



ANNUAL COMPREHENSIVE FINANCIAL REPORT

Safe • Abundant • Dependable • High-Quality • Low-Cost Water

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019



ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Years Ended December 31, 2020 & 2019

Prepared by the Central Arkansas Water Finance Department
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Central Arkansas Water

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April 15, 2021

To the Board of Commissioners and Our Customers:

We are pleased to present the Annual Comprehensive Financial Report (ACFR) of Central Arkansas Water (CAW or the Utility) for the years ended December 31, 2020 and 2019.

We believe the report presented is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position, the changes in financial position, and cash flows of the Utility; and that all disclosures necessary to enable the public to gain the maximum understanding of the Utility's financial activity have been included. Additionally, the Financial Section of this report includes a detailed discussion and analysis by management of the Utility's financial performance for the years ended December 31, 2020 and 2019. See Management's Discussion and Analysis, beginning on page 24. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Utility.

Maintaining an adequate internal control structure is critical to the success of CAW. Properly implemented internal controls reasonably ensure reliable financial reporting, effective and efficient operations, and compliance with applicable laws and regulations. These controls also safeguard assets and assist with the accomplishment of the Utility's goals and objectives. The maintenance of the internal control structure is the responsibility of the Utility.

There are inherent limitations to internal controls, however. The first is perhaps the most recognized; the cost of an internal control should not exceed the related benefit. Cost-benefit analyses are crucial to the success of a business and as such, are performed on proposed internal controls. Management override and risk of collusion are other inherent limitations to internal controls that must be considered in the maintenance and evaluation of the internal control structure.

The ACFR follows the guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA).

THE REPORTING ENTITY

In 1936, the City of Little Rock purchased the water facilities serving the south side of the Arkansas River. The City of North Little Rock purchased the water facilities serving its corporate boundaries and rural customers in 1959. Following the acquisitions by the respective cities, the municipalities appointed separate governing boards to oversee operations, planning, and expansion of Little Rock Municipal Water Works and the North Little Rock Water Department. On March 5, 2001, city and water officials signed a Water Utilities Consolidation Agreement. On July 1, 2001, Little Rock Municipal Water Works

and the North Little Rock Water Department officially merged operations under the governance of a single entity, Central Arkansas Water. On March 1, 2016, Maumelle Water Management (MWM) became part of CAW through a merger that added 7,500 customers in the city of Maumelle. On June 1, 2020, Paron-Owensville Water Authority (POWA) became part of CAW through a merger that added 1,000 customers in eastern Saline County.

The Utility remains under public ownership. A seven-member Board of Commissioners governs the Utility and I, as Chief Executive Officer, oversee day-to-day operations and administration. The Utility's organizational structure includes seven departments: Administration, Information Services, Customer Service, Finance, Engineering, Water Production, and Distribution.

The Utility collects, stores, treats, and distributes water for a population of approximately 500,000 in central Arkansas. The major components of the system are two raw water supplies, Lake Winona and Lake Maumelle; a regulating and storage facility, Jackson Reservoir; three treatment facilities, Jack H. Wilson Treatment Plant (Wilson Plant), Ozark Point Treatment Plant (Ozark Point Plant), and Paron Treatment Plant (POWA Plant); approximately 2,633 miles of public pipeline; 35 remote booster pumping stations; and 39 remote storage facilities. As of December 31, 2020, the Utility provides water service to approximately 700 square miles and approximately 141,000 active customer accounts.

MAJOR INITIATIVES AND ACCOMPLISHMENTS IN 2020

The year 2020 was an unprecedented year for not only CAW but the world. The coronavirus disease (COVID-19) brought society as we know it to a halt. In March 2020, COVID-19 was declared a pandemic, with schools, restaurants, and many other businesses closing to prevent the disease's spread. The decision was quickly made to suspend customer shutoffs to ensure CAW customers would still be able to receive needed water during the global crisis. In response to this decision and to the immediate need of being able to work from home, employees from all departments worked to keep CAW focused on its mission of delivering high-quality water and dependable service that exceed customer expectations. More details on these efforts are contained in each department's initiatives and accomplishments, which begin on the next page.

CAW continued with another part of its mission, protecting and ensuring a long-term water supply for future generations, in 2020, by acquiring additional water rights in Greers Ferry Lake. In April, CAW agreed to a second allocation agreement with the Mid-Arkansas Water Alliance to secure 1.2 million gallons a day (MGD) of water storage. CAW was one of 13 central Arkansas water systems to participate in this agreement.

The third component of the CAW mission, serving as responsible stewards of public health, Utility resources, and the environment, was met in 2020 with the issuance of the 2020 Series C bond in November 2020. This bond was certified under the Climate Bonds Initiative (CBI) water infrastructure criteria and was the first of its kind to finance the acquisition and protection of forests as part of watershed management. This bond provided funding for both environmental (green) and infrastructure (gray) projects.

As mentioned above in The Reporting Entity section, POWA consolidated with CAW in June 2020. This was a sizable undertaking with staff from multiple departments assisting with the consolidation, combining POWA operations with CAW standards and processes, and making needed repairs and

improvements to the system. Departmental efforts are noted in the following pages under the applicable department's initiatives and accomplishments.

Two new positions were added to CAW in 2020—Special Advisor to the CEO on Diversity, Equity, Inclusion, and Engagement and Sustainability Manager. Tamika Edwards was hired as the Special Advisor in August, and Linda Smith was hired as the Sustainability Manager in November, and both immediately made impacts in areas important to the Utility.

Administration

Despite the unexpected challenges in 2020, CAW remained adaptable, committed to its workforce, and maintained the highest level of service to their customers.

CAW's turnover for 2020 was 10%, with a five-year average of 8.5%. Both statistics are significantly lower than the national average for state and local government of 18.7% in 2019 and 20% for the five-year average (2015–2019). These statistics are provided through the Bureau of Labor Statistics (BLS).

CAW's 2020 Cost of Benefits as a percent of total compensation (wages + benefits) was 37.5% and was closely aligned with the BLS national average of 38% for state and local government workers.

Employee engagement is formally measured on a three-year cycle. In 2020, CAW conducted an employee engagement survey via the Society for Human Resource Management (SHRM). Results show that CAW employees had an engagement score of 4.08 on a five-point scale. Employee satisfaction with CAW was at 88%, while employee job satisfaction was 92%, and 90% reported that they were not actively looking for another job. These results were very similar to results seen in 2017, were significantly higher than national benchmarks and suggested that CAW, even in a year of global distress, maintained an engaged workforce.

The Public Affairs and Communications section encompasses the communications and public policy functional areas of the Utility. This section allows CAW to take a more holistic approach to managing relationships with both external and internal audiences and ensures that all interactions with the Utility provide an exceptional experience that exceeds expectations.

The Public Affairs and Communications Department reached almost 600,000 online accounts across CAW's five social media platforms in 2020 – a 6% increase over the prior year – and acquired a collective following of 90,000 people, a 15% increase over prior year. The Utility uses multiple social media platforms, including Facebook, Twitter, Instagram, LinkedIn and Nextdoor, to help showcase CAW's workplace culture. CAW increased its industry exposure through feature articles in multiple publications and acquired numerous media mentions throughout the year, most notably articles on CAW's introduction of Vessel, the nation's first leak-detection dog.

Throughout 2020, Public Affairs and Communications issued over 30 press releases and gave spokesperson interviews regarding Utility activities for media outlets in central Arkansas. Public Affairs and Communications also continued to support positive internal morale as well as an informed workforce through the REACH video bulletin board system at every CAW facility. These display boards allow the sharing of real-time information with employees at duty stations to keep them informed and to celebrate staff and Utility accomplishments.

During 2020, CAW held its sixth Citizens Water Academy to educate our stakeholders and communities. The Citizens Water Academy provides an opportunity for citizens to learn about CAW and how we produce the highest quality drinking water possible. This year, due to the COVID-19 pandemic, the academy was a virtual event, with more than 1,000 views or impressions on social media.

CAW continued its Power of Water professional development summer program for elementary and high school science teachers, which began in 2017. In 2020, the program was a hybrid live/virtual event, with more than 40 teachers participating. CAW also grew its partnership with the Cabot School District, introducing the “Science with Jane” video series for students who were completing the school year virtually. These videos, hosted by CAW Education and Outreach Specialist Jane Hurley, offered unique water-based science lessons.

During 2020, Public Affairs and Communications continued its highly rated campaign to promote Vessel as the nation’s first water leak detection canine. CAW was also named a “Utility of the Future Today” by the Water Research Foundation for its education program and was named the North Little Rock Chamber of Commerce Large Business of the Year for 2020 for its continued work in the community.

The Utility continued to have strong stakeholder involvement and heightened consumer interest in public-policy initiatives and the development of strategies to address various issues and challenges. In addition to embracing stakeholder input on various projects related to strategic planning, watershed protection and resource utilization, the Utility took a proactive approach to media relations for several key activities in 2020. These activities included education programs, tours, special events, television appearances, and public service involvement. Despite the pandemic restrictions, CAW continued to engage community members and provide educational opportunities throughout the year.

The Utility continued to market and promote enrollment in paperless billing and use of improved online account management features. At the end of 2020, approximately 13% of the Utility’s customers were enrolled in paperless billing, which supports the Utility’s sustainability initiatives and reduces expense.

Due to COVID-19 and social distancing guidelines, in-person safety training was greatly impacted at CAW. EHS continued to train mainly new employees regarding Utility safety policies and procedures but placed a greater emphasis on field activities. EHS provided 80 training sessions that equaled 2,150 training hours for employees in 2020. In addition, the EHS section emphasized personal safety outside the classroom by conducting seven facility inspections and 301 field inspections.

Information Services (IS)

The IS department manages and maintains devices and systems, provides appropriate support services, ensures availability 24 hours per day, and supplies security for data maintained on the various systems. The department also researches, evaluates, and implements emerging technologies and approaches to improve technological automation of the Utility and translates these investments into increased efficiency and productivity for all areas of operations.

In 2020, the process continued for the consolidation of CAW and POWA. The Geographic Information System (GIS) section requested Pulaski Area GIS (PAgis) to create the basemap layers (building polygons, address points, street centerlines, etc.) for this area since it falls outside of Pulaski County. PAgis did this work under a contract with CAW and provided the basemap data to the GIS section. While the basemap was being created, the Field Data Collector as well as Distribution staff, used a Global Positioning System

(GPS) to collect water features (hydrants, valves, and meters) in the POWA system. Since the basemap was not completed yet, the GIS section provided updateable map documents on laptops with approximate feature locations, as well as provided ArcGIS Online maps to be used on iPad devices for field personnel. Once the basemap was finished and provided, and with the use of the newly collected GPS points, the GIS editors were able to place water mains and other features in the production GIS system.

Staff added the POWA facilities to the CAW security system and updated on-site security elements, including inside and outside cameras, card readers on doors, and door sensors. POWA will be added to CAW wide area network (WAN) through leased fiber lines through AT&T in 2021. The fiber gives staff full control over the POWA system from Little Rock. The current POWA billing software will be used until the accounts are converted to the Cayenta billing system.

The COVID-19 pandemic presented a challenge in that most of the CAW workforce worked at a CAW facility. In a short period, department staff found every working laptop that could be found and ordered an additional thirty laptops, which had a four-week wait time for delivery. The CAW Call Center employees were first in line, and IS staff worked the first weekend to ensure that Customer Service Representatives (CSRs) could answer calls while working from home. Once CSRs were set to work from home, IS staff proceeded to ensure that other departments' staff could continue to perform job duties, despite not being able to work at a CAW facility. IS staff determined that Microsoft Teams, which is part of the Microsoft Office 365 Suite, could be used for communication between CAW staff members and to conduct meetings virtually so CAW could function as usual.

With the end-of-life for the current meter reading devices approaching and CAW wanting to take advantage of current technology, IS staff worked with the meter reading staff to move to a mobile device for meter reading. With the updated meter reading server software, it was possible to read meters using an iPhone or Android device. After testing and some bumps in the road, the Honeywell CN80 was determined to be the best fit. With this new technology, the CN80 units sync to the server every fifteen minutes, ensuring that meter readers do not have to go to a CAW facility to upload or download information. This same synchronicity allows supervisors to manage reading efficiency.

To improve the uptime of the network server and the applications they support, staff installed a 20 kilovolt-amp uninterruptible power supply (UPS). This UPS gives enough battery power to keep the servers up for four hours without electricity. This ensures time to properly power down the server, if needed, which extends the server life. New faster 10 gigabyte switches were added to the network to provide better support for the new customer information system and increase network speed. Logging features were added to the internet firewall to better combat cyber threats. A new email feature will use artificial intelligence to help filter out spam/malware emails to increase CAW cyber security efforts.

