



Financial Statements and Supplemental Schedules

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

Financial Statements

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Independent Auditors' Report

The Board of Directors
City Corporation:

Opinion

We have audited the accompanying financial statements of the City of Russellville, Arkansas Water and Sewer System which comprise the statements of net position as of June 30, 2022 and 2021, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of City of Russellville, Arkansas Water and Sewer System, as of June 30, 2022 and 2021, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 City of Russellville, Arkansas Water and Sewer System and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 City of Russellville, Arkansas Water and Sewer System's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 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, including omissions, 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, 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 City of Russellville, Arkansas Water and Sewer System's internal control. Accordingly, no such opinion is expressed.
- * Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- * Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Russellville, Arkansas Water and Sewer System's ability to continue as a going concern for a reasonable period of time.

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

November 10, 2022

Shoptaw, Hubert & Company, P.A.

RUSSELLVILLE WATER AND SEWER SYSTEM

Statements of Net Position

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets:		
Cash	\$ 23,357,419	23,021,735
Restricted cash	<u>10,030,376</u>	<u>24,522,390</u>
Total cash	33,387,795	47,544,125
Accounts receivable, less allowance for doubtful accounts of \$7,922 (\$7,900 in 2021)	1,637,806	1,349,229
Materials and supplies, at cost	563,082	427,160
Property, plant, and equipment, net	152,632,019	138,617,274
Other assets	43,204	74,171
Deferred outflow of financial resources:		
Deferred bond refunding cost	<u>4,244,647</u>	<u>4,608,875</u>
Total assets	<u>192,508,553</u>	<u>192,620,834</u>
Liabilities:		
Accounts payable	318,267	319,221
Other payables	435,863	370,892
Customer deposits	719,781	740,113
Accrued interest	942,267	963,195
Long-term liabilities:		
Due within one year	2,970,000	2,255,000
Due in more than one year	70,375,000	73,345,000
Unamortized premium on bonds	<u>405,066</u>	<u>439,658</u>
Total liabilities	<u>76,166,244</u>	<u>78,433,079</u>
Net position:		
Net investment in capital assets	77,939,687	66,223,296
Restricted for construction and debt service	11,215,602	26,032,083
Unrestricted	<u>27,187,020</u>	<u>21,932,376</u>
Total net position	<u>\$ 116,342,309</u>	<u>114,187,755</u>

RUSSELLVILLE WATER AND SEWER SYSTEM

Statements of Revenues, Expenses and Changes in Net Position

Years ended June 30, 2022 and 2021

	2022	2021
Operating revenues:		
Water sales, net	\$ 7,481,695	7,070,639
Sewer service	10,393,470	9,720,290
Connection fees and other revenue	482,031	435,479
Total operating revenues	<u>18,357,196</u>	<u>17,226,408</u>
Operating expenses:		
Depreciation and amortization	5,173,462	4,776,756
Salaries	3,503,410	3,447,621
Employee benefits	1,115,302	1,037,853
Materials and supplies	403,971	347,776
Maintenance - outside services	1,455,193	1,177,095
Office supplies and postage	46,609	42,744
Communication services	221,672	230,466
Transportation costs	228,472	166,763
Professional fees	256,304	264,339
Training	35,253	19,001
Computer	141,082	130,856
Lab and treatment	1,170,268	1,101,924
Insurance	160,876	120,242
Bad debts	5,253	5,443
Power purchased	922,838	858,180
Miscellaneous	197,079	173,663
Total operating expense	<u>15,037,044</u>	<u>13,900,722</u>
Income from operations	<u>3,320,152</u>	<u>3,325,686</u>
Other income:		
Interest income	278,966	238,996
Miscellaneous	24,665	21,681
Total other income	<u>303,631</u>	<u>260,677</u>
Other expenses:		
Interest expense	2,214,078	1,796,511
Total other expenses	<u>2,214,078</u>	<u>1,796,511</u>
Net income	1,409,705	1,789,852
Net position, beginning of year	114,187,755	110,197,732
Contributions in aid of construction	246,923	185,439
Proceeds from sales tax for construction	497,926	2,014,732
Net position, end of year	<u>\$ 116,342,309</u>	<u>114,187,755</u>

