285
Available fund balance	51,610	-	(51,610)
<b>Total anticipated revenues</b>	<u>1,254,150</u>	<u>1,231,501</u>	<u>(22,649)</u>
<b>Proposed disbursements</b>			
Salaries	203,000	175,624	27,376
Payroll taxes and benefits	65,750	68,888	(3,138)
Tools and supplies	180,000	101,647	78,353
Truck expense	15,000	10,047	4,953
Insurance expense	9,300	8,479	821
Repairs and maintenance	46,500	161,152	(114,652)
Legal and auditing	11,000	-	11,000
Utilities	100,000	94,240	5,760
Telephone	14,000	13,550	450
Office supplies and postage	13,500	35,379	(21,879)
Lab and testing fees	23,000	23,803	(803)
Contributions to reserve accounts	57,600	-	57,600
Bad debts	500	(21,034)	21,534
Contract labor	-	3,500	(3,500)
Miscellaneous expense	35,000	7,930	27,070
Debt service	412,000	373,225	38,775
Equipment	68,000	-	68,000
<b>Total proposed disbursements</b>	<u>1,254,150</u>	<u>1,056,430</u>	<u>197,720</u>
	<u>\$ -</u>	<u>\$ 175,071</u>	<u>\$ 175,071</u>



**MELBOURNE WATER AND SEWER DEPARTMENT**  
**(A Proprietary Fund of the City of Melbourne, Arkansas)**  
**Statement of Revenues and Expenses- Budget and Actual**  
**(Non-GAAP Budgetary Basis)**  
**For the Year Ended December 31, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Anticipated revenues</b>			
Water revenue	\$ 685,000	\$ 712,491	\$ 27,491
Sewer revenue	203,000	197,134	(5,866)
Miscellaneous customer fees	95,050	75,299	(19,751)
Interest income	50	827	777
Other revenue	50,000	45,519	(4,481)
Available fund balance	59,900	-	(59,900)
<b>Total anticipated revenues</b>	<u>1,093,000</u>	<u>1,031,270</u>	<u>(61,730)</u>
<b>Proposed disbursements</b>			
Salaries	198,500	192,921	5,579
Payroll taxes and benefits	61,100	55,544	5,556
Tools and supplies	87,000	107,619	(20,619)
Truck expense	10,000	13,283	(3,283)
Insurance expense	8,800	7,364	1,436
Repairs and maintenance	53,300	124,625	(71,325)
Legal and auditing	8,500	10,000	(1,500)
Utilities	94,000	100,798	(6,798)
Telephone	14,000	13,188	812
Office supplies and postage	13,300	32,631	(19,331)
Lab and testing fees	26,000	42,417	(16,417)
Contributions to reserve accounts	57,600	57,600	-
Bad debts	500	6,892	(6,392)
Contract labor	-	4,388	(4,388)
Miscellaneous expense	30,400	27,912	2,488
Debt service	402,000	372,798	29,202
Equipment	28,000	-	28,000
<b>Total proposed disbursements</b>	<u>1,093,000</u>	<u>1,169,980</u>	<u>(76,980)</u>
	<u>\$ -</u>	<u>\$ (138,710)</u>	<u>\$ (138,710)</u>

**MELBOURNE WATER AND SEWER DEPARTMENT**  
**(A Proprietary Fund of the City of Melbourne, Arkansas)**  
**Schedule of Users and Consumption**  
**For the Year Ended December 31, 2023**

<u>Month</u>	<u>Consumption (In Gallons)</u>	<u>Active Users</u>
January	8,818,385	2,032
February	8,417,023	2,026
March	6,752,241	2,040
April	6,868,664	2,052
May	9,788,743	2,050
June	10,043,320	2,056
July	10,602,111	2,060
August	12,035,801	2,064
September	9,139,745	2,065
October	8,262,940	2,076
November	8,617,347	2,075
December	7,170,834	1,869
<b>Total consumption</b>	<b>106,517,154</b>	<b>24,465</b>
<b>Monthly averages</b>	<b>8,876,430</b>	<b>2,039</b>