In 2019, the GIS section created a Cityworks testing environment for developers to create the integration between Cityworks and Cayenta, in addition to test and plan for the Cityworks upgrade by the GIS staff. It was also determined that the custom Cityworks map tools needed to be updated to a new version of JavaScript, which was handled by Woolpert, and the ad-hoc agreement for the custom tools that CAW has with them. These tools were completely rewritten but function the same way as the end-users were used to seeing. Go-live happened in June of 2020. Even though most workflows stayed the same, this upgrade gave end users a cleaner look at inboxes, work orders, and service requests while also allowing CAW the opportunity to implement other parts of Cityworks that have not been put into

production (*i.e.*, Inspections). This upgrade will occur in the future and enable more mobile-based web applications.

Customer Service

The Call Center was impacted heavily in 2020 because of COVID-19. The Call Center fielded 166,000 calls in 2020 with an overall abandoned percentage of 4.9%. Compared to 2019's totals, this was a 22% decline in call volume. This decrease was due to the suspension of water disconnections as detailed above. CAW resumed disconnections in October, but call volume has yet to return to pre-pandemic levels.

In response to the COVID-19 pandemic, lobby operations were suspended in March 2020. This increased the drive-thru payments dramatically, and staff studied ways to keep the payment line moving efficiently. To alleviate the increased drive-thru traffic, additional payment options at the James T. Harvey (JTH) Administration building were implemented. These options also allowed cashiers to remain productive despite having only one drive-thru window.

CAW continued to see an increase in customer choice to take advantage of electronic billing. At the end of 2020, approximately 17,000 had chosen to receive billing electronically. This was more than a 6.3% increase over 2019 totals.

Meter reading operations had already been strategically changed to allow employees to report directly from home. Therefore, the impact due to COVID-19 was minimal. CAW is primarily using an Android-based system to gather readings remotely and upload and download data files via an internet connection. More than 1.8 million meters were read in 2020 with less than 0.2% error. Since data is now remotely transmitted to/from the employees, CAW has seen marked gain in ease of communication with this group.

Finance

For the eleventh consecutive year, the Finance department received both the Distinguished Budget Presentation Award and the Certificate of Achievement for Excellence in Financial Reporting from the GFOA. The Finance department also received the Popular Annual Financial Reporting Award from the GFOA for the second time.

The GFOA Distinguished Budget Presentation Awards Program recognizes those state and local governments that prepare budget documents of the very highest quality that reflect both the guidelines established by the National Advisory Council on State and Local Budgeting and the GFOA's best practices on budgeting.

The GFOA Certificate of Achievement for Excellence in Financial Reporting Program (COA Program) recognizes those state and local governments that go beyond the minimum requirements of generally accepted accounting principles to prepare annual comprehensive financial reports that evidence the spirit of transparency and full disclosure.

The GFOA Popular Annual Financial Reporting Awards Program (PAFR Program) recognizes those state and local governments that prepare popular annual financial reports of the very highest quality that are

specifically designed to be readily accessible and easily understandable to the general public and other interested parties without a background in public finance.

CAW assisted with the POWA merger by recording approximately \$7 million in assets onto CAW's books, developing general ledger accounting and reporting structure, assuming the billing and receipt processes for approximately 1,000 customers, and assisting with the final audit of POWA's books.

Finance assisted in the issuance of \$58 million in water revenue bonds. Series 2020A Water Revenue Bond was issued for \$6 million to acquire the POWA water system and to fund necessary capital improvements. Series B, C, and D bonds were issued concurrently in November, for a total of \$52 million, to fund capital projects, purchase land in the watershed, and refund existing bond issues.

Engineering

The Engineering department, through capital improvement projects and private developer construction, managed and oversaw the installation and/or replacement of approximately 10.5 miles of public water mains in 2020. Also, in 2020, approximately 7.5 miles of old, high-maintenance, public water mains were retired.

In 2020, the Engineering department designed and managed through contract construction, the installation of approximately 14,000 feet (2.7 miles) of galvanized, PVC, and asbestos-cement pipe replacement. The Engineering department also designed for installation approximately 14,000 feet (2.7 miles) of galvanized pipe replacement that was performed in-house by the CAW Distribution department.

Major projects that the Engineering department designed, managed and/or inspected to completion include:

- Completed numerous major and minor relocation projects for street, road, and drainage improvements initiated by the Arkansas Department of Transportation (ARDOT) and the cities of Little Rock, North Little Rock, Sherwood, and Maumelle.
- Managed the ongoing Ozark Point Plant rehabilitation. After completion of the preliminary engineering report in 2017 for improvements to the Ozark Point Plant, a professional services contract for the detailed design of those improvements was signed with Carollo Engineers in February 2018. Detailed design of approximately \$36,000,000 of improvements was ongoing during 2018 and was completed in the first quarter of 2019. The project was bid in mid-2019 and saw construction start in the third quarter of 2019. The Engineering department has managed and overseen construction inspection of the work at the plant since its start in 2019 and through 2020. Work on the plant improvements has proceeded well and is scheduled to be completed in second quarter 2021. Through 2020, approximately \$16 million was paid for construction and inspection of this project.
- Continued consultation with ARDOT for water line relocations along the proposed 30 Crossing Project, which will include the installation of a replacement 24-inch transmission main on the proposed new Interstate 30 Arkansas River Bridge. An agreement between CAW and ARDOT has been signed to facilitate the transmission main replacement on the new interstate bridge.

- Started consultation with ARDOT for water line relocations along the proposed Highway 10 (Cantrell Road) improvements west of Interstate 430. Water line relocation design was completed in early 2020, and a \$2.8 million contract was executed with ARDOT for ARDOT to have the relocation work performed by its road contractor. Engineering has supervised and inspected the work since its start in mid-2020. The project is expected to be completed by mid-2021.
- Assisted in the POWA merger, which included operation and maintenance work necessary to return the POWA plant into proper production. Engineering bid and inspected a project to remove solids from the treatment plant settling basin.
- Assisted in the Shannon Hills Water and Sewer System merger study.
- Designed, bid, and managed replacement and rerouting of 47 private domestic service lines and 41 private irrigation service lines in the Pulaski Heights area of Little Rock. These involved relocating the customer meter from rear alleys to new mains installed along the front street of the properties so that the old, high-maintenance, and difficult-to-access galvanized alley mains could be abandoned. This project was the second such project in the Pulaski Heights area.
- Began an engineering study at the Wilson Plant, a \$561,000 contract with Hazen-Sawyer Engineering that will examine and evaluate the physical condition and operation of the water treatment plant (WTP). This study commenced in September 2020 and will take approximately one year to complete.
- Designed, bid, and managed two large water main relocation projects along Interstate 30 in downtown Little Rock and North Little Rock necessary for the Interstate 30 improvements. The first project was completed in 2020 and the second, a \$1.95 Million project, was bid in late 2020 and approved for construction.
- Completed a project to install 4,000 feet of three-inch and eight-inch replacement pipe in Pulaski Heights necessary for additional private service line relocations and abandonment of old mains located in inaccessible alleys.
- Completed a 7,000-foot two-inch galvanized water main replacement project in North Little Rock, an \$800,000 project.
- Completed design, bid, awarded, and completed a \$435,000 project in Maumelle to relocate 4,200 feet of eight-inch and 12-inch water main for planned street and drainage improvements along Crystal Hill Road and Counts Massie Road.
- Completed the interior painting and minor structural improvements to the 100,000-gallon elevated Tank No. 8, located in Walton Heights.
- Completed a \$168,000 project to install 2,100 feet of eight-inch water main in the Oak Grove area to provide better hydraulics and decrease the length of dead-end water mains.
- Completed a \$321,000 project to remodel/rehabilitate the semi-historical 82-year-old caretaker's cottage at Lake Winona.

In 2020, the Engineering Department also started other engineering designs for new projects scheduled for construction in 2021 and beyond, including water main relocations due to new street/highway improvements and replacement of troublesome galvanized, PVC, and asbestos-cement water mains.

Water Production

The Water Production department monitors and operates the water treatment and delivery facilities, ensures cost-effective performance in all facets of operation, and maintains awareness of water quality information, regulations, and operational technology development. The treatment plants produced an average of 58 million gallons of potable water per day in 2020. On a day-to-day basis, the department manages operation of the source water facilities, treatment plants, distribution system pumping stations, storage tanks, remotely operated valves, and the supervisory control and data acquisition (SCADA) system. To ensure accountability to all water users and uphold our commitment to public health protection, all operating staff members must obtain both Water Treatment and Water Distribution Operator's licenses issued by the Arkansas Department of Health (ADH). Supervisory and some operating staff also hold wastewater licenses from the Arkansas Department of Environmental Quality (ADEQ) for discharging water through regulated discharge sites with National Pollutant Discharge Elimination System (NPDES) permits.

Water Production's responsibilities include operating the source water facilities; operating the Wilson, Ozark, and POWA plants and high-service pumping stations; operating the distribution system booster pumping stations, storage tanks, and intersystem valves; ensuring compliance with the Safe Drinking Water Act (SDWA); and the monitoring and treatment of NPDES permitted waste discharges. The Department also coordinates all water quality sampling and laboratory activities, including operating one of the few microbiological laboratories certified by the ADH.

A significant departmental project is the rehabilitation of the Ozark Point Plant. Construction began in 2019 and will be completed in 2021. Project highlights achieved during 2020 include reconstruction of the settling basins, the addition of a new electrical building, and extensive site work performed in preparation for the installation of a new backup generator and electrical switchgear. The plant treated water from May through September using only the east settling basin and ceased service for additional construction activities. Rehabilitation of the treatment plant building included circuit rewiring, lab and control room remodels, and filter media cleaning and replacement. This project also includes the installation of a new fluoride storage and feed system, of which 36% is funded through a Centers for Disease Control and Prevention grant. This new system will improve efficiency and safety.

Looking toward the future and recognizing our commitment to provide water exceeding all regulatory requirements, the department staff and partner consulting engineering firms embarked on a comprehensive study of the Wilson Plant. This study will evaluate the plant's structures, filters, and basins; the water treatment processes; and proposed federal/state regulatory impacts. Study components include federal/state regulatory assessment, treatment process assessment and optimization, facility/structure condition assessment, hydraulic modeling of the treatment process through the plant, and preparation of an engineering report. The resulting engineering report will detail conditions found and make recommendations for rehabilitation and improvements to structures and optimization of the treatment processes. The study will conclude in late 2021.

Water Production staff were heavily involved in the POWA merger. Contractors cleaned the residuals pond and finished the clear well to improve treatment plant performance. Cleaning of the clear well along with chemical dose adjustments resulted in a nearly 50 percent reduction in chemical usage coupled with water quality improvements. Improvements to the SCADA system include the purchase of new radio equipment and the fabrication of new control panels. The SCADA system is nearing completion and once operational, personnel will be able to remotely monitor the POWA system. Staff relocated a backup power generator from the Ozark treatment plant to the POWA facility to ensure continuity of operations in the event of a power loss. Other security and safety improvements include the installation of cameras and an access control system, improvements to personal protective equipment, and the creation of formalized standard operating procedures.

Lake Winona house #1 had a complete remodeling, with a new fence and gate installed to enhance security. Due to deteriorating conditions, Lake Winona House #2 was torn down and removed.

At the Lake Maumelle pump station, CAW staff rebuilt pump #4, performed dam repairs and cleaned out the ditch line to aid keeping the base of the dam from collecting water. Performing these actions using in-house labor saved the utility money while ensuring operational resiliency.

The Water Production department continued its proactive work of enhancing operations through optimization of treatment processes and operational practices, including personnel training and use of appropriate technology. Implementation of the Laboratory Information Management System (LIMS) during 2020 is providing efficiencies in laboratory data entry and retrieval, allowing utility-wide access to water quality data. Steps taken toward meeting optimization goals outlined in the Partnership for Safe Water's Distribution Optimization Program include the installation of mixers in six distribution tanks and the installation of four chlorine residual probes to provide real-time water quality data. Staff continued making progress under the Partnership for Safe Water's Treatment Optimization Program and submitted the baseline report to the American Water Works Association (AWWA)'s Partnership team.

Public health protection coupled with ensuring product quality and public confidence in our product are the Water Production Department's principal focuses. Facility operators continuously monitor water quality at all phases of the treatment process and perform process control analyses every four hours. The addition of real-time chlorine residual analyzers to our storage tanks provides another opportunity to monitor water quality in the distribution system. Once again, the department produced water that achieved 100% compliance with all regulatory limits.

Improvements to the water quality monitoring program include the addition of 24 new sampling locations throughout the distribution system, each equipped with a sample station. Department staff also established operating and testing parameters and began monitoring for emerging biological and unregulated contaminants of concern including Chromium 6, endocrine disrupting compounds, per-and polyfluoroalkyl substances (PFAS) compounds, and perchlorate. Field laboratory technicians continued enhanced distribution system water quality monitoring at 23 routinely monitored Total Coliform Rule sample sites spatially located throughout the distribution system by collecting and analyzing samples for parameters including adenosine triphosphate, *Legionella* bacteria, total organic carbon, total trihalomethanes, hardness, alkalinity, and conductivity. This robust suite of analyses performed in the laboratory allows CAW to proactively respond to potential water quality issues and adaptively manage the distribution system to improve water quality. The Water Production department's unwavering

commitment to continual improvement and product quality ensures CAW will exceed all current and future regulatory challenges.

