



Financial Statements and Supplemental Schedules

June 30, 2023 and 2022

(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, 2023 and 2022, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of the City of Russellville, Arkansas Water and Sewer System, as of June 30, 2023 and 2022, 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.

Emphasis of Matter

As described more fully in note 12 to the financial statements, City Corporation applied for and received refundable Employee Retention Credits authorized in Federal legislation for eligible employers. The credits may be subject to audit by the Internal Revenue Service and could result in claims for repayment of the Credits received. Our opinion is not modified with respect to this matter.

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 financial statements, management is required to evaluate whether there are conditions or events, considering in the aggregate, that raise substantial doubt about City of Russellville, Arkansas Water and Sewage 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 judgment, 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.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Russellville, Arkansas Water and Sewer System's basic financial statements. The supplemental information, included in schedules 1-5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

October 31, 2023

Shoptaw, Labrela & Gungor, P.A.

RUSSELLVILLE WATER AND SEWER SYSTEM

Statements of Net Position

June 30, 2023 and 2022

	2023	2022
Assets:		
Cash	\$ 22,739,492	23,357,419
Restricted cash	7,922,416	10,030,376
Total cash	30,661,908	33,387,795
Accounts receivable, less allowance for doubtful accounts of \$7,928 (\$7,922 in 2022)	1,354,452	1,637,806
Materials and supplies, at cost	741,524	563,082
Property, plant, and equipment, net	156,408,910	152,632,019
Other assets	109,438	43,204
Deferred outflow of financial resources:		
Deferred bond refunding cost	3,884,503	4,244,647
Total assets	193,160,735	192,508,553
Liabilities:		
Accounts payable	340,981	318,267
Other payables	435,337	435,863
Customer deposits	725,262	719,781
Accrued interest	918,568	942,267
Insurance proceeds	954,642	-
Long-term liabilities:		
Due within one year	3,015,000	2,970,000
Due in more than one year	67,360,000	70,375,000
Unamortized premium on bonds	371,728	405,066
Total liabilities	74,121,518	76,166,244
Net position:		
Net investment in capital assets	88,628,118	77,939,687
Restricted for construction and debt service	9,172,586	11,215,602
Unrestricted	21,238,512	27,187,020
Total net position	\$ 119,039,216	116,342,309

RUSSELLVILLE WATER AND SEWER SYSTEM

Statements of Revenues, Expenses and Changes in Net Position

Years ended June 30, 2023 and 2022

	2023	2022
Operating revenues:		
Water sales, net	\$ 7,849,347	7,481,695
Sewer service	8,808,561	10,393,470
Connection fees and other revenue	521,551	482,031
Total operating revenues	<u>17,179,459</u>	<u>18,357,196</u>
Operating expenses:		
Depreciation and amortization	5,507,189	5,173,462
Salaries	3,537,885	3,503,410
Employee benefits	1,058,393	1,115,302
Materials and supplies	465,040	403,971
Maintenance - outside services	1,114,255	1,455,193
Office supplies and postage	51,122	46,609
Communication services	202,656	221,672
Transportation costs	231,262	228,472
Professional fees	362,924	256,304
Training	34,690	35,253
Computer	179,307	141,082
Lab and treatment	972,444	1,170,268
Insurance	138,028	160,876
Bad debts	8,254	5,253
Power purchased	909,351	922,838
Miscellaneous	259,717	197,079
Total operating expense	<u>15,032,517</u>	<u>15,037,044</u>
Income from operations	<u>2,146,942</u>	<u>3,320,152</u>
Other income:		
Interest income	1,152,233	278,966
Employee Retention Credit	1,244,501	-
Miscellaneous	120,144	24,665
Total other income	<u>2,516,878</u>	<u>303,631</u>
Other expenses:		
Interest expense	2,163,790	2,214,078
Total other expenses	<u>2,163,790</u>	<u>2,214,078</u>
Net income	2,500,030	1,409,705
Net position, beginning of year	116,342,309	114,187,755
Contributions in aid of construction	196,877	246,923
Proceeds from sales tax for construction	-	497,926
Net position, end of year	<u>\$ 119,039,216</u>	<u>116,342,309</u>