**MELBOURNE WATER AND SEWER DEPARTMENT**  
**(A Proprietary Fund of the City of Melbourne, Arkansas)**  
**Schedule of Users and Consumption**  
**For the Year Ended December 31, 2022**

<u>Month</u>	<u>Consumption (In Gallons)</u>	<u>Active Users</u>
January	8,641,501	2032
February	6,698,580	2031
March	9,440,729	2019
April	8,945,274	2019
May	13,559,618	2012
June	13,613,606	2021
July	9,386,783	2007
August	8,213,299	1991
September	6,399,322	1981
October	7,861,762	1991
November	9,124,723	1992
December	8,040,137	1982
<b>Total consumption</b>	<b><u>109,925,334</u></b>	
<b>Monthly averages</b>	<b><u>9,160,445</u></b>	<b><u>2,007</u></b>

**MELBOURNE WATER AND SEWER DEPARTMENT**  
**(A Proprietary Fund of the City of Melbourne, Arkansas)**

**Schedule of Current Usage Rates**  
**For the Year Ended December 31, 2023**

**City Water Rates**

First 1,000 gallons	\$2.50 (minimum)
Next 1,000 gallons	\$2.50 per 1,000 gallons
Next 8,000 gallons	\$3.00 per 1,000 gallons
Over 10,000 gallons	\$2.50 per 100 gallons

**Rural Water Rates**

First 1,000 gallons	\$37.00 (minimum)
Next 1,000 gallons	\$3.00 per 1,000 gallons
Next 8,000 gallons	\$3.50 per 1,000 gallons
Over 10,000 gallons	\$3.00 per 1,000 gallons

**Sewer Rates**

First 1,000 gallons	\$10.08 (minimum)
All over 1,000 gallons	\$2.10 per 1,000 gallons

**Water Meter Deposits**

Home owners	\$100.00
Renters	\$150.00

**New Water Connections Fees**

<u>3/4" Meter</u>	<u>1" Meter</u>	<u>1 1/2" Meter</u>	<u>2" Meter</u>
City - \$1,185.00		Call for Price	
Rural - \$1,260.00			

**New Sewer Connection Fees**

\$250.00 – gravity flow
\$350.00 – pressure line

Water and sewer bills due the 15<sup>th</sup> of each month  
 Past due balances will be due the 1<sup>st</sup> of the following month or services will be disconnected.  
 Collecting fee \$50.00  
 Vacation service fee \$30.00

Trash pick-up is provided by Melbourne Sanitation Service and billed on the water bill at \$15.00 per month with a 4 bag or 2 can limit per week (any questions on trash pick-up call 870-368-3316 or 501-993-2113).

**MELBOURNE WATER AND SEWER DEPARTMENT**  
**(A Proprietary Fund of the City of Melbourne, Arkansas)**  
**Schedule of Current Usage Rates**  
**For the Year Ended December 31, 2022**

**City Water Rates**

First 1,000 gallons	\$19.10 (minimum)
Next 1,000 gallons	\$2.15 per 1,000 gallons
Next 8,000 gallons	\$2.65 per 1,000 gallons
Over 10,000 gallons	\$2.15 per 100 gallons

**Rural Water Rates**

First 1,000 gallons	\$27.55 (minimum)
Next 1,000 gallons	\$2.75 per 1,000 gallons
Next 8,000 gallons	\$3.30 per 1,000 gallons
Over 10,000 gallons	\$2.75 per 1,000 gallons

**Sewer Rates**

First 1,000 gallons	\$10.08 (minimum)
All over 1,000 gallons	\$2.10 per 1,000 gallons

**Water Meter Deposits**

Home owners	\$100.00
Renters	\$150.00

**New Water Connections Fees**

<u>3/4" Meter</u>	<u>1" Meter</u>	<u>1 1/2" Meter</u>	<u>2" Meter</u>
City - \$1185.00		Call for Price	
Rural - \$1260.00			

**New Sewer Connection Fees**

\$250.00 – gravity flow
\$350.00 – pressure line

Water and sewer bills due the 15<sup>th</sup> of each month  
 Past due balances will be due the 1<sup>st</sup> of the following month or services will be disconnected.  
 Collecting fee \$50.00  
 Vacation service fee \$30.00

Trash pick-up is provided by Melbourne Sanitation Service and billed on the water bill at \$15.00 per month with a 4 bag or 2 can limit per week.