Distribution

In 2020, the Distribution department completed over 116,000 work orders on CAW assets, including pump stations, treatment plants, storage tanks, water mains, meters, valves, and hydrants. All work in the department is captured and tracked through a computerized work management system – Cityworks.

The Distribution department is highly devoted to reducing unaccounted-for water (UAW). In mid-2019, Distribution hired a Leak Detection Specialist/Handler to investigate leaks throughout the system. Due to an in-house promotion in 2020, a new Leak Detection Specialist had to be hired. In August, Distribution hired a qualified applicant from outside the company to be part of this unique team. This team consists of this Leak Detection Specialist and Vessel, our leak detection dog. This new employee has a lot of experience handling a K9 but minimal experience in locating leaks and operating our computer maintenance management system (CMMS). Distribution also purchased new leak detection loggers to assist in finding leaks. For December 2020, the 12-month average was 10.4%, below the Arkansas Department of Health's UAW action level of 15.0%. However, CAW strives to be below the AWWA standard of 9.5%.

In November, CAW hired Utilis to perform a satellite survey of the Maumelle area and gravity system to aid CAW in finding undetectable leaks. This survey provided us with 365 points of interest to investigate. Staff will continue its efforts in finding leaks throughout the system to reduce the UAW in 2021.

The department strives to maintain outstanding levels of service for customers. In 2020, the system had 418 spontaneous main breaks; however, only 42 of those breaks caused unplanned outages due to the emergency nature.

With a combined effort from the Distribution and Engineering departments, the Utility replaced approximately 28,000 feet of aging infrastructure in 2020. Distribution's proactive approach in replacing troublesome mains has paid significant dividends, with the continued reduction of galvanized main breaks. The department enacted the two-inch galvanized pipe replacement program in 2010, which has led to a decrease in the number of spontaneous breaks from 234 breaks per 100 miles of galvanized pipe in 2010 to 138 breaks per 100 miles of galvanized pipe in 2020.

In 2019, Distribution and Engineering staff inspected all the raw waterline creek crossings. Staff found several areas needing repairs and prioritized these crossings. Distribution staff restored the areas around two of the creek crossings and will continue to restore the others. In 2020, staff was able to restore two more areas of concern from the creek crossing inspections. As workload permits, staff will continue to repair the creek crossings in 2021.

Along with the GIS section's help, Distribution staff continued its efforts in mapping all meters within the system, collecting GPS points on an additional 2,200 meters in 2020. Staff will continue to run reports every quarter for any new meters installed. The initiative to capture customer meter locations is

twofold. One reason is to quickly locate a meter that may be covered by leaves or snow, and the second is that mapping meters are the first step in moving forward with a 'Smart Outage' type software. This software would allow field personnel to identify all valves needed for emergency shutdowns, the number of customers affected, and each customer's names and addresses attached to the account in one click. Future features would include phone/text/email notification of emergency shutdowns in affected areas. In 2021, Distribution will focus on locating the service line from the meter box to the main, where there are two mains on the same street.

Distribution exceeded the Utility's goal of 5,000 meters by replacing 8,600 water meters through its meter change-out program. Per CAW's meter replacement program, 5/8-inch meters are changed out every 16 years, or sooner for larger meters.

Distribution continued to focus on service line replacements in the Maumelle service area due to unsatisfactory conditions. Distribution has replaced 870 service lines since the merger in 2016, of which 156 lines were replaced in 2020. Service line replacements will continue to be of high importance in 2021 for the Maumelle service area.

Distribution staff turned their focus to inspecting 12-inch and smaller valves throughout the system in 2019. They were able to inspect 1,500 valves through the end of 2019. In 2020, the inspectors were able to inspect 13,000 of these valves. With over 35,000 valves in the CAW service area, inspections should take approximately five years to complete. Along with checking 12-inch and smaller valves, Distribution staff inspected 700 14-inch and larger valves. These larger valves are inspected annually.

As part of the POWA merger, Distribution Inspectors assisted the GIS team in collecting GPS points on all known valves, fire hydrants, and meters in the service area. Staff mapped 400, 100, and 1,000 of these water features, respectively. GIS used these points as a reference guide in developing a base map for the POWA service area.

In December of 2020, Distribution created an Easement/POWA Crew. This crew will focus its efforts on clearing overgrown easement throughout the system. Along with easement clearing, this crew will tackle any emergencies or work orders created for POWA customers.

In 2019, the Distribution Department formed a working team to evaluate tasks performed in the department and create Standard Operating Procedures (SOPs) and Job Standards, which define the average time to complete the various tasks. All job functions that Distribution personnel complete were split up and distributed to Zone Supervisors in 2020. Creating and updating these SOPs are part of an ongoing process that will assist the department's workflow and efficiency.

RELEVANT FINANCIAL POLICIES

Based on capital financing, debt management, and fiscal responsibility guidelines, periodic reviews of all outstanding debt are performed to identify refunding opportunities. Refunding is considered (within federal tax law constraints) when there is a new economic benefit from the refunding, or the refunding is needed to modernize covenants essential to operations, or to restructure the payment of existing debt. As a rule, the present value savings of a particular refunding should exceed 3 percent.

To remain in compliance with the Securities and Exchange Commission (SEC), certain post-issuance disclosures are required to be made. SEC Rule 15c2-12 governs post-issuance compliance and requires that CAW provide an annual report to ensure that all bond holders and prospective bond holders are kept informed of CAW's financial position and any substantial events having bearing on CAW-issued bonds. These substantial events, or listed events as defined by the SEC, include the following.

- Principal and interest payment delinquencies
- Nonpayment-related defaults
- Unscheduled draws on debt service reserves
- Unscheduled draws on credit enhancements
- Substitution of credit or liquidity providers
- Adverse tax opinions
- Modifications to rights of security holders
- Bond calls, tender offers and defeasances
- Release, substitution, or sale of property securing repayment
- Rating changes
- Bankruptcy, insolvency, or receivership
- Merger, consolidation, or acquisition
- Appointment of a successor or additional trustee

Two new requirements were added to this Rule as of February 27, 2019 and now apply to the Utility upon the issuance of the Series 2020B, C, and D bonds.

- Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.
- Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any which reflect financial difficulties.

OTHER INFORMATION

Independent Audit

An independent audit by certified public accountants is important in determining the reliability of the Utility's financial statements. The importance of such verification has been recognized by the federal and state governments, the Utility's bondholders, and the general public. The Utility contracted with the accounting firm **BKD, LLP** for this audit. The audit was conducted 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 auditor's reports have been included in the Financial Section of this report.

Award

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to CAW for its ACFR for the year ended December 31, 2019. This is a prestigious national award recognizing conformance with the highest standards for preparation of state and local governmental financial reports.

A Certificate of Achievement was awarded because CAW published an easily readable and efficiently organized ACFR. This report must satisfy both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the COA program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Risk Management

Largely on account of its sizable real property infrastructure, CAW exists in an environment that involves several risks:

- A natural disaster could damage real property assets of the Utility.
- Terrorism could damage real property assets of the Utility.
- A cyberattack could disrupt operations.

These risk factors are common to most sizable public water systems in the United States. Unlike some water systems in the United States that also must grapple with tort liability as a risk factor, CAW is statutorily immune from tort liability in Arkansas.

Acknowledgements

The preparation of this report has been accomplished due to dedicated and professional efforts of the Finance department, along with cooperation from the Utility's other departments. We thank the Board of Commissioners for continued support in planning and conducting the Utility's financial affairs in a responsible and progressive manner.

Respectfully submitted,

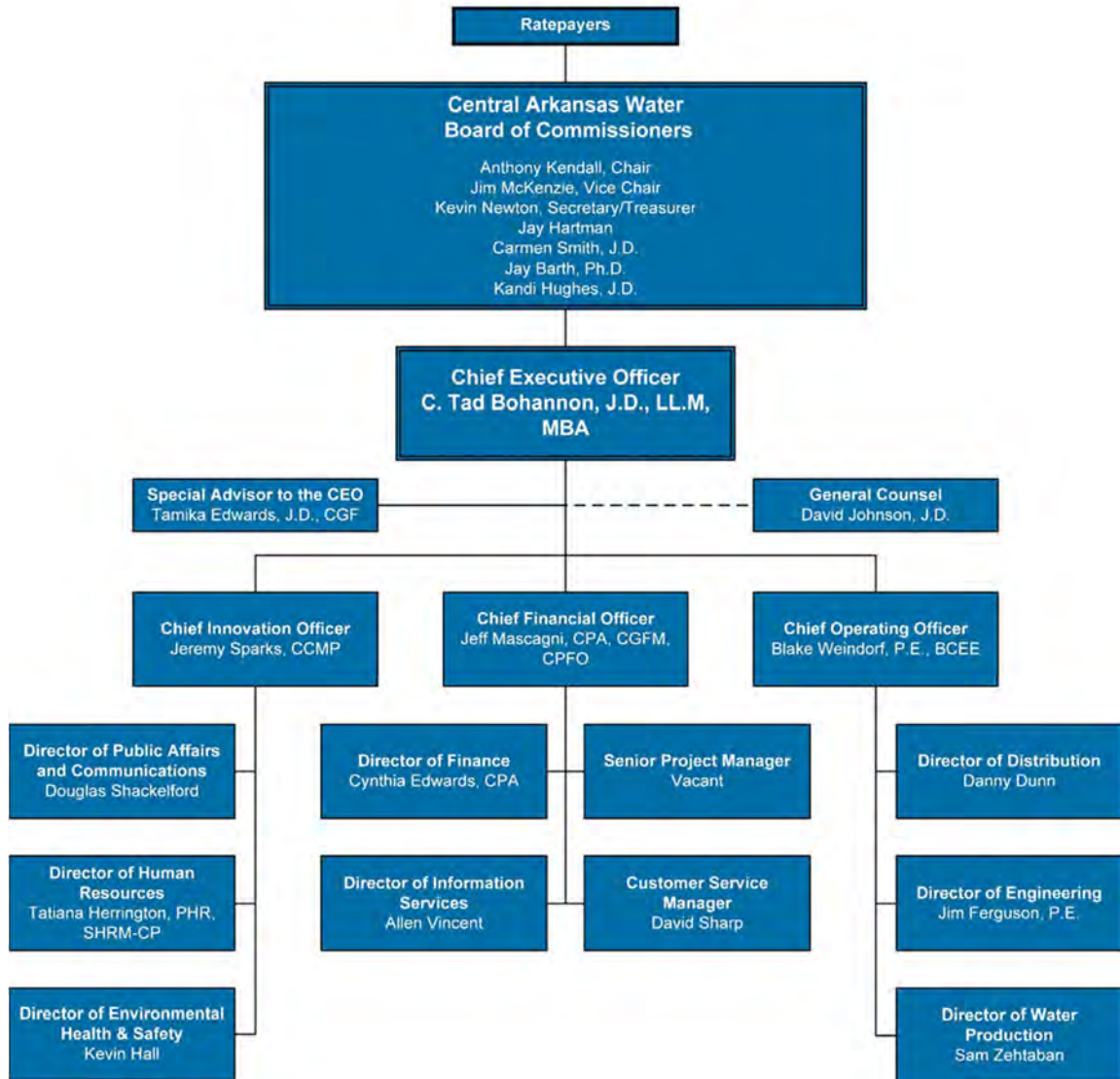


Tad Bohannon
Chief Executive Officer
CTB/jbm

CENTRAL ARKANSAS WATER

Organizational Chart

Effective: December 31, 2020



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**Anthony Kendall
Chair**



**Board of
Commissioners**



**Jim McKenzie
Vice Chair**



**Kevin Newton
Secretary/Treasurer**



**Jay Hartman
Member**



**Carmen Smith
Member**



**Jay Barth, PhD
Member**



**Kandi Hughes
Member**

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Central Arkansas Water

MANAGEMENT TEAM

C. Tad Bohannon, J.D., LL.M, MBA	Chief Executive Officer
Blake Weindorf, P.E., BCEE	Chief Operating Officer
David Johnson, J.D.	General Counsel
Jeff Mascagni, CPA, CGFM, CPFO	Chief Financial Officer
Jeremy Sparks, CCMP	Chief Innovation Officer
Tamika Edwards, J.D., CGF	Special Advisor to the CEO
Danny Dunn	Director of Distribution
Jim Ferguson, P.E.	Director of Engineering
Kevin Hall	Director of Environmental Health and Safety
Cynthia Edwards, CPA	Director of Finance
Tatiana Herrington, PHR, SHRM-CP	Director of Human Resources
Allen Vincent	Director of Information Services
Douglas Shackelford	Director of Public Affairs and Communications
Sam Zehtaban	Director of Water Production