RUSSELLVILLE WATER AND SEWER SYSTEM

Statements of Cash Flows

Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Cash received from customers	\$ 18,068,619	17,169,815
Cash payments to suppliers for goods and services	(6,401,109)	(5,651,158)
Cash payments to employees for services	(3,503,410)	(3,447,621)
Other revenue collected	<u>24,665</u>	<u>21,681</u>
Net cash provided by operating activities	<u>8,188,765</u>	<u>8,092,717</u>
Cash flows from non-capital financing activities:		
Increase in customer deposits	<u>(20,332)</u>	<u>13,434</u>
Net cash provided by non-capital financing activities	<u>(20,332)</u>	<u>13,434</u>
Cash flows from capital and related financing activities:		
Purchase of utility plant	(18,945,784)	(16,394,500)
Bonds repaid and refunded	(1,890,772)	(48,168,875)
Proceeds from issuance of bonds	-	52,230,000
Proceeds from sales tax for construction	497,926	2,014,733
Interest paid	(2,269,599)	(2,792,345)
Contribution received	<u>4,500</u>	<u>1,500</u>
Net cash used by capital and related financing activities	<u>(22,603,729)</u>	<u>(13,109,487)</u>
Cash flows from investing activities:		
Interest received	<u>278,966</u>	<u>238,996</u>
Net cash provided by investing activities	<u>278,966</u>	<u>238,996</u>
Decrease in cash	(14,156,330)	(4,764,340)
Cash on hand and in bank, beginning of year	<u>47,544,125</u>	<u>52,308,465</u>
Cash on hand and in bank, end of year	<u>\$ 33,387,795</u>	<u>47,544,125</u>

RUSSELLVILLE WATER AND SEWER SYSTEM

Statements of Cash Flows, Continued

Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Reconciliation of income from operations to cash provided by operating activities:		
Income from operations	\$ 3,320,152	3,325,686
Adjustments to reconcile income from operations to cash provided by operating activities:		
Depreciation	5,173,462	4,776,756
Other income	24,666	21,681
Increase in accounts receivable	(288,577)	(26,920)
Decrease (increase) in materials and supplies	(135,922)	43,334
Increase (decrease) in accounts payable and accrued expenses	64,018	(51,163)
Decrease in other assets	30,966	3,343
Total adjustments	<u>4,868,613</u>	<u>4,767,031</u>
Net cash provided by operating activities	<u>\$ 8,188,765</u>	<u>8,092,717</u>
Detail of cash on hand and in banks:		
Operating and depreciation funds	\$ 23,357,419	23,021,735
Restricted funds:		
Construction funds	5,914,697	21,102,611
Bond funds	4,115,679	3,419,779
Total restricted funds	<u>10,030,376</u>	<u>24,522,390</u>
Total cash on hand and in banks	<u>\$ 33,387,795</u>	<u>47,544,125</u>

RUSSELLVILLE WATER AND SEWER SYSTEM

Notes to Financial Statements

June 30, 2022 and 2021

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Nature of Operations

The Russellville Water and Sewer System (the System) is owned by the City of Russellville and is leased to City Corporation, a nonprofit corporation formed for the purpose of operating the System. The term of the lease is for five years with provision for an annual extension of one year. For years beginning in 2012, the Board of Directors of City Corporation and the Russellville City Council have agreed that each body will adopt a resolution agreeing to the annual lease extension and each body did so for the fiscal year beginning July 1, 2022.

(b) 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. Actual results could differ from those estimates.

(c) Property, Plant, and Equipment

Property, plant, and equipment additions are recorded at cost. Depreciation of the cost of property, plant, and equipment is calculated on a straight-line basis over the estimated useful lives of the assets. Maintenance and repairs are charged to expense as incurred.

(d) Income Taxes

City Corporation, the lessee of the Water and Sewer System, is exempt from income taxes under IRS Code Section 501(c)(4). The annual report filed by City Corporation in the years ended June 30, 2020, 2021 and 2022 is subject to review by the Internal Revenue Service.