RUSSELLVILLE WATER AND SEWER SYSTEM

Statements of Cash Flows

Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Cash received from customers	\$ 17,462,813	18,068,619
Cash payments to suppliers for goods and services	(6,407,648)	(6,401,109)
Cash payments to employees for services	(3,537,760)	(3,503,410)
Employee Retention Program	1,244,501	-
Other revenue collected	<u>1,272,377</u>	<u>24,665</u>
Net cash provided by operating activities	<u>10,034,283</u>	<u>8,188,765</u>
Cash flows from non-capital financing activities:		
Increase (decrease) in customer deposits	<u>5,481</u>	<u>(20,332)</u>
Net cash provided (used) by non-capital financing ac	<u>5,481</u>	<u>(20,332)</u>
Cash flows from capital and related financing activities:		
Purchase of utility plant	(9,088,703)	(18,945,784)
Bonds repaid and refunded	(2,220,825)	(1,890,772)
Proceeds from sales tax for construction	-	497,926
Interest paid	(2,220,825)	(2,269,599)
Contribution received	<u>1,500</u>	<u>4,500</u>
Net cash used by capital and related financing activities	<u>(13,917,884)</u>	<u>(22,603,729)</u>
Cash flows from investing activities:		
Interest received	<u>1,152,233</u>	<u>278,966</u>
Net cash provided by investing activities	<u>1,152,233</u>	<u>278,966</u>
Decrease in cash	(2,725,887)	(14,156,330)
Cash on hand and in bank, beginning of year	<u>33,387,795</u>	<u>47,544,125</u>
Cash on hand and in bank, end of year	<u>\$ 30,661,908</u>	<u>33,387,795</u>

RUSSELLVILLE WATER AND SEWER SYSTEM

Statements of Cash Flows, Continued

Years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of income from operations to cash provided by operating activities:		
Income from operations	\$ 2,146,942	3,320,152
Adjustments to reconcile income from operations to cash provided by operating activities:		
Depreciation	5,507,189	5,173,462
Other income	1,364,645	24,666
Decrease (increase) in accounts receivable	283,354	(288,577)
Increase in materials and supplies	(178,443)	(135,922)
Increase in accounts payable and accrued expenses	22,188	64,018
Insurance proceeds received	954,642	-
(Increase) in other assets	(66,234)	30,966
Total adjustments	<u>7,887,341</u>	<u>4,868,613</u>
Net cash provided by operating activities	<u>\$ 10,034,283</u>	<u>8,188,765</u>
Detail of cash on hand and in banks:		
Operating and depreciation funds	\$ 22,739,492	\$23,357,419
Restricted funds:		
Construction funds	3,716,129	5,914,697
Bond funds	<u>4,206,287</u>	<u>4,115,679</u>
Total restricted funds	<u>7,922,416</u>	<u>10,030,376</u>
Total cash on hand and in banks	<u>\$ 30,661,908</u>	<u>33,387,795</u>

RUSSELLVILLE WATER AND SEWER SYSTEM

Notes to Financial Statements

June 30, 2023 and 2022

(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, 2023.

(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, 2021, 2022 and 2023 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, 2023 and 2022, are as follows:

	<u>2023</u>	<u>2022</u>	<u>Estimated Useful Life in Years</u>
Land	\$ 1,368,939	1,254,067	-
Buildings	10,430,456	10,352,442	10-40
Equipment	8,630,457	8,419,359	7-10
Transportation equipment	2,526,459	2,458,848	3-10
Water system	90,579,742	90,108,254	20-50
Sewer system	117,022,303	96,711,868	25-50
Construction work in progress	6,375,410	18,436,214	-
	<u>236,933,766</u>	<u>227,741,052</u>	
Less accumulated depreciation	<u>80,524,856</u>	<u>75,109,033</u>	
	<u>\$ 156,408,910</u>	<u>152,632,019</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 2023 and 2022, the Water and Sewer System contributed \$288,925 and \$280,267, 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 2023 and 2022 in the amount of \$195,378 and \$242,423, respectively.