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Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Central Arkansas Water

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

December 31, 2019

Christopher P. Morill

Executive Director/CEO

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Central Arkansas Water

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

ACFR	Annual Comprehensive Financial Report
ADEQ	Arkansas Department of Environmental Quality
ADFA	Arkansas Development Finance Authority
ADH	Arkansas Department of Health
ANRC	Arkansas Department of Agriculture, Natural Resources Division
APERS	Arkansas Public Employees Retirement System
ARDOT	Arkansas Department of Transportation
AWWA	American Water Works Association
BCEE	Board Certified Environmental Engineer
BLS	Bureau of Labor Statistics
CAW	Central Arkansas Water
CBI	Climate Bonds Initiative
CDs	Certificates of Deposit
CCF	Centum Cubic Feet (Hundred Cubic Feet)
CCMP	Certified Change Management Professional
CGF	Certified Group Facilitator
CGFM	Certified Government Financial Manager
CMMS	Computer Maintenance Management System
CPFO	Certified Public Finance Officer
CPA	Certified Public Accountant
CSR	Customer Service Representative
EHS	Environmental Health and Safety
GASB	Governmental Accounting Standards Board
GFOA	Government Finance Officers Association of the United States and Canada
GIS	Geographic Information System
GPS	Global Positioning System
IS	Information Services
J.D.	Juris Doctor
JTH	James T. Harvey Administration Building
LIMS	Laboratory Information Management System
MBA	Master of Business Administration
MWM	Maumelle Water Management
NPDES	National Pollutant Discharge Elimination System
OPEB	Other Postemployment Benefits

Central Arkansas Water

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

PAGIS	Pulaski Area GIS
P.E.	Professional Engineer
PFAS	Per- and polyfluoroalkyl Substances
PHR	Professional in Human Resources
POWA	Paron-Owensville Water Authority
SCADA	Supervisory Control and Data Acquisition
SDWA	Safe Drinking Water Act
SEC	Securities and Exchange Commission
SHRM	Society for Human Resources Management
SHRM-CP	SHRM Certified Professional
SOP	Standard Operating Procedure
UAW	Unaccounted for Water
UPS	Uninterrupted Power Source
WAN	Wide Area Network
WTP	Water Treatment Plant



Independent Auditor's Report

Board of Commissioners
Central Arkansas Water
Little Rock, Arkansas

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of Central Arkansas Water (the Utility) as of and for the year ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activities of the Utility, as of December 31, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and other postemployment information as listed in the table of contents be presented to supplement the basic financial statements. Such information, 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 audits 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.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Utility's basic financial statements. The introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Board of Commissioners
Central Arkansas Water

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

BKD, LLP

Little Rock, Arkansas
April 23, 2021

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MANAGEMENT'S DISCUSSION & ANALYSIS

Central Arkansas Water
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2020 and 2019

This section of the ACFR presents management's analysis of the Utility's financial performance during the fiscal years ended December 31, 2020 and 2019. We encourage readers to consider the information presented here in conjunction with the transmittal letter, the financial statements, and the notes to the financial statements. Unless otherwise indicated, amounts are rounded to the nearest thousand dollars.

Financial Highlights

- The Utility's net position increased by \$4,058,000 in 2020 as compared to a \$6,535,000 increase in 2019. The smaller increase in 2020 was due to decreased retail water consumption coupled with decreased turn-on charges, decreased investment income, and increased expenses all related to the pandemic which were offset by increased billing fee charges, gain on sale of assets, and transfer of operations from POWA. CAW's 2019 billing fee implementation and increase in Watershed Protection Fee rate combined with an increase in contributions-in-aid of construction accounted for the 2019 increase.
- Operating revenues increased \$492,000, or 0.7%, in 2020 and decreased \$487,000 in 2019. A full year of billing fees and watershed protection fee increase, offset by an increase in bad debt contra-revenue, accounted for the increased revenues in 2020. Operating expenses increased by \$765,000 from 2019 to 2020 and increased by \$3,888,000 from 2018 to 2019. The 2019 to 2020 increase was primarily due to increased personnel costs offset by declining electric utility and chemical costs as a result of decreased consumption. The 2018 to 2019 increase was primarily due to increased personnel costs.
- The Utility's total noncurrent liabilities increased during 2020 by \$62,000,000 and increased by \$3,000,000 in 2019. The 2020 increase was due to issuance of four new bonds to fund the POWA Consolidation, capital costs, watershed land acquisitions, and to refund existing debt, while the 2019 increase was due to financing water storage rights at Lake DeGray.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Utility's basic financial statements. The basic financial statements are comprised of the statements of net position, the statements of revenues, expenses and changes in net position, and the statements of cash flows, as well as the statements of fiduciary net position, and the statements of changes in fiduciary net position. The notes to financial statements provide additional information regarding amounts presented in the basic financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

The financial statements of the Utility are designed to provide readers with a broad overview of the Utility's finances in a manner similar to a private sector business. The Utility's financial statements were prepared using the economic resources measurement focus and full accrual basis of accounting, consistent with the requirements of the Governmental Accounting Standards Board (GASB) applicable to enterprise funds.

Deferred outflows and inflows of resources are financial statement elements distinct from assets and liabilities and represent a consumption or production of net position that applies to future periods and so will not be recognized as an outflow or inflow of resources until then. The Utility's deferred outflows

Central Arkansas Water
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
December 31, 2020 and 2019

and inflows of resources consisted of deferred loss and gain on debt refunding transactions, pension-related deferred outflows and inflows, and Other Postemployment Benefits (OPEB) deferred outflows and inflows.

A deferred loss or gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price and is amortized over the shorter of the life of the refunded or refunding debt. Pension-related deferred outflows and inflows consisted of CAW's proportionate share of changes in pension-related items, differences between projected and actual experience, difference between projected and actual investments earnings, contributions to the plan subsequent to the measurement date, and changes in actuarial assumptions. These items were a result of accounting standards requiring CAW to recognize its share of pension plan liabilities and pension expense. OPEB-related deferred outflows and inflows consisted of differences between projected and actual experience, differences between projected and actual investment earnings, and changes in actuarial assumptions.

The *statements of net position* present information about the four elements that make up the Utility's statements of net position. Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Utility is improving or deteriorating.

The *statements of revenues, expenses and changes in net position* present information that shows how the Utility's net position changed during the years presented. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods (*e.g.*, water revenues for water service provided in the current reporting period that will not be collected until the next reporting period or expenses associated with goods or services received by the Utility in the current reporting period that will be paid for in the next reporting period).

The *statements of cash flows* present information about the Utility's cash receipts, cash payments, and the net changes in cash resulting from operating, investing, and financing activities.

The *statements of fiduciary net position and statements of changes in fiduciary net position* provide information about resources accumulated in the OPEB Trust to fund the costs of postemployment health care benefits for eligible employees, assets of the 401(a) Employee Savings Plan, assets of CAW's 457b Deferred Compensation Plan, as well as the assets and liabilities of Brushy Island Public Water Authority (Brushy Island) held by the Utility as receiver. These resources were held in trust and were not available to support the Utility's programs or to satisfy any of the Utility's liabilities that were not directly related to funding postemployment health care benefit costs, postemployment pension benefits, or Brushy Island debt service.

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

Central Arkansas Water
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
December 31, 2020 and 2019

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that includes information about the Utility's progress in funding its obligation to provide pension and other postemployment benefits to its employees.

	2020	2019	2018
Assets			
Total current assets	\$ 62,899,000	\$ 65,213,000	\$ 62,399,000
Restricted noncurrent assets	45,464,000	12,357,000	23,251,000
Net capital assets	<u>488,602,000</u>	<u>458,420,000</u>	<u>438,549,000</u>
Total Assets	<u>\$ 596,965,000</u>	<u>\$ 535,990,000</u>	<u>\$ 524,199,000</u>
Deferred Outflows of Resources	<u>\$ 16,663,000</u>	<u>\$ 10,815,000</u>	<u>\$ 10,000,000</u>
Liabilities			
Total current liabilities	\$ 30,086,000	\$ 28,404,000	\$ 26,507,000
Total noncurrent liabilities	<u>205,697,000</u>	<u>143,519,000</u>	<u>140,519,000</u>
Total Liabilities	<u>\$ 235,783,000</u>	<u>\$ 171,923,000</u>	<u>\$ 167,026,000</u>
Deferred Inflows of Resources	<u>\$ 4,220,000</u>	<u>\$ 5,316,000</u>	<u>\$ 4,142,000</u>
Net Position			
Net investment in capital assets	\$ 367,649,000	\$ 357,587,000	\$ 348,267,000
Restricted – expendable	8,851,000	8,806,000	10,518,000
Unrestricted	<u>(2,875,000)</u>	<u>3,173,000</u>	<u>4,246,000</u>
Total Net Position	<u>\$ 373,625,000</u>	<u>\$ 369,566,000</u>	<u>\$ 363,031,000</u>
Operating Revenues			
Little Rock water sales	\$ 31,400,000	\$ 32,376,000	\$ 33,935,000
North Little Rock water sales	14,357,000	14,181,000	14,969,000
Maumelle water sales	3,394,000	3,433,000	3,601,000
POWA water sales	574,000	-	-
Wholesale	4,712,000	4,649,000	4,759,000
Penalties	1,121,000	1,020,000	991,000
Turn-on charges	914,000	1,403,000	1,335,000
Ancillary charges	10,644,000	8,819,000	6,769,000
Other revenue	<u>(190,000)</u>	<u>552,000</u>	<u>561,000</u>
Total Operating Revenues	<u>66,926,000</u>	<u>66,433,000</u>	<u>66,920,000</u>
Operating Expenses			
Administration	6,060,000	6,928,000	6,287,000
Distribution	15,621,000	15,583,000	14,981,000
Engineering	2,037,000	2,863,000	2,039,000
Finance	3,002,000	2,865,000	2,895,000
Customer service	3,796,000	3,711,000	3,299,000
Information services	3,843,000	3,528,000	3,302,000
Water production	10,926,000	10,186,000	9,121,000
General	2,832,000	2,246,000	2,299,000
POWA operating expenses	281,000	-	-
Depreciation	<u>13,166,000</u>	<u>12,888,000</u>	<u>12,687,000</u>
Total Operating Expenses	<u>61,564,000</u>	<u>60,798,000</u>	<u>56,910,000</u>
Operating Income	<u>5,362,000</u>	<u>5,635,000</u>	<u>10,010,000</u>

Central Arkansas Water
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
December 31, 2020 and 2019

	2020	2019	2018
Nonoperating Revenues (Expenses)			
Transfers to Cities of LR and NLR	\$ (802,000)	\$ (791,000)	\$ (709,000)
Gain (loss) on disposal of capital assets	81,000	(496,000)	(18,000)
Investment income	256,000	1,270,000	847,000
Bond and other interest expense	(3,708,000)	(2,162,000)	(2,032,000)
Total Nonoperating Expenses	<u>(4,173,000)</u>	<u>(2,179,000)</u>	<u>(1,912,000)</u>
Income Before Contributions	1,189,000	3,456,000	8,098,000
Contributions			
Capital contributions from grantors	9,000	-	-
Contributions-in-aid of construction	1,082,000	3,079,000	2,580,000
Transfer of operations from POWA	1,779,000	-	-
Total Contributions	<u>2,870,000</u>	<u>3,079,000</u>	<u>2,580,000</u>
Change in Net Position	<u>4,059,000</u>	<u>6,535,000</u>	<u>10,678,000</u>
Net Position – Beginning of Year	<u>369,566,000</u>	<u>363,031,000</u>	<u>352,353,000</u>
Net Position – End of Year	<u>\$ 373,625,000</u>	<u>\$ 369,566,000</u>	<u>\$ 363,031,000</u>