(e) Regulatory Environment

Any rate increase must be authorized by the City Corporation Board of Directors and approved by the Russellville City Council. The quality of water furnished to customers is subject to the requirements of the Environmental Protection Agency under the Safe Drinking Water Act, and the Arkansas Department of Health. The quality of water emitted from the pollution control facility is regulated by the Environmental Protection Agency, the Arkansas Department of Environmental Quality and the Arkansas Department of Health.

RUSSELLVILLE WATER AND SEWER SYSTEM

Notes to Financial Statements, Continued

The value of water and sewer extensions constructed by developers and customers for which the Water and Sewer System assumes the ownership of and responsibility for is recorded as a contribution in aid of construction.

(f) Cash

For the purpose of the statements of cash flows, the Water and Sewer System considers cash to be cash on hand and in banks.

(g) Accounts Receivable

Accounts receivable arise from the sale of water, providing waste water services and billing for sanitation services for the City of Russellville. An estimate is made of uncollectible accounts based on age analysis of accounts and results of collection efforts. Accounts deemed as uncollectible after collection efforts and the offset of any customer deposits are charged to the allowance for uncollectible accounts.

(2) PROPERTY, PLANT, AND EQUIPMENT

The components of property, plant, and equipment as of June 30, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>	<u>Estimated Useful Life in Years</u>
Land	\$ 1,254,067	1,234,934	-
Buildings	10,352,442	10,148,022	10-40
Equipment	8,419,359	7,088,019	7-10
Transportation equipment	2,458,848	1,944,332	3-10
Water system	90,108,254	81,408,924	20-50
Sewer system	96,711,868	85,451,369	25-50
Construction work in progress	18,436,214	21,277,244	-
	<u>227,741,052</u>	<u>208,552,844</u>	
Less accumulated depreciation	<u>75,109,033</u>	<u>69,935,570</u>	
	<u>\$ 152,632,019</u>	<u>138,617,274</u>	

RUSSELLVILLE WATER AND SEWER SYSTEM

Notes to Financial Statements, Continued

(3) EMPLOYEE RETIREMENT PLAN

City Corporation has a noncontributory defined contribution employee benefit plan covering substantially all employees. Contributions to the plan are determined solely at the discretion of the Board of Directors of City Corporation. During 2022 and 2021, the Water and Sewer System contributed \$280,267 and \$265,089, respectively, to the plan.

(4) NONCASH TRANSACTIONS

The Water and Sewer System received noncash contributions in the form of completed water and sewer extensions in 2022 and 2021 in the amount of \$242,423 and \$183,939, respectively.

(5) OPERATING EXPENSE REIMBURSEMENT

The Water and Sewer System is reimbursed for direct operating, maintenance, and replacement costs connected with the operation of a sewage pretreatment facility as set forth in an agreement between ConAgra and the City of Russellville. Reimbursement amounted to \$1,555,085 in 2022 and \$1,385,730 in 2021.

(6) OPERATING REVENUES

Details of water sales and sewer service included in operating revenues in the accompanying statements of operations are as follows:

	<u>2022</u>	<u>2021</u>
Water sales:		
Residential	\$ 3,249,129	3,065,107
Commercial	1,095,098	1,033,173
Industrial	1,661,619	1,578,706
Public authorities	382,228	339,118
Municipal / wholesale	<u>1,093,621</u>	<u>1,054,535</u>
	<u>\$ 7,481,695</u>	<u>7,070,639</u>
Sewer service:		
Customer billing	8,838,385	8,334,560
ConAgra contract	<u>1,555,085</u>	<u>1,385,730</u>
	<u>\$10,393,470</u>	<u>9,720,290</u>