(5) OPERATING EXPENSE REIMBURSEMENT

The Water and Sewer System has been 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 \$8,458 in 2023 and \$1,555,085 in 2022. On May 31, 2022, the contract was terminated by mutual agreement.

(6) OPERATING REVENUES

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

	2023	2022
Water sales:		
Residential	\$ 3,366,454	3,249,129
Commercial	1,121,714	1,095,098
Industrial	1,748,201	1,661,619
Public authorities	448,786	382,228
Municipal / wholesale	1,164,192	1,093,621
	<u>\$ 7,849,347</u>	<u>7,481,695</u>
Sewer service:		
Customer billing	8,800,103	8,838,385
ConAgra contract	8,458	1,555,085
	<u>\$ 8,808,561</u>	<u>10,393,470</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, 2023 and 2022:

	2023	2022
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.	\$22,100,000	22,750,000
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.	5,690,000	5,950,000
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.	42,585,000	44,645,000
Total bonds payable	70,375,000	73,345,000
Amount due within one year	3,015,000	2,970,000
Amount due in more than one year	<u>\$67,360,000</u>	<u>70,375,000</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 \$368,917 and \$405,066 at June 30, 2023 and 2022, 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 \$3,857,013 and \$4,244,647 at June 30, 2023 and 2022, 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, 2023 is shown below:

Year ending June 30	Principal Requirement	Interest Requirement	Total
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
2028	3,250,000	1,579,056	4,829,056

(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, 2023, 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 \$1,072,481 in 2023 and \$1,004,922 in 2022.

(10) SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 31, 2023, 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 year ended June 30, 2022, \$497,926 was paid to the System and is reported in the accompanying financial statements as a contribution to the net position of the System.

(12) EMPLOYEE RETENTION CREDIT

City Corporation as lessee and manager of the Russellville Water and Sewer System engaged a consulting firm to prepare amended payroll tax reports for the fourth quarter of 2020 and the first, second and third quarters of 2021 to claim employee retention credits. The employee retention credits were authorized by the Coronavirus Aid, Relief and Economic Security (CARES) Act in 2020 and subsequently extended and enhanced by the American Rescue Plan Act (ARPA). City Corporation received credits totaling \$1,525,220 including interest. The consulting firm was paid a contingent fee of \$280,719. The net amount received, \$1,244,501, is included in the accompanying statement of revenues, expenses and changes in net position for the year ended June 30, 2023. The credit received is subject to audit by the Internal Revenue Service and the potential for a claim for a return of the credit exists.

(13) INSURANCE PROCEEDS

In July, 2022, the maintenanc/C&D building was severely damaged in a structure fire. After extended negotiations with the insurance carrier, the System has received insurance proceeds totaling \$1,030,893 for damage to the building and its contents. The System has expended \$76,251 in repairs and clean up efforts as of June 30, 2023. The unexpended proceeds of \$954,642 will be used in the future replacement of the building and contents.

RUSSELLVILLE WATER AND SEWER SYSTEM

Combining Statement of Net Position

June 30, 2023

	Water	Sewer	Combined
Assets:			
Cash	\$ 22,739,392	100	22,739,492
Restricted cash	7,378,747	543,669	7,922,416
Total cash	30,118,139	543,769	30,661,908
Accounts receivable	984,842	369,610	1,354,452
Materials and supplies	637,352	104,172	741,524
Property, plant and equipment	106,205,815	130,727,951	236,933,766
Accumulated depreciation	(43,228,499)	(37,296,357)	(80,524,856)
Net property, plant and equipment	62,977,316	93,431,594	156,408,910
Deferred outflows of financial resources:			
Deferred bond refunding cost	3,884,503	-	3,884,503
Other assets	51,227	58,211	109,438
Total assets	98,653,379	94,507,356	193,160,735
Liabilities:			
Accounts payable	340,981	-	340,981
Other payables	267,609	167,728	435,337
Customer deposits	725,262	-	725,262
Accrued interest	918,568	-	918,568
Insurance proceeds	954,642	-	954,642
Long-term liabilities:			
Due within one year	3,015,000	-	3,015,000
Due in more than one year	67,360,000	-	67,360,000
Unamortized premium on bonds	371,728	-	371,728
Total liabilities	73,953,790	167,728	74,121,518
Net assets:			
Net invested in capital assets	(4,803,476)	93,431,594	88,628,118
Restricted for construction and debt service	9,172,586	-	9,172,586
Unrestricted	20,330,478	908,034	21,238,512
Total net position	\$ 24,699,588	94,339,628	119,039,216