Statements of Net Position

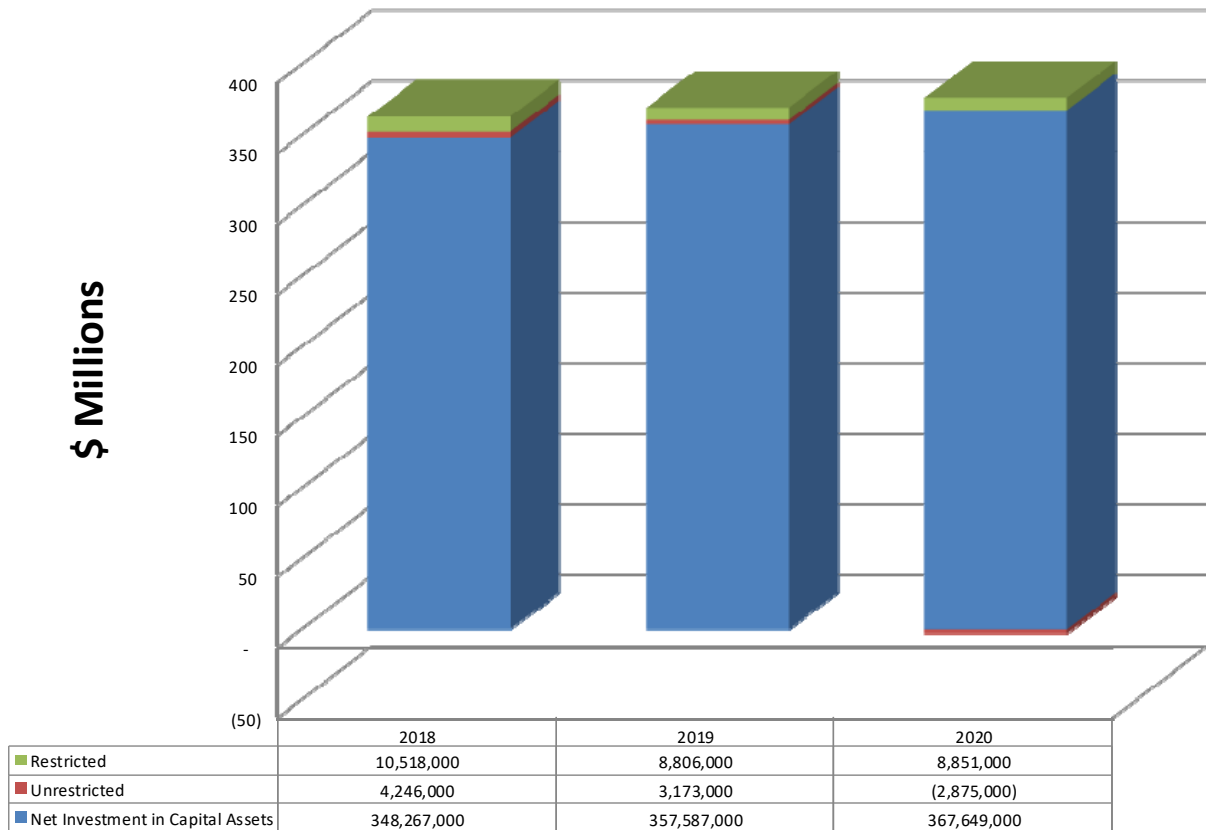
As noted earlier, net position may serve, over time, as a useful indicator of the Utility's financial position. At the close of 2020 and 2019, the Utility's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$373,625,000 and \$369,566,000, respectively. The largest portion of net position, 98% and 97% in 2020 and 2019, respectively, reflected the Utility's investment in capital assets, less related outstanding debt incurred to acquire those assets. The Utility used these capital assets to provide services to customers of the Utility, and, consequently, these assets were not available for future spending. Although the Utility's investment in capital assets was reported net of related outstanding debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. Depreciation was recorded on all depreciable capital assets using the straight-line method. During the years ended December 31, 2020 and 2019, no changes were made in the method of recording capital assets, nor were there any changes made to any of the standard service lives of those assets. There were no significant changes in the condition of infrastructure assets. Funds that were budgeted for infrastructure maintenance were adequate for needs that arose during the years ended December 31, 2020 and 2019.

An additional portion of the Utility's net position, 2% and 2% in 2020 and 2019, respectively, is comprised of resources that are subject to external restrictions on how they may be used. In 2020, restricted net position increased \$45,000 and decreased \$1,712,000 in 2019. Balances in restricted net position accounts will fluctuate as resources are accumulated to repay outstanding bonds and construction proceeds are spent.

The remaining balance of net position, negative \$2,875,000 in 2020 and \$3,173,000 in 2019, was unrestricted and was used to meet the Utility's ongoing obligations to customers and creditors. Unrestricted net position decreased \$6,048,000 in 2020 and decreased \$1,073,000 in 2019. Both the 2020 and 2019 decreases were due to the increase in liabilities related to postemployment benefits.

Central Arkansas Water
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
December 31, 2020 and 2019

Components of Net Position



Financial ratios are used to analyze relationships between different pieces of financial information. Ratio analyses can present information about an entity's operating performance and financial position. Short-term liquidity can be demonstrated using the current ratio and quick ratio. The current ratio is calculated by dividing current assets by current liabilities. The quick ratio is similar to the current ratio but excludes inventory because inventory is normally the least liquid current asset. A number greater than 1 indicates current assets in excess of current needs that can be applied to future periods.

The current ratios as of December 31, 2020 and 2019, were 2.1 and 2.3, respectively. This ratio means for every \$1.00 in current liabilities as of December 31, 2020, the Utility had \$2.10 in current assets. For the years ended December 31, 2020 and 2019, the quick ratios were 2.0 and 2.2, respectively.

Efficiency can be demonstrated by calculating the average collection period of billed revenue. Other agencies were included in the monthly bills issued to customers (*i.e.*, Little Rock Water Reclamation Authority, North Little Rock Waste Water Utility, Little Rock Solid Waste Services Division, Pulaski County Sanitation Division and others); however, these balances were subtracted from accounts receivable so that a comparison can be made between water receivables and water revenues.

Central Arkansas Water
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
December 31, 2020 and 2019

Turnover is calculated by dividing total operating revenue by total water accounts receivable; then 365 days is divided by the Receivables Turnover to arrive at an Average Collection Period of 29 days and 20 days as of December 31, 2020 and 2019, respectively.

The Utility continued to strive to improve cash flow and customer service by offering a variety of payment options. In addition to accepting payments at the Capitol Avenue office in Little Rock, the Utility offered flexibility in bill payment options by allowing customers to pay their bills by automatic bank draft, online at the Utility website, by mail, by telephone through a third-party service provider, online through third-party payment providers, or at third-party payment locations throughout the service area. During 2019, CAW continued to promote paperless billing. Electronic means of payment were also promoted in 2020, resulting in a 23% increase in web payments.

Another important ratio is the debt utilization ratio. The debt utilization ratio is calculated by dividing total liabilities by total assets and was 39% for 2020 and 32% for 2019. These ratios were both within the median ratio of 39% as determined by the American Water Works Association's 2017 benchmark.

It is the policy of the Utility not to make any adjustments to net position unless a prior period adjustment is necessary.

Statements of Revenues, Expenses and Changes in Net Position

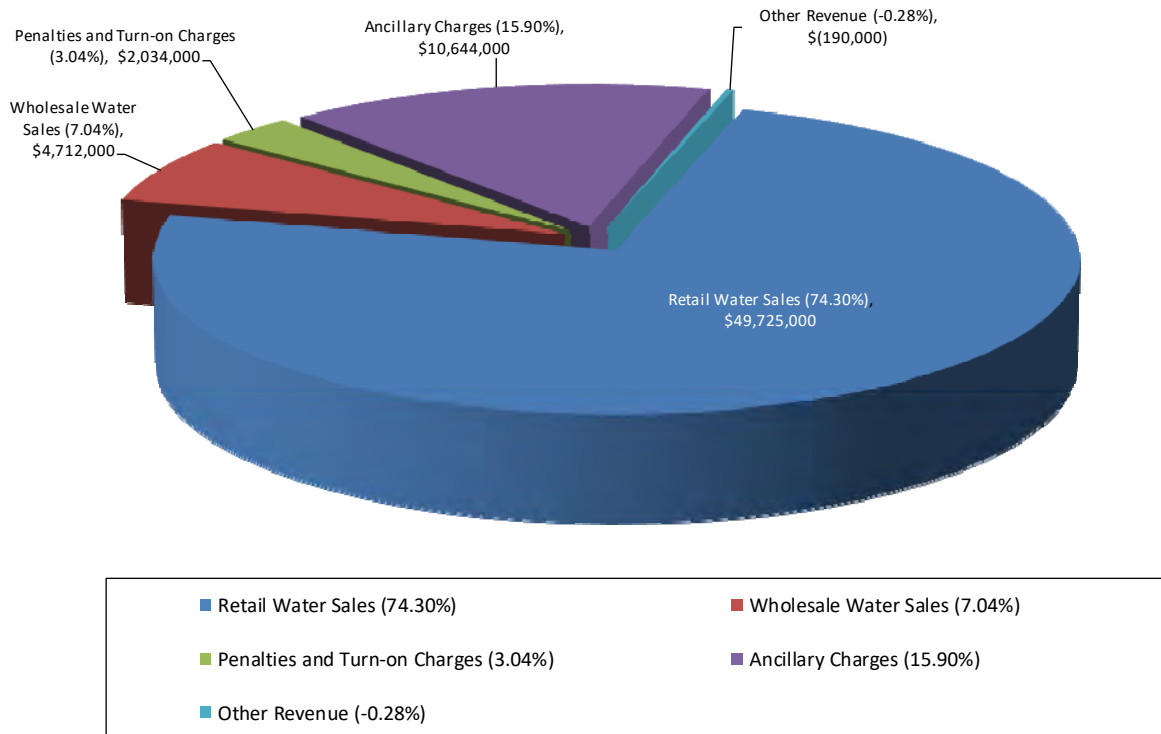
Operating Revenues

No consumption-based retail increases occurred in 2020. However, a monthly billing fee of \$1.92 per customer was implemented in June 2019. A retail rate increase of 8.9% went into effect on January 1, 2018. No consumption-based retail increase is planned for 2021. However, 100 cubic feet (CCF) of consumption will be included in the monthly minimum base rate rather than the 2 CCFs in previous years.

Operating revenue for 2020 increased \$492,000 from 2019 levels and decreased \$487,000 in 2019 over 2018 levels. Water consumption totaled 16.8, 17.4, and 18.0 billion gallons in 2020, 2019, and 2018, respectively. Even though water consumption decreased from 2019 to 2020, operating revenue increased due to a full year of the customer billing fee and an increase to the watershed protection fee. The operating revenue decrease from 2018 to 2019 was primarily due to decreased consumption. Higher-than-normal rainfall in the spring and summer months can have a significant impact on sprinkler consumption.

Central Arkansas Water
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
December 31, 2020 and 2019

The following graph illustrates sources of revenue during the year ended December 31, 2020.



Operating Expenses

- Administration – Administration costs included commissioner, management, human resources, public affairs and communications, environmental health and safety, water quality, watershed management, and special project team expenses. Expenses decreased by \$868,000 from 2019 to 2020. The movement of the compliance and laboratory sections into the Water Production department is responsible for most of this decrease, with costs of \$1.1 million. An increase in payroll and related benefits of \$231,000 offsets the total decrease. During 2019, total Administrative costs increased \$641,000. The driving force behind this increase was an increase in payroll and related benefits of \$538,000, an increase of \$61,000 in special projects, and an increase in Pinnacle Project Team costs of \$95,000. Management decreases of \$113,000 in legal fees offset this total increase.
- Information Services – The IS department expenses were related to maintaining information systems, computer operations, and telecommunications of the Utility. IS is divided into two sections: IS administration and GIS. During 2020, total department costs increased by \$315,000. Increases in payroll and related expenses of \$57,000, telephone, network, and software expenses of

Central Arkansas Water
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
December 31, 2020 and 2019

\$168,000, and expenses directly related to the COVID-19 pandemic of \$68,000 accounted for the increase. Department costs increased by \$226,000 in 2019 compared to 2018, primarily attributable to increases in payroll and related expenses of \$25,000 and increases in telephone, network, and software expenses of \$200,000.