RUSSELLVILLE WATER AND SEWER SYSTEM

Notes to Financial Statements, Continued

(7) CITY OF RUSSELLVILLE, ARKANSAS WATER AND SEWER REVENUE BONDS

Long-term bonds payable collateralized by pledge of water and sewer revenue consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
City of Russellville, Arkansas Water and Sewer Revenue Bonds, Series 2018. The bonds are payable in semi-annual installments including interest from 3% to 4% with the final payment due July 1, 2043.	\$22,750,000	23,370,000
City of Russellville, Arkansas Water and Sewer Revenue Bonds, Series 2020A. The bonds are payable in semi-annual installments including interest from 1.5% to 2% with the final payment due July 1, 2040.	5,950,000	6,205,000
City of Russellville, Arkansas Water and Sewer Revenue Bonds, Series 2020B. The bonds are payable in semi-annual installments including interest from .425% to 2.816% with the final payment due July 1, 2040.	44,645,000	46,025,000
Total bonds payable	73,345,000	75,600,000
Amount due within one year	2,970,000	2,255,000
Amount due in more than one year	<u>\$70,375,000</u>	<u>73,345,000</u>

In connection with the above bond issues, the Water and Sewer System is obligated to make monthly transfers to the trustee of the bond funds. Payments of the semiannual interest payment and the annual principal payments on the issues are made from respective bond funds. The City is also obligated to maintain rates charged for services from the System in order that the net annual revenue (excluding depreciation, interest, and amortization) will always be at least 110% of the maximum annual debt service for all of the outstanding bonds or any other bonds that might be issued.

The 2018 Revenue Bond was issued at a premium which is being amortized over the life of the issue using the interest method. The unamortized amount of the premium was \$405,066 and \$439,658 at June 30, 2022 and 2021, respectively.

The 2020B Refunding Revenue Bond incurred a refunding cost to be amortized over the life of the bond. The unamortized deferred refunding cost was \$4,244,647 and \$4,608,875 at June 30, 2022 and 2021, respectively.

RUSSELLVILLE WATER AND SEWER SYSTEM

Notes to Financial Statements, Continued

A summary of the principal maturities and interest requirements for the five years succeeding June 30, 2022 is shown below:

Year ending June 30	Principal Requirement	Interest Requiremen	Total
2023	\$ 2,970,000	1,860,683	4,830,683
2024	3,015,000	1,817,404	4,832,404
2025	3,055,000	1,768,682	4,823,682
2026	3,115,000	1,707,830	4,822,830
2027	3,180,000	1,644,787	4,824,787

(8) CONCENTRATION OF CREDIT RISK

The Water and Sewer System maintains certain of its cash accounts in financial institutions in which the balances of these accounts exceed the amount insured by the Federal Deposit Insurance Corporation. At June 30, 2022, the financial institutions have pledged securities to provide protection for any amounts not covered by deposit insurance.

(9) WATER SUPPLY AGREEMENT

City Corporation and the Tri County Water Distribution District (the District) entered a water supply agreement in 2007 which provided for the sale of water to the District by City Corporation. This agreement was revised effective January 1, 2021 to provide for changing needs of the District and to establish a revised rate schedule for the water sales. The contract provides for City Corporation to make available up to 3 million gallons of water per day to the District, but also allows for change in the volume. The rate established per thousand gallons is \$1.80 in 2021 with provisions made for annual adjustments. The agreement is for 30 years beginning in 2021. Water sales to the District amounted to \$1,004,922 in 2022 and \$978,263 in 2021.

(10) SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 10, 2022, which is the date the financial statements were available to be issued.

RUSSELLVILLE WATER AND SEWER SYSTEM

Notes to Financial Statements, Continued

(11) SALES TAX COLLECTIONS

In 2013, the citizens of the City of Russellville voted to extend a city sales tax that was expiring at the end of 2013 with the proceeds of the extended tax to be dedicated to certain uses. Part of the proceeds of the tax is to be used for improvement to the water and sewer system. During the years ended June 30, 2022 and 2021, \$497,926 and \$2,014,733, respectively, was paid to the System and is reported in the accompanying financial statements as a contribution to the net position of the System.

(12) GLOBAL PANDEMIC

In 2020, and continuing in 2022, a pandemic has broken out which has had major health and economic implications to all entities. Management continues to consider measures to mitigate associated risks to the system's operations and relations with customers.