**MELBOURNE WATER AND SEWER DEPARTMENT**  
**(A Proprietary Fund of the City of Melbourne, Arkansas)**  
**Schedule of Insurance in Force**  
**December 31, 2023**

<u>Property Coverage</u>	<u>Coverage</u>	<u>Premium</u>
<b>Arkansas Municipal League Account # 02510</b>		
Policy period 04/01/23 - 04/01/24		
Knob Creek pump station	\$ 23,185	\$ 6,796
Main pump station and equipment	57,964	
Water pump station - Hwy 9 North	57,964	
Generator at waste water plant	112,551	
Waste water plant and contents	231,855	
Water pump house	92,742	
Pump house and well # 3 - Hwy 9 South	86,946	
Ground storage tank	115,927	
Well waterhouse # 4	231,855	
Pump station	311,845	
Main sewer lift station	86,946	
Well # 5 - wellhouse/equipment	463,710	
Tank - Violet Hill	521,673	
Shop	218,545	
Policy period: 02/26/23 - 02/25/24		
Vehicles	Various	\$ 1,599
 <u>Fidelity Bond Coverage</u>		
<b>Arkansas Insurance Department Bond FBTF10</b>		
Policy period 01/01/23 - 12/31/23		
All elected, appointed, or hired employees	\$ 300,000	

**MELBOURNE WATER AND SEWER DEPARTMENT**  
**(A Proprietary Fund of the City of Melbourne, Arkansas)**  
**Schedule of Insurance in Force**  
**December 31, 2022**

<u>Property Coverage</u>	<u>Coverage</u>	<u>Premium</u>
<b>Arkansas Municipal League Account # 02510</b>		
Policy period 04/01/22 - 04/01/23		
Knob Creek pump station	\$ 22,510	\$ 6,344
Main pump station and equipment	56,275	
Water pump station - Hwy 9 North	56,275	
Generator at waste water plant	109,273	
Waste water plant and contents	225,102	
Water pump house	90,041	
Pump house and well # 3 - Hwy 9 South	84,413	
Ground storage tank	112,551	
Well waterhouse # 4	225,102	
Pump station	302,762	
Main sewer lift station	84,413	
Well # 5 - wellhouse/equipment	450,204	
Tank - Violet Hill	506,479	
Shop	212,180	
Policy period: 02/26/22 - 02/25/23		
Vehicles	Various	\$ 1,947
 <u>Fidelity Bond Coverage</u>		
<b>Arkansas Insurance Department Bond FBTF10</b>		
Policy period 01/01/22 - 12/31/22		
All elected, appointed, or hired employees	\$ 300,000	

**MELBOURNE WATER AND SEWER DEPARTMENT**  
**(A Proprietary Fund of the City of Melbourne, Arkansas)**  
**Schedules of City Officials**  
**December 31, 2023 and 2022**

**December 31, 2023**

Mayor:	Mike Cone
Recorder/Treasurer:	Alecia Bray
Council Members:	Nina Wright
	Danny Vest
	Laura Sipe
	Ronald D. Treat
	Jerry Crosby
	Lee Melton
	Shane Linn
	Ty Woodall

**December 31, 2022**

Mayor:	Rhonda Halbrook
Recorder/Treasurer:	Alecia Bray
Council Members:	Nina Wright
	Jerry Crosby
	Laura Sipe
	Gary Teague
	Ronnie Treat
	Ty Woodall
	Mike Cone
	Lee Melton





## Welch, Couch & Company, PA Certified Public Accountants

John Ed Welch, CPA | William T. Couch, Jr., CPA  
Jeff D. Welch, CPA, JD | Rachel M. Pennywitt, CPA  
M. Garrett McSpadden, CPA

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Members of American Institute of Certified Public Accountants

### INDEPENDENT AUDITOR'S 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*

Mayor Mike Cone and Members of the City Council  
Melbourne Water and Sewer Department  
Melbourne, 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 Melbourne Water and Sewer Department, a proprietary fund of the City of Melbourne, Arkansas, as of and for the year ended December 31, 2023, and the related notes to financial statements, which collectively comprise the Melbourne Water and Sewer Department's basic financial statements, and have issued our report thereon dated August 9, 2024.

#### Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Melbourne Water and Sewer Department'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Melbourne Water and Sewer Department's internal control. Accordingly, we do not express an opinion on the effectiveness of Melbourne Water and Sewer Department'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 Water and Sewer Department'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, 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 did identify certain deficiencies in internal control, described in the accompanying schedule of findings and management responses as items #2023-01 and #2023-02, that we consider to be significant deficiencies.

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**Salem:** PO Box 647 | Salem, AR 72576 | P: 870.895.3212 | F: 870.895.2998

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**Little Rock:** 1501 N. University, Suite 268 | Little Rock, AR 72207 | P: 501.468.0089 | F: 501.557.3929

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Melbourne Water and Sewer Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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*.

## Melbourne Water and Sewer Department's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on Melbourne Water and Sewer Department's response to the findings identified in our audit and described in the accompanying schedule of findings and management responses. The Melbourne Water and Sewer Department's response was not subject to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## 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 Water and Sewer Department'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 Water and Sewer Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Welch, Couch & Company, PA*  
**Welch, Couch & Company, PA**  
Certified Public Accountants

Batesville, Arkansas  
August 9, 2024

**MELBOURNE WATER AND SEWER DEPARTMENT**  
**(A Proprietary Fund of the City of Melbourne, Arkansas)**  
**Schedule of Findings and Management Responses**  
**For the Year Ended December 31, 2023**

**Financial Statement Findings**

***Significant Deficiencies:***

**2023-01 – Segregation of Duties**

***Condition:*** Due to the limited number of personnel, there is a general lack of segregation of accounting duties. Melbourne Water and Sewer Department personnel have access to or physical custody of assets and perform accounting functions which may not be compatible from a control perspective.

***Criteria:*** Internal controls should be in place to eliminate the incompatible functions of authorization, physical custody of assets and recording of transactions.

***Cause:*** There is a small number of people responsible for the financial transactions of the Water and Sewer Department.

***Effect:*** Inadequate segregation of duties could allow errors or irregularities in the accounting records to go undetected for extended periods of time.

***Recommendation:*** Such activities should be split between employees to the greatest extent possible in order to separate incompatible duties.

***Management response:*** The Melbourne Water and Sewer Department will continue to segregate internal control functions to the greatest extent possible. However, it is not feasible from a cost/benefit standpoint to hire additional personnel in order to obtain greater segregation of duties.

**2023-02 – Material Adjustments**

***Condition:*** During our audit, we made material adjustments to the financial statement to properly record fixed assets, long-term debt.

***Criteria:*** Policies and procedures should be in place to make all routine entries to the financial statements.

***Cause:*** Note payments were reported as an expense and, in turn, did not release the liability. In addition, fixed assets and accounts payable were not updated throughout the year.

***Effect:*** Failure to post transactions properly to the statement of net position may cause the financial statements to be materially misstated.

**MELBOURNE WATER AND SEWER DEPARTMENT**  
**(A Proprietary Fund of the City of Melbourne, Arkansas)**  
**Schedule of Findings and Management Responses (Cont.)**  
**For the Year Ended December 31, 2023**

**Financial Statement Findings (Cont.)**

***Significant Deficiencies (cont.):***

**2023-02 – Material Adjustments (cont.)**

***Recommendation:*** We recommend that the Water clerk make monthly entries to post accrual basis adjustments.

***Management response:*** The Melbourne Water and Sewer Department will develop procedures that will ensure all routine entries are made.