- Customer Service – Customer Service included costs related to customer service-office and meter reading. Costs increased \$85,000 from 2019 to 2020. This increase is due to an increase in payroll and related benefits. Costs increased \$412,000 from 2018 to 2019. Additional call center representative positions and fewer meter reader vacancies accounted for this increase.
- Finance – The Finance department included costs related to finance and budgeting, purchasing, and billing. From 2019 to 2020, total department costs increased by \$137,000. This was primarily due to increased payroll and related benefits of \$145,000 related to the creation of the Director of Finance position in late 2019, increased billing costs of \$14,000, offset by a decreased banking and processing fees of \$20,000. Increased capitalized labor related to the Pinnacle Project of \$69,000, decreased banking and processing fees of \$29,000, offset by an increase in billing costs of \$63,000 accounted for the decreased costs of \$30,000 from 2018 to 2019.
- General – General expenses included costs for insurance and building maintenance at the JTH Administration Building, along with other costs. The largest expense items included group and retiree insurance, workers' compensation expenses, and business insurance premiums. General expenses increased by \$586,000 from 2019 to 2020. An increase of \$546,000 in retiree and group insurance costs, business insurance costs of \$36,000, materials cost of \$46,000, mail service costs of \$80,000 and POWA costs of \$30,000 offset by a decrease in water rights costs of \$118,000 accounted for the overall increase. The 2019 general expenses decreased \$53,000 from 2018 due to a decrease in retiree insurance costs of \$83,000, business insurance costs of \$36,000, materials cost of \$25,000, and special project costs of \$28,000 offset by an increase in workers' compensation costs of \$83,000 and group health costs of \$30,000.
- Engineering – The Engineering department included expenses for the planning, design and inspection of construction improvements within the water system. Engineering is comprised of sections for Engineering administrative staff, new service, and cross connection. During 2020, total Engineering costs decreased by \$826,000. Engineering costs in 2020 were consistent with those from 2018. During 2019, CAW decommissioned assets obtained from the MWM merger resulting in \$735,000 in additional transition costs and \$88,000 in additional payroll and related benefits cost comprise the remaining variance. These increases caused Engineering costs to increase \$824,000 in 2019 from 2018.
- Water Production – Expenses for Water Production included treatment and maintenance of the lakes. Department costs increased by \$740,000 during 2020. This increase is partially due to the Compliance and Laboratory sections transferring from Water Quality, resulting in increased costs of \$855,000, \$235,000 in increased payroll and related benefits and increased wastewater utility expenses of \$147,000 offset by decreased chemical and electric utility costs of \$183,000, and \$224,000, respectively, account for the remaining variance. During 2019, total department costs increased by \$1,065,000. This increase is due to two positions transferring from Distribution and

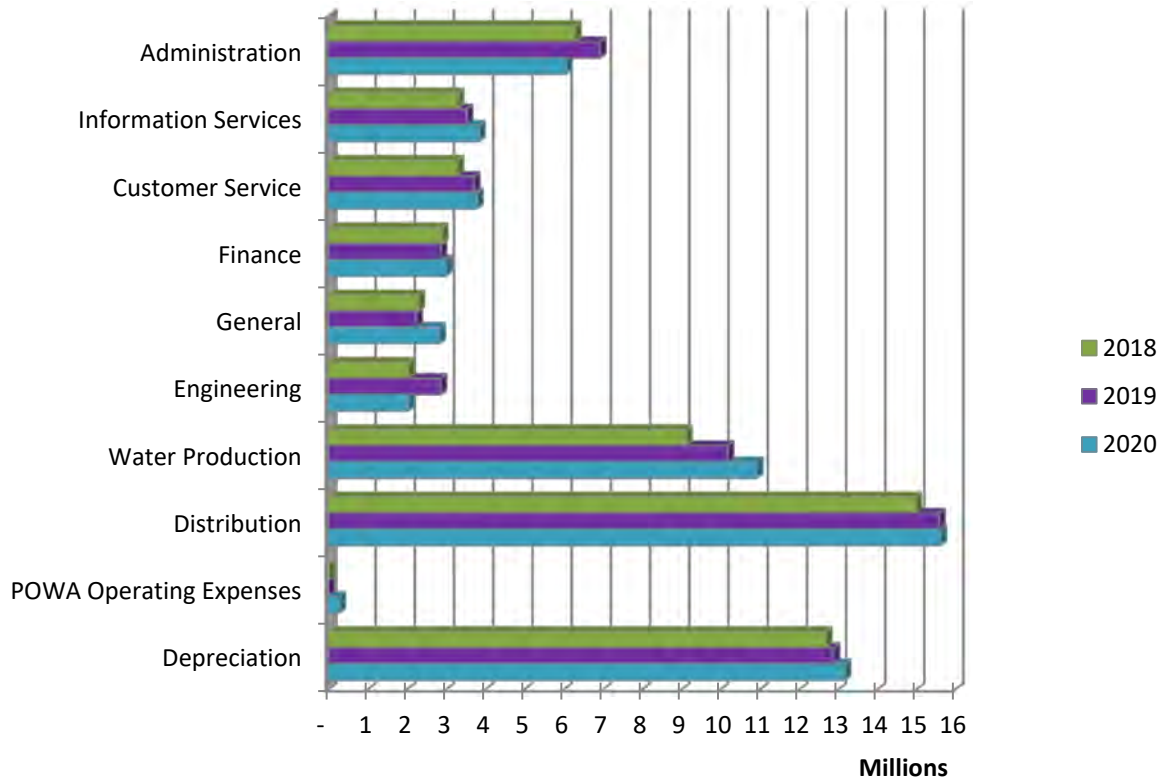
Central Arkansas Water

MANAGEMENT’S DISCUSSION AND ANALYSIS *(Continued)*

December 31, 2020 and 2019

CAW’s standard cost of living adjustment, resulting in increased payroll and benefits of \$365,000, in addition to increased chemical and electric utility costs of \$75,000, and \$465,000, respectively.

- **Distribution** – The Distribution department included expenses for maintaining water mains, booster pumping stations, water storage tanks, vehicles, treatment plants, and other facilities. The 2020 costs increased \$38,000 over 2019. The 2020 increase was due primarily to increased payroll and related benefits costs of \$235,000 offset by a decrease in job costs of \$191,000. In 2019, costs increased \$602,000 over 2018. The 2019 increase was due primarily to increased payroll and related benefits costs associated with seven additional distribution system maintenance personnel.



Central Arkansas Water
MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)
December 31, 2020 and 2019

Nonoperating Revenues (Expenses)

- Investment Income – 2020 investment income decreased by \$1,014,000 from 2019 and increased by \$423,000 from 2018. The decrease in 2020 was due to interest rates significantly decreasing during the pandemic, while the increase in 2019 was due to interest rate increases, an additional bond fund, and favorable market conditions.
- Bond Interest Expense – Net bond interest expense for 2020 was \$3,708,000 compared to \$2,162,000 for 2019. Additional debt issuance and bond issuance costs in 2020 as well as recognition of expense during construction accounted for the increase from 2019 to 2020, while increased capitalized interest kept the 2019 interest expense close to the 2018 amount despite additional debt issuance and bond issuance costs in 2019.
- Contributions-in-Aid of Construction – Contributions-in-aid of construction may be received as cash or equity in the form of infrastructure assets. Contributions-in-aid of construction were \$2,580,000 in 2018, increased in 2019 to \$3,079,000, and decreased in 2020 to \$1,082,000. These fluctuating amounts show the variability of contributions from year to year as a result of new construction.
- Transfer of operations from POWA – Per a water consolidation agreement dated January 8, 2020, POWA agreed to transfer its operations to CAW. On June 1, 2020, POWA transferred its assets and liabilities to CAW, resulting in an addition of \$1,779,000 to CAW’s net position.

Capital Assets and Debt Administration

The significant components of the Utility’s capital asset balances as well as the outstanding balances of debt issued to acquire, improve or construct capital assets are detailed below:

Capital Assets

Major capital projects completed during 2020 include the following:

Project Description	Total Cost
Completion of construction project to relocate 500 feet of 12-inch water main and 3,750 feet of 8-inch water main along Crystal Hill Road and Counts Massie Road in Maumelle	\$ 403,000
Completion of construction project to relocate 1,800 feet of 6-inch water main and 500 feet of 12-inch water main along Kanis Road from Bowman Road to Gamble Road	\$ 554,000
Completion of construction project to replace 1,280 feet of 6-inch asbestos-cement pipe and 3,540 feet of 2-inch galvanized pipe with 4,500 feet of 6-inch ductile iron water main in North Little Rock north of Interstate 40 and south of MacArthur Drive	\$ 558,000

Central Arkansas Water
MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)
December 31, 2020 and 2019

Project Description	Total Cost
Completion of construction project to install 2,100 feet of 8-inch ductile iron water main between Joslin Road and Oak Grove Road	\$ 142,000
Completion of construction project to relocate 225 feet of 12-inch water main, 500 feet of 8-inch water main, and 380 feet of 2-inch water main at the ArDOT bridge replacement project at Camp Robinson Drive and W. 54th Street, North Little Rock	\$ 236,000
Completion of construction project to relocate and replace 47 domestic services and 41 irrigation services from back-alley galvanized water mains to new street-front water mains in the Pulaski Heights area	\$ 612,000
Completion of construction project to relocate 3,200 feet of 12-inch and 8-inch water mains for street and drainage improvements along portions of Reservoir Road, Gamble Road, and Geyer Springs Road, Little Rock	\$ 700,000
Completion of construction project to relocate 500 feet of 6-inch and 8-inch water mains for ArDOT Interstate 30 “Package #1” improvements	\$ 94,000
Completion of project to remove sludge from the Paron Water Treatment Plant settling basin	\$ 22,000
Completion of project to sandblast and paint the interior of Tank No. 8 (Walton Heights), a 100,000-gallon elevated steel water storage tank	\$ 92,000
Completion of project to remodel the Caretaker’s Cottage at Lake Winona	\$ 361,000
Completion of the installation of 1,100 feet of fencing and electric slide gate at the Lake Winona Dam and Caretaker’s Cottage Site	\$ 79,000

Major capital projects completed during 2019 include the following:

Project Description	Total Cost
Completed construction project to replace 2,500 feet of 16-inch steel pipe water main along Rebsamen Park Road	\$ 656,000

Central Arkansas Water
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
December 31, 2020 and 2019

Project Description	Total Cost
Completed construction project to replace 5,360 feet of 12-inch through 2-inch asbestos-cement and PVC water main in Maumelle (Phase 3 project)	\$ 813,000
Completion construction project to replace 2,200 feet of 8-inch asbestos-cement water main in the Pulaski Heights area (Kavanaugh/Pierce)	\$ 627,000
Completed construction project to replace 2-inch galvanized water main in North Little Rock	\$ 820,000
Completed construction project to replace 2-inch galvanized water main in Little Rock	\$ 657,000
Completed construction project to replace 700 feet of 16-inch asbestos-cement water main in Maumelle	\$ 59,000
Completed construction project to replace 4,200 feet of 2-inch galvanized water main in North Little Rock and Pulaski County	\$ 430,000
Completed construction project to replace 250 feet of 8-inch water main under Maumelle Blvd. in North Little Rock	\$ 80,000
Completed construction project to relocate and replace 1,950 feet of 16-inch cast iron water main along Cantrell Road in Little Rock	\$ 495,000
Completed project to install new roof and interior and exterior painting of Tank No. 30A (Maumelle)	\$ 1,127,000
Completed construction project to facilitate repairs to the downstream slope of the Lake Maumelle dam	\$ 137,000
Completed the repair of motor No. 1 at the Lake Maumelle Raw Water Pumping Station	\$ 89,000
Completed the repair of motor No. 2 at the Lake Maumelle Raw Water Pumping Station	\$ 80,000
Completed the Phase 1 of the rehabilitation of the Jack Wilson Water Treatment Plant Pumping Station No. 1A	\$ 3,600,000

Central Arkansas Water
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
December 31, 2020 and 2019

Project Description	Total Cost
Completed the project to remove the asbestos coating and the recoating of all pipe in the Jack Wilson Water Treatment Plant west pipe gallery	\$ 419,000
Completed the project to paint the roof exterior of Tank No. 2	\$ 49,000
Completed the project to landscape the site grounds of Tank No. 5	\$ 80,000

Major capital projects completed during 2018 include the following:

Project Description	Total Cost
Completed construction project to relocate 7,210 feet of 24-inch and 3-inch water pipe along East Maryland Ave. in Sherwood for pending road and drainage improvements	\$ 1,200,000
Completed construction project to install 1,300 feet of 12-inch and 8-inch ductile iron pipe to replace asbestos-cement pipe along National Drive in Little Rock	\$ 230,000
Completed installation of 8,725 feet of various pipe sizes for the Phase 1 pipe replacement project in Maumelle	\$ 1,111,000
Completed installation of 3,358 feet of various pipe sizes for the Phase 2 pipe replacement project in Maumelle (16-inch pipe in Phase 2 to be installed 2019)	\$ 500,000
Completed installation of 28,573 feet of 30-inch transmission main to the Maumelle service area – connection to CAW water system	\$ 6,900,000
Completed installation of 1,538 feet of 12-inch pipe to booster pump station No. 31, located on Manitou Drive in Maumelle	\$ 222,000
Completed installation of 2,238 feet of 12-inch pipe along West Baseline Road in Little Rock	\$ 245,000
Completed repair of 2,250 HP motor No. 4 at the Lake Maumelle raw water pumping station	\$ 117,000
Completed purchase and installation of new pumping unit No. 8 in the Wilson Plant high service pump station No. 1B	\$ 483,000

Central Arkansas Water
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
December 31, 2020 and 2019

Capital assets are discussed further in *Notes 1* and *6* to the financial statements.

Debt Administration

At the end of 2020, the Utility had total outstanding debt of \$161,922,000. Total debt increased by \$50,814,000, or 45.7%, in 2020, after increasing \$2,297,000, or 2.1%, in 2019. The 2020 increase was attributed to the four new debt issues and ongoing construction draws on the Ozark Point ANRC loan. The 2019 increase was due to the Lake DeGray water rights agreement.

Long-term debt is discussed further in *Note 7* to the financial statements.