RUSSELLVILLE WATER AND SEWER SYSTEM

Combining Statement of Net Position

June 30, 2022

	Water	Sewer	Combined
Assets:			
Cash	\$ 23,357,319	100	23,357,419
Restricted cash	9,499,967	530,409	10,030,376
Total cash	32,857,286	530,509	33,387,795
Accounts receivable	1,185,256	452,550	1,637,806
Materials and supplies	503,025	60,057	563,082
Property, plant and equipment	104,001,808	123,739,244	227,741,052
Accumulated depreciation	(40,439,889)	(34,669,144)	(75,109,033)
Net property, plant and equipment	63,561,919	89,070,100	152,632,019
Deferred outflows of financial resources:			
Deferred bond refunding cost	4,244,647	-	4,244,647
Other assets	5,877	37,327	43,204
Total assets	102,358,010	90,150,543	192,508,553
Liabilities:			
Accounts payable	318,267	-	318,267
Other payables	306,917	128,946	435,863
Customer deposits	719,781	-	719,781
Accrued interest	942,267	-	942,267
Long-term liabilities:			
Due within one year	2,970,000	-	2,970,000
Due in more than one year	70,375,000	-	70,375,000
Unamortized premium on bonds	405,066	-	405,066
Total liabilities	76,037,298	128,946	76,166,244
Net assets:			
Net invested in capital assets	(11,130,413)	89,070,100	77,939,687
Restricted for construction and debt service	11,215,602	-	11,215,602
Unrestricted	26,235,523	951,497	27,187,020
Total net position	\$ 26,320,712	90,021,597	116,342,309

RUSSELLVILLE WATER AND SEWER SYSTEM

Combining Statement of Net Position

June 30, 2021

	Water	Sewer	Combined
Assets:			
Cash	\$ 23,021,635	100	23,021,735
Restricted cash	23,998,545	523,845	24,522,390
Total cash	47,020,180	523,945	47,544,125
Accounts receivable	934,640	414,589	1,349,229
Materials and supplies	379,754	47,406	427,160
Property, plant and equipment	100,879,145	107,673,699	208,552,844
Accumulated depreciation	(37,802,155)	(32,133,415)	(69,935,570)
Net property, plant and equipment	63,076,990	75,540,284	138,617,274
Deferred outflows of financial resources:			
Deferred bond refunding cost	4,608,875	-	4,608,875
Other assets	20,337	53,834	74,171
Total assets	116,040,776	76,580,058	192,620,834
Liabilities:			
Accounts payable	319,221	-	319,221
Other payables	254,749	116,143	370,892
Customer deposits	740,113	-	740,113
Accrued interest	963,195	-	963,195
Long-term liabilities:			
Due within one year	2,255,000	-	2,255,000
Due in more than one year	73,345,000	-	73,345,000
Unamortized premium on bonds	439,658	-	439,658
Total liabilities	78,316,936	116,143	78,433,079
Net assets:			
Net invested in capital assets	(9,316,988)	75,540,284	66,223,296
Restricted for construction and debt service	26,032,083	-	26,032,083
Unrestricted	21,008,743	923,633	21,932,376
Total net position	\$ 37,723,838	76,463,917	114,187,755