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	<u>32,857,286</u>	<u>530,509</u>	<u>33,387,795</u>
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	<u>(40,439,889)</u>	<u>(34,669,144)</u>	<u>(75,109,033)</u>
Net property, plant and equipment	<u>63,561,919</u>	<u>89,070,100</u>	<u>152,632,019</u>
Deferred outflows of financial resources:			
Deferred bond refunding cost	4,244,647	-	4,244,647
Other assets	<u>5,877</u>	<u>37,327</u>	<u>43,204</u>
Total assets	<u>102,358,010</u>	<u>90,150,543</u>	<u>192,508,553</u>
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	<u>405,066</u>	<u>-</u>	<u>405,066</u>
Total liabilities	<u>76,037,298</u>	<u>128,946</u>	<u>76,166,244</u>
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	<u>26,235,523</u>	<u>951,497</u>	<u>27,187,020</u>
Total net position	<u>\$ 26,320,712</u>	<u>90,021,597</u>	<u>116,342,309</u>

RUSSELLVILLE WATER AND SEWER SYSTEM

Combining Statement of Revenues and Expenses

Year ended June 30, 2023

	Water	Sewer	ConAgra	Combined
Operating revenues:				
Water sales	\$ 7,849,347	-	-	7,849,347
Sewer service	-	8,800,103	8,458	8,808,561
Connection fees and other revenue	505,036	16,515	-	521,551
Total operating revenues	<u>8,354,383</u>	<u>8,816,618</u>	<u>8,458</u>	<u>17,179,459</u>
Operating expenses:				
Depreciation and amortization	2,843,992	2,663,197	-	5,507,189
Salaries	1,815,630	1,714,931	7,324	3,537,885
Employee benefits	527,623	529,636	1,134	1,058,393
Materials and supplies	282,238	182,802	-	465,040
Maintenance - outside services	847,825	266,430	-	1,114,255
Office supplies and postage	25,056	26,066	-	51,122
Communication services	99,391	103,265	-	202,656
Transportation costs	107,663	123,599	-	231,262
Professional fees	189,967	172,957	-	362,924
Training	18,296	16,394	-	34,690
Computer	90,942	88,365	-	179,307
Lab and treatment	493,067	479,377	-	972,444
Insurance	76,303	61,725	-	138,028
Bad debts	8,254	-	-	8,254
Power purchased	433,094	476,257	-	909,351
Miscellaneous	118,996	140,721	-	259,717
Total operating expenses	<u>7,978,337</u>	<u>7,045,722</u>	<u>8,458</u>	<u>15,032,517</u>
Income from operations	<u>376,046</u>	<u>1,770,896</u>	<u>-</u>	<u>2,146,942</u>
Non-operating revenue:				
Interest income	574,669	577,564	-	1,152,233
Employee Retention Credit	1,244,501	-	-	1,244,501
Other	120,144	-	-	120,144
Total non-operating revenue	<u>1,939,314</u>	<u>577,564</u>	<u>-</u>	<u>2,516,878</u>
Non-operating expenses:				
Interest expense	1,081,895	1,081,895	-	2,163,790
Total non-operating expense	<u>1,081,895</u>	<u>1,081,895</u>	<u>-</u>	<u>2,163,790</u>
Net income	<u>\$ 1,233,465</u>	<u>1,266,565</u>	<u>-</u>	<u>2,500,030</u>

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	1,107,021	1,107,057	-	2,214,078
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

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>
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
2023	7,640	11,560	2,759,645

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>
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
2023	10,798	1,584	44	1	49	2	12,478

Average sewer users by category:

<u>Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Public</u>	<u>Total</u>
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
2023	9,876	1,318	38	43	11,275

The five largest users of the System for fiscal 2023 were:

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