Economic Factors and Next Year's Financial Plan and Rates

Local, state and federal government have been the area's major employers for many years, as evidenced by again being the top three employers in 2020. Medical facilities are also very important to the local economy as seen with the fourth, fifth, seventh, eighth, and tenth largest employers in the area (see Page 103 for the top 10 area employers). The local economy was adversely impacted with the arrival of the COVID-19 pandemic. Many businesses had to rethink business processes to accommodate the virus' effect. Mask wearing and social distancing became the new way of life for Arkansans. Schools, restaurants, and many other businesses had to limit hours or temporarily shut doors to combat the virus' spread. Despite these efforts, there were over 22,000 active cases at the end of the year. A vaccine being available in the first half of 2021 is hoped to have a positive impact on the CAW service area.

Unemployment in Pulaski County for 2020 was 5.0%, which is a significant rebound from the 10.0% experienced by Arkansas in April 2020 at the beginning of the COVID-19 pandemic. Unemployment was favorable compared to the national rate of 6.2%; however, with the continued COVID-19 pandemic and the resulting economic uncertainties, unemployment was difficult to gauge for the near future.

Net accounts receivable write-offs increased to 0.9% of total operating revenue 2019 to 2020. Due to the COVID-19 pandemic, CAW suspended service shut-offs due to nonpayment and the unemployment rate increased resulting in higher past due balances. Net accounts receivable write-offs remained consistent from 2018 to 2019 at 0.5% of total operating revenues.

The Utility had no consumption-based retail rate increase in 2020. The Utility also continues to factor in conservative consumption estimates, reduced levels of growth-related revenues, and a minimal return on financial investments in the 2021 Financial Plan.

The 2021 Financial Plan outlines the Utility's plans to continue to provide high-quality, cost-effective service to its customers. The 2020 Financial Plan includes \$48,323,000 in total capital costs, which will be funded with the following sources: \$32,962,000 from bond issues; \$2,500,000 from developer funds; and \$525,000 from watershed protection fees. The remaining \$12,336,000 is funded from rates and primarily consists of routine asset additions and replacements in the system.

Central Arkansas Water
MANAGEMENT'S DISCUSSION AND ANALYSIS (*Continued*)
December 31, 2020 and 2019

Request for Information

This financial report is designed to provide a general overview of the Utility's finances. Questions concerning any information in the report or requests for additional financial information should be addressed to:

Jeff Mascagni, Chief Financial Officer
Central Arkansas Water
221 East Capitol Avenue
Little Rock, Arkansas 72202

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BASIC FINANCIAL STATEMENTS

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Central Arkansas Water
STATEMENTS OF NET POSITION
December 31, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Unrestricted cash and cash equivalents	\$ 26,480,839	\$ 23,291,126
Unrestricted investments	-	10,022,506
Accounts receivable – customers, net	17,650,767	13,349,810
Other receivables	2,459,243	1,543,010
Inventory	3,168,249	3,196,325
Other current assets	1,080,871	1,490,635
Total unrestricted current assets	50,839,969	52,893,412
Restricted cash and cash equivalents	11,982,573	12,320,055
Total restricted current assets	11,982,573	12,320,055
Total current assets	62,822,542	65,213,467
Noncurrent Assets		
Restricted cash and cash equivalents	45,538,552	8,044,554
Restricted investments	-	4,263,810
Restricted accrued interest receivable	1,485	48,706
Total restricted noncurrent assets	45,540,037	12,357,070
Capital assets, net of accumulated depreciation	488,601,798	458,420,554
Total noncurrent assets	534,141,835	470,777,624
Total assets	596,964,377	535,991,091
Deferred Outflows of Resources		
Deferred outflows related to pensions	6,351,655	4,770,511
Deferred outflows related to OPEB	9,608,383	5,576,254
Deferred amounts from refunding bonds payable	703,150	467,792
Total deferred outflows of resources	16,663,188	10,814,557
Total assets and deferred outflows of resources	\$ 613,627,565	\$ 546,805,648

See accompanying notes to financial statements.

Central Arkansas Water
STATEMENTS OF NET POSITION (Continued)
December 31, 2020 and 2019

	2020	2019
Liabilities and Net Position		
Current Liabilities		
Accounts payable and accrued expenses	\$ 4,488,583	\$ 4,290,214
Payroll and related liabilities	3,467,102	3,960,965
Water rights payable – current portion	1,149,587	1,109,993
Due to other agencies	8,998,601	6,722,568
Total current liabilities payable from unrestricted assets	18,103,873	16,083,740
Consumer deposits	4,957,887	4,481,411
Long-term obligations – current portion	5,309,368	6,723,395
Accrued interest payable	650,523	729,739
Retentions payable	1,064,795	385,510
Total current liabilities payable from restricted assets	11,982,573	12,320,055
Total current liabilities	30,086,446	28,403,795
Noncurrent Liabilities		
Unearned revenue	941,639	951,740
Long-term obligations, net	155,463,182	103,274,656
Net pension liability	30,661,451	25,504,253
Net OPEB liability	18,630,788	13,788,638
Total noncurrent liabilities	205,697,060	143,519,287
Total liabilities	235,783,506	171,923,082
Deferred Inflows of Resources		
Deferred Inflows related to pensions	545,646	1,213,486
Deferred Inflows related to OPEB	3,550,403	3,994,203
Deferred amounts from refunding bonds payable	123,400	108,468
Total deferred outflows of resources	4,219,449	5,316,157
Total liabilities and deferred inflows of resources	240,002,955	177,239,239
Net Position		
Net investment in capital assets	367,648,777	357,586,670
Restricted – expendable:		
Bond requirements	7,447,184	5,691,659
Future capital spending	1,404,149	3,114,646
Unrestricted	(2,875,500)	3,173,434
Total net position	373,624,610	369,566,409
Total liabilities, deferred inflows, and net position	\$ 613,627,565	\$ 546,805,648

See accompanying notes to financial statements.

Central Arkansas Water

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years Ended December 31, 2020 and 2019

	2020	2019
Operating Revenues		
Little Rock Water Sales	\$ 31,399,975	\$ 32,376,253
North Little Rock Water Sales	14,356,876	14,180,954
Maumelle Water Sales	3,394,392	3,433,183
POWA Water Sales	573,861	-
Wholesale	4,711,587	4,649,110
Penalties	1,120,690	1,019,732
Turn-on charges	913,820	1,403,494
Ancillary charges	10,644,544	8,818,905
Other revenue	(190,218)	552,289
Total operating revenues	66,925,527	66,433,920
Operating Expenses		
Administrative	6,059,961	6,928,480
Information services	3,843,156	3,527,672
Customer service	3,795,995	3,710,651
Finance	3,001,925	2,864,906
General	2,831,598	2,246,364
Engineering	2,037,030	2,862,634
Distribution	15,620,557	15,583,222
Water production	10,926,225	10,186,502
POWA operating expenses	281,493	-
Depreciation	13,165,555	12,888,536
Total operating expenses	61,563,495	60,798,967
Operating Income	5,362,032	5,634,953

See accompanying notes to financial statements.

Central Arkansas Water

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION *(Continued)*

Years Ended December 31, 2020 and 2019

	2020	2019
Nonoperating Revenues (Expenses)		
Transfers to Cities of Little Rock and North Little Rock	\$ (802,260)	\$ (791,064)
Gain (loss) on disposal of capital assets	80,724	(496,099)
Investment income	255,819	1,269,965
Bond and other interest expense, net	(3,707,779)	(2,162,183)
Net nonoperating expenses	(4,173,496)	(2,179,381)
 Income Before Contributions and Special Item	 1,188,536	 3,455,572
Contributions-in-aid of construction	1,081,550	3,079,598
Capital contributions from grantors	9,200	-
Special item – transfer of operations from POWA	1,778,915	-
Total Contributions and Special Item	2,869,665	3,079,598
 Change in Net Position	 4,058,201	 6,535,170
Net position – beginning of year	369,566,409	363,031,239
Net position – end of year	\$ 373,624,610	\$ 369,566,409

See accompanying notes to financial statements.

Central Arkansas Water
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Cash receipts from customers	\$ 62,493,156	\$ 65,811,320
Cash payments to suppliers for goods and services	(12,277,919)	(16,017,755)
Cash payments to employees for services	(26,090,314)	(25,166,670)
Cash payments for employees' post-employment benefits	(6,363,043)	(5,817,288)
Cash (payments) receipts from other sources	(190,218)	552,289
Net cash provided by operating activities	<u>17,571,662</u>	<u>19,361,896</u>
Cash Flows from Noncapital Financing Activities		
Transfers to Cities of Little Rock and North Little Rock	<u>(802,260)</u>	<u>(791,064)</u>
Net cash used in noncapital financing activities	<u>(802,260)</u>	<u>(791,064)</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(18,180,139)	(15,783,815)
Proceeds from issuance of bonds	54,824,299	-
Premium on long-term debt	1,456,527	-
Payment to refunded bond escrow agent	(19,839,044)	-
Principal paid on long-term obligations	(5,417,240)	(10,239,620)
Interest paid on long-term obligations	(4,171,405)	(3,100,345)
Capital contributions from grantors	9,200	-
Proceeds from sale of capital assets	305,273	131,565
Net cash provided by (used in) capital and related financing activities	<u>8,987,471</u>	<u>(28,992,215)</u>
Cash Flows from Investing Activities		
Proceeds from maturities of investment securities	14,250,000	7,250,000
Purchases of investment securities	-	(9,500,000)
Interest and dividends on investment securities	339,356	1,271,704
Net cash provided by (used in) investing activities	<u>14,589,356</u>	<u>(978,296)</u>
Net increase (decrease) in cash and cash equivalents	40,346,229	(11,399,679)
Cash and cash equivalents – beginning of year	<u>43,655,735</u>	<u>55,055,414</u>
Cash and cash equivalents – end of year	<u>\$ 84,001,964</u>	<u>\$ 43,655,735</u>

See accompanying notes to financial statements.

Central Arkansas Water
STATEMENTS OF CASH FLOWS (Continued)
Years Ended December 31, 2020 and 2019

	2020	2019
Reconciliation to Cash and Cash Equivalents – End of Year		
Current assets		
Unrestricted cash and cash equivalents	\$ 26,480,839	\$ 23,291,126
Restricted cash and cash equivalents	11,982,573	12,320,055
Total current cash and cash equivalents	38,463,412	35,611,181
 Noncurrent assets		
Restricted cash and cash equivalents	45,538,552	8,044,554
Cash and cash equivalents – end of year	\$ 84,001,964	\$ 43,655,735

See accompanying notes to financial statements.

Central Arkansas Water
STATEMENTS OF CASH FLOWS (Continued)
Years Ended December 31, 2020 and 2019

	2020	2019
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating income	\$ 5,362,032	\$ 5,634,953
Adjustment to reconcile operating income to net cash provided by operating activities		
Depreciation	13,165,555	12,888,536
Change in operating assets and liabilities		
Accounts receivable – customers, net	(5,099,065)	(242,459)
Inventory	29,981	(189,810)
Other current assets	409,764	(639,230)
Accounts payable and accrued expenses	(1,692,746)	(184,340)
Payroll and related liabilities	(630,803)	247,146
Due to other agencies	2,276,033	(561,495)
Consumer deposits	476,476	172,148
Net OPEB liability	4,842,150	(907,409)
Deferred outflows of resources on OPEB liability	(4,032,129)	(1,476,227)
Deferred inflows of resources on OPEB liability	(443,800)	2,203,939
Net pension liability	5,157,198	2,821,765
Deferred outflows of resources on pension liability	(1,581,144)	600,378
Deferred inflows of resources on pension liability	(667,840)	(1,005,999)
	\$ 17,571,662	\$ 19,361,896
Supplemental Disclosure of Noncash Transactions		
(Gain) loss on disposal of capital assets	\$ 80,724	\$ (496,099)
Contributions-in-aid of construction	1,081,550	3,079,598
Inventory capitalized	1,871,777	1,820,516
Capital asset acquisitions in accounts payable	2,555,498	797,604
Capital asset acquisitions financed with notes payable	16,318,486	12,958,151
Amortization	384,410	384,275
Net position transferred from POWA	1,778,915	-
Supplemental Disclosure of Cash Transactions		
Interest expense incurred	\$ 3,707,779	\$ 2,768,502
Interest capitalized	-	606,319

See accompanying notes to financial statements.