RUSSELLVILLE WATER AND SEWER SYSTEM

Combining Statement of Revenues and Expenses

Year ended June 30, 2022

	Water	Sewer	Conagra	Combined
Operating revenues:				
Water sales	\$ 7,481,695	-	-	7,481,695
Sewer service	-	8,838,385	1,555,085	10,393,470
Connection fees and other revenue	459,014	23,017	-	482,031
Total operating revenues	<u>7,940,709</u>	<u>8,861,402</u>	<u>1,555,085</u>	<u>18,357,196</u>
Operating expenses:				
Depreciation and amortization	2,637,733	2,535,729	-	5,173,462
Salaries	1,575,625	1,542,230	385,555	3,503,410
Employee benefits	489,292	490,904	135,106	1,115,302
Materials and supplies	220,503	129,435	54,033	403,971
Maintenance - outside services	627,082	253,459	574,652	1,455,193
Office supplies and postage	20,815	25,320	474	46,609
Communication services	105,456	110,152	6,064	221,672
Transportation costs	105,223	118,454	4,795	228,472
Professional fees	109,293	146,811	200	256,304
Training	18,201	16,794	258	35,253
Computer	68,434	68,111	4,537	141,082
Lab and treatment	342,078	547,177	281,013	1,170,268
Insurance	92,627	55,671	12,578	160,876
Bad debts	5,253	-	-	5,253
Power purchased	364,286	462,732	95,820	922,838
Miscellaneous	87,968	109,111	-	197,079
Total operating expenses	<u>6,869,869</u>	<u>6,612,090</u>	<u>1,555,085</u>	<u>15,037,044</u>
Income from operations	<u>1,070,840</u>	<u>2,249,312</u>	<u>-</u>	<u>3,320,152</u>
Non-operating revenue:				
Interest income	140,129	138,837	-	278,966
Other	24,665	-	-	24,665
Total non-operating revenue	<u>164,794</u>	<u>138,837</u>	<u>-</u>	<u>303,631</u>
Non-operating expenses:				
Interest expense	<u>1,107,021</u>	<u>1,107,057</u>	<u>-</u>	<u>2,214,078</u>
Total non-operating expense	<u>1,107,021</u>	<u>1,107,057</u>	<u>-</u>	<u>2,214,078</u>
Net income	<u>\$ 128,613</u>	<u>1,281,092</u>	<u>-</u>	<u>1,409,705</u>

RUSSELLVILLE WATER AND SEWER SYSTEM

Combining Statement of Revenues and Expenses

Year ended June 30, 2021

	Water	Sewer	Conagra	Combined
Operating revenues:				
Water sales	\$ 7,070,639	-	-	7,070,639
Sewer service	-	8,334,560	1,385,730	9,720,290
Connection fees and other revenue	420,673	14,806	-	435,479
Total operating revenues	<u>7,491,312</u>	<u>8,349,366</u>	<u>1,385,730</u>	<u>17,226,408</u>
Operating expenses:				
Depreciation and amortization	2,468,072	2,308,684	-	4,776,756
Salaries	1,645,651	1,416,629	385,341	3,447,621
Employee benefits	490,165	464,151	83,538	1,037,854
Materials and supplies	173,206	128,325	46,245	347,776
Maintenance - outside services	499,932	217,943	459,219	1,177,094
Office supplies and postage	19,866	21,976	902	42,744
Communication services	109,085	115,094	6,287	230,466
Transportation costs	83,628	78,700	4,435	166,763
Professional fees	91,163	172,956	220	264,339
Training	13,032	5,678	291	19,001
Computer	65,056	62,546	3,254	130,856
Lab and treatment	291,412	501,549	308,963	1,101,924
Insurance	71,559	36,702	11,981	120,242
Bad debts	5,443	-	-	5,443
Power purchased	354,838	428,293	75,049	858,180
Miscellaneous	82,796	90,862	5	173,663
Total operating expenses	<u>6,464,904</u>	<u>6,050,088</u>	<u>1,385,730</u>	<u>13,900,722</u>
Income from operations	<u>1,026,408</u>	<u>2,299,278</u>	<u>-</u>	<u>3,325,686</u>
Non-operating revenue:				
Interest income	119,904	119,092	-	238,996
Other	21,681	-	-	21,681
Total non-operating revenue	<u>141,585</u>	<u>119,092</u>	<u>-</u>	<u>260,677</u>
Non-operating expenses:				
Interest expense	903,244	893,267	-	1,796,511
Total non-operating expense	<u>903,244</u>	<u>893,267</u>	<u>-</u>	<u>1,796,511</u>
Net income	<u>\$ 264,749</u>	<u>1,525,103</u>	<u>-</u>	<u>1,789,852</u>

RUSSELLVILLE WATER AND SEWER SYSTEM

Combining Statement of Functional Operating Expenses

Year ended June 30, 2022

	Water	Sewer	Combined
Operating expenses:			
Supply	\$ 234,107	-	234,107
Pumping	297,250	289,382	586,632
Treatment	1,371,743	2,874,807	4,246,550
Transmission and distribution	152,509	-	152,509
Maintenance	842,556	-	842,556
Collection	-	677,310	677,310
Customer account	487,893	677,815	1,165,708
Administrative and general	835,072	1,053,945	1,889,017
Pretreatment	-	126	126
Depreciation and amortization	2,637,734	2,535,729	5,173,463
Total operating expenses	<u>\$ 6,858,864</u>	<u>8,109,114</u>	<u>14,967,978</u>
Depreciation by certain departments:			
Distribution Mains - 500 system	\$ 78,037	-	78,037
Bayou Ridge	5,461	-	5,461
Huckleberry Impoundment	384,306	-	384,306
Huckleberry Dam Repair	3,158	-	3,158
Water Treatment Plant	455,359	-	455,359
Weir Road Tank	38,664	-	38,664
Other System Assets	1,672,749	2,535,729	4,208,478
Total depreciation	<u>\$ 2,637,734</u>	<u>2,535,729</u>	<u>5,173,463</u>

RUSSELLVILLE WATER AND SEWER SYSTEM

Combining Statement of Functional Operating Expenses

Year ended June 30, 2021

	Water	Sewer	Combined
Operating expenses:			
Supply	\$ 216,973	-	216,973
Pumping	342,019	287,895	629,914
Treatment	1,226,635	2,529,969	3,756,604
Transmission and distribution	148,756	-	148,756
Maintenance	779,450	-	779,450
Collection	-	593,861	593,861
Customer account	485,360	664,802	1,150,162
Administrative and general	797,639	942,279	1,739,918
Pretreatment	-	108,328	108,328
Depreciation and amortization	<u>2,468,072</u>	<u>2,308,684</u>	<u>4,776,756</u>
Total operating expenses	<u>\$ 6,464,904</u>	<u>7,435,818</u>	<u>13,900,722</u>
Depreciation by certain departments:			
Distribution Mains - 500 system	\$ 78,037	-	78,037
Bayou Ridge	5,461	-	5,461
Huckleberry Impoundment	384,306	-	384,306
Huckleberry Dam Repair	3,158	-	3,158
Water Treatment Plant	455,496	-	455,496
Weir Road Tank	38,664	-	38,664
Other System Assets	<u>1,502,950</u>	<u>2,308,684</u>	<u>3,811,634</u>
Total depreciation	<u>\$ 2,468,072</u>	<u>2,308,684</u>	<u>4,776,756</u>

RUSSELLVILLE WATER AND SEWER SYSTEM

Combining Statement of Functional Operating Expenses

Year ended June 30, 2021

	Water	Sewer	Combined
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Weir Road Tank	38,664	-	38,664
Other System Assets	<u>1,502,950</u>	<u>2,308,684</u>	<u>3,811,634</u>
Total depreciation	<u>\$ 2,468,072</u>	<u>2,308,684</u>	<u>4,776,756</u>

RUSSELLVILLE WATER AND SEWER SYSTEM

Required Disclosures for Water and Sewer Bonds

Water use (in thousands of gallons):

<u>Year Ended</u> <u>June 30</u>	<u>Average</u> <u>Daily Use</u>	<u>Maximum</u> <u>Daily Use</u>	<u>Annual</u> <u>Water Use</u>
2018	7,189	10,292	2,625,379
2019	7,104	10,503	2,537,424
2020	6,946	9,978	2,517,361
2021	7,201	9,759	2,603,066
2022	7,510	11,233	2,703,529

Average water users by category:

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Wholesale</u>	<u>Public</u>	<u>Municipal</u>	<u>Total</u>
2018	10,447	1,548	43	1	47	2	12,088
2019	10,545	1,547	43	1	49	2	12,187
2020	10,618	1,564	43	1	49	2	12,277
2021	10,714	1,562	43	1	50	2	12,371
2022	10,781	1,567	43	1	49	2	12,443

Average sewer users by category:

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Public</u>	<u>Total</u>
2018	9,516	1,285	37	42	10,880
2019	9,610	1,287	37	42	10,976
2020	9,692	1,300	37	43	11,072
2021	9,786	1,298	37	44	11,165
2022	9,849	1,302	37	43	11,231

The five largest users of the System for fiscal 2022 were:

1. Tri-County Water Distribution District
2. ConAgra Foods
3. Arkansas Tech University
4. Dover Water and Sewer
5. Tyson Foods