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Central Arkansas Water
STATEMENTS OF FIDUCIARY NET POSITION
Years Ended December 31, 2020 and 2019

	2020		2019	
	Pension (and Other Employee Benefit) Trust Funds	Private-Purpose Trust Funds – Brushy Island Trust Funds	Pension (and Other Employee Benefit) Trust Funds	Private-Purpose Trust Funds – Brushy Island Trust Funds
Assets				
Cash and cash equivalents	\$ 2,198,138	\$ 134,594	\$ 38,848	\$ 117,903
Restricted cash and cash equivalents	-	40,284	-	9,414
U.S. Treasury obligations	2,499,240	-	3,450,420	-
Certificates of deposit	1,682,308	-	2,177,092	-
Exchange-traded funds	377,538	-	257,161	-
Mutual funds	19,395,849	-	12,300,117	-
Investment contract, at contract value	5,922,897	-	1,849,452	-
Notes receivable to participants	-	-	13,292	-
Accounts receivable	-	9,267	-	9,229
Employer contribution receivable	-	-	8,082	-
Participant contribution receivable	-	-	12,910	-
Accrued interest receivable	6,407	79	11,697	57
Capital assets, net	-	1,553,369	-	1,586,681
	\$ 32,082,377	\$ 1,737,593	\$ 20,119,071	\$ 1,723,284
Liabilities				
Accounts payable	\$ 7,836	\$ -	\$ 7,400	\$ -
Long-term obligations	-	302,627	-	354,148
Accrued interest payable	-	1,261	-	1,463
Consumer deposits	-	4,550	-	4,675
	7,836	308,438	7,400	360,286
Net Position				
Restricted for:				
Pensions	12,058,616	-	10,504,804	-
Employee benefits other than pensions	20,015,925	-	9,606,867	-
Held in receivership	-	1,429,155	-	1,362,998
	32,074,541	1,429,155	20,111,671	1,362,998
	\$ 32,082,377	\$ 1,737,593	\$ 20,119,071	\$ 1,723,284

See accompanying notes to financial statements.

Central Arkansas Water
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
Years Ended December 31, 2020 and 2019

	2020		2019	
	Pension (and Other Employee Benefit) Trust Funds	Private-Purpose Trust Funds – Brushy Island Trust Funds	Pension (and Other Employee Benefit) Trust Funds	Private-Purpose Trust Funds – Brushy Island Trust Funds
Additions				
Employer contributions	\$ 1,382,290	\$ -	\$ 1,384,528	\$ -
Participant contributions	533,494	-	323,260	-
Rollover contributions	8,849,822	-	299,945	-
Water sales	-	97,186	-	92,076
Debt service fees	-	110,576	-	108,977
Net investment income (loss)	3,580,185	1,505	2,749,245	(702)
Total additions	<u>14,345,791</u>	<u>209,267</u>	<u>4,756,978</u>	<u>200,351</u>
Deductions				
Benefits paid	2,343,590	-	851,703	-
Transfers to Central Arkansas Water	-	97,061	-	91,976
Administrative expenses	39,331	820	39,654	826
Depreciation	-	33,312	-	33,312
Interest	-	11,917	-	22,101
Total deductions	<u>2,382,921</u>	<u>143,110</u>	<u>891,357</u>	<u>148,215</u>
Change in Fiduciary Net Position	11,962,870	66,157	3,865,621	52,136
Beginning of year	<u>20,111,671</u>	<u>1,362,998</u>	<u>16,246,050</u>	<u>1,310,862</u>
End of year	<u>\$ 32,074,541</u>	<u>\$ 1,429,155</u>	<u>\$ 20,111,671</u>	<u>\$ 1,362,998</u>

See accompanying notes to financial statements.

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Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

Note 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

Central Arkansas Water (the Utility) is an independent public entity established effective July 1, 2001, to own and operate a consolidated water system, as authorized under Act 982 of 2001 of the 83rd General Assembly of the State of Arkansas (the State). The Utility operates pursuant to a Consolidation Agreement, as amended, executed by and between the City of Little Rock, Arkansas; the City of North Little Rock, Arkansas; the Board of Commissioners of Little Rock Municipal Water Works; and the Board of Commissioners of the North Little Rock Water Department. Serving a retail and wholesale population of approximately 500,000 in 20 cities and communities located in Pulaski, Saline, Grant, Faulkner, Perry and Lonoke Counties, the Utility is the largest water supplier in the state of Arkansas. The Utility's mission is to enhance the quality of life for central Arkansas by delivering high-quality water and dependable service that exceed customer expectations; protecting and ensuring a long-term water supply for future generations; and serving as responsible stewards of public health, utility resources and the environment.

The governing board of the Utility is a Board of Commissioners, comprised of seven members who serve seven-year terms. Membership on the Board of Commissioners is subject to confirmation by the City of Little Rock Board of Directors and the North Little Rock City Council.

Rates may be established by the Board of Commissioners; however, before any rate changes may be implemented, the Board of Commissioners must give three months' notice to the City of Little Rock Board of Directors and the North Little Rock City Council and hold at least one public hearing on the proposed change(s) in rates. A change in rates may not be implemented if both the City of Little Rock Board of Directors and the North Little Rock City Council vote disapproval of the rate change. In the absence of such disapproval, the rate change will be implemented as proposed. The issuance of revenue bonds is subject to the same requirements.

Under the terms of the Consolidation Agreement, the Utility is required to pay a franchise fee to the Cities of Little Rock and North Little Rock based on water revenues billed within the respective cities. The rate, which cannot exceed 10.0%, was 10.0% for the City of Little Rock and 6.9% for the City of North Little Rock during 2020 and 2019. These franchise fees, which are not included in revenues or expenses on the Utility's statements of revenues, expenses and changes in net position, totaled approximately \$3,631,190 and \$3,663,797 for the years ended December 31, 2020 and 2019, respectively. The Utility is also required to pay an additional amount to each city equal to ad valorem taxes that would have been payable to each city if such taxes were assessed on the Utility's real property and improvements. These payments, which are reported as a nonoperating expense on the Utility's statements of revenues, expenses and changes in net position, totaled approximately \$802,000 and \$791,000 for the years ended December 31, 2020 and 2019, respectively.

The accompanying financial statements present the Utility and its fiduciary funds.

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

(b) Basis of Accounting

The financial statements of the Utility are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to enterprise funds of governmental entities using the economic resources measurement focus and the accrual basis of accounting. An enterprise fund is a proprietary fund type used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs, including depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. The Governmental Accounting Standards Board (GASB) is responsible for establishing U.S. GAAP for state and local governments through its pronouncements (Statements and Interpretations).

(c) Basis of Presentation

The presentation of the Utility's financial statements follows the requirements of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* – applicable to enterprise funds, as amended (GASB No. 34). In accordance with the requirements of this standard, the Utility's net position is categorized into net investment in capital assets; amounts restricted, yet expendable for the purposes of funding future capital spending, and fulfilling bond requirements; and amounts unrestricted, as applicable. Net investment in capital assets represents the balance of capital assets, net of accumulated depreciation, reduced by outstanding bonds or other debt attributable to the acquisition, construction or improvement of those assets. The restricted component consists of net position, the use of which is restricted to purposes or time periods specified by individuals or entities external to the Utility, such as creditors, grantors, contributors, or by laws or regulations. Unrestricted net position includes all other net position available for operating purposes.

In addition, operating revenues and expenses derived from or related directly to providing water supply, treatment and distribution services are distinguished from nonoperating revenues and expenses for purposes of presentation on the Utility's statements of revenues, expenses and changes in net position. Operating revenues consist primarily of user charges, and operating expenses include the costs of maintaining and operating the water supply, treatment and distribution systems, including depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Utility's policy is to first apply the expense toward restricted resources, if restrictions have been met, and then toward unrestricted resources.

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

The Utility utilizes fiduciary funds to report assets that are held in a trustee or agency capacity for others and that cannot be used to support the general operations of the Utility. The Utility's fiduciary funds include the following:

The *Central Arkansas Water Employees Savings Plan* (401(a) Employee Savings Plan) is a single-employer defined contribution pension plan included in the fiduciary funds financial statements as a pension (and other employee benefit) trust fund because the Utility controls the assets.

The *Central Arkansas Water Deferred Compensation 457 Plan II* (457 (b) Deferred Compensation Plan) is a single-employer defined contribution other employee benefit plan included in the fiduciary funds financial statements as a pension (and other employee benefit) trust fund because the Utility controls the assets.

The *Other Postemployment Benefits (OPEB) Trust Fund* is an employee benefit trust fund used to report the accumulation and use of resources to pay health insurance benefits for eligible retirees, as well as related liabilities for anticipated future benefits. The OPEB Plan is a fiduciary component of the Utility because it is a separate legal entity governed by management of the Utility and the Utility is considered to have a financial burden with respect to the Plan. It is reported as a pension (and other employee benefit) trust fund in the fiduciary funds statements.

The *Brushy Island Public Water Authority Fund* (Brushy Island) is a private-purpose trust fund used to report assets and liabilities held by the Utility as receiver, pursuant to the terms and conditions of a court order issued in August 2005 by the Third Division Circuit Court of Pulaski County, Arkansas. As receiver, the Utility is responsible for the day-to-day and long-term management and operation of Brushy Island as a water supplier for Brushy Island customers. The Utility is not responsible or liable for any debts or obligations of Brushy Island, except in its role as receiver. The agreement provides that until such time as the debt is retired, the terms of the order may not be changed without the consent of the Utility.

The transactions and balances of the fiduciary funds are also reported using the economic resources measurement focus and the accrual basis of accounting.

(d) Cash and Cash Equivalents

For purposes of the presentation on the statements of cash flows, cash and cash equivalents include all restricted and unrestricted cash on hand, demand deposit accounts, money market deposit accounts, money market mutual funds and other short-term investments and certificates of deposit (CDs) with original maturities of three months or less at the date of purchase.

(e) Investments

Generally accepted accounting principles prescribed by GASB require that the Utility's investments be measured at fair value and non-negotiable CDs be measured at cost. Fair value measurements are categorized according to a hierarchy that is based on valuation inputs used to measure fair value. Level 1 inputs are quoted prices for identical assets in active markets that can be accessed at the measurement date. Level 2 inputs are inputs other than quoted prices that are observable for an asset, either directly or indirectly. Level 3 inputs are unobservable.

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

Detailed information about the Utility's investments and their respective fair value measurements is provided in *Note 2* to the financial statements.

Purchases and sales of investments are reported on a trade-date basis. Realized gains and losses resulting from investment sales, as well as unrealized gain and losses resulting from changes in the fair values of investments held are reported as investment income on the statements of revenues, expenses and changes in net position. Dividends and capital gain distributions are recorded as investment income on the ex-dividend date.

(f) *Accounts Receivable, Net*

Accounts receivable include balances due from customers for services or water provided, net of an allowance for uncollectible amounts. Customer deposits may be required when credit is extended to customers. Accounts receivable are ordinarily due 20 days after the billing date. Payments are considered delinquent if not received on or before the due date, and a 10% late charge is assessed.

The allowance for uncollectible accounts receivable is estimated by management, taking into consideration the age of outstanding receivables, specific facts and circumstances pertaining to certain customers, customer payment histories and other historical collection statistics. Individual accounts receivable balances are written off for inactive customers at the point when all internal collection attempts have been exhausted. All balances previously written off must be repaid in order for a customer to restore service.

(g) *Inventory*

Inventory consists of materials and supplies used in the operation, maintenance and construction of or improvements to capital assets. Amounts in inventory are valued at cost, using the weighted-average method.

(h) *Capital Assets, Net of Accumulated Depreciation*

It is generally the Utility's policy that assets to be used in operations with an initial value or cost greater than or equal to \$5,000 and an estimated useful life of greater than one year are reported as capital assets. Capital assets are recorded at historical cost, including all direct salaries, materials and supplies related to construction and improvements completed by Utility personnel. Prior to January 1, 2020, interest costs related to acquiring or constructing capital assets are also capitalized as part of the cost of the related asset. Contributed assets are recorded at the acquisition value on the date of contribution.

Costs related to major additions and betterments of capital assets are capitalized, while costs of repairs and maintenance that do not add value or extend the useful life of the related asset are expensed as incurred.

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

Depreciation is generally provided using the straight-line method over the following estimated useful lives:

<u>Asset Type</u>	<u>Years</u>
Water source	75
Buildings and improvements	10–40
Land improvements	10–20
Purification and pumping	10–20
Distribution and transmission mains	15–75
Other equipment	5–20

Management evaluates events or changes in circumstances affecting capital assets to determine whether impairment has occurred. Such events or changes may include physical damage, obsolescence, changes in or new laws or regulations, construction stoppage or environmental factors. If it is determined that an asset is impaired and that impairment is other than temporary, impairment losses are recorded. There were no impairment losses recorded for the years ended December 31, 2020 and 2019.

(i) Deferred Outflows/Inflows of Resources

Deferred outflows and inflows of resources are financial statement elements distinct from assets and liabilities and represent a consumption or production of net position that applies to future periods and so will not be recognized as an outflow or inflow of resources until then. The Utility's deferred outflows and inflows of resources consist of deferred outflows/inflows of resources related to the Utility's pension plan activities and OPEB plan activities, as further discussed in *Note 10*, and the deferred loss and gain, respectively, on debt refunding transactions. A deferred loss or gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price and is amortized over the shorter of the life of the refunded or refunding debt.

(j) Compensated Absences

Utility policies permit employees to earn time off benefits that may be realized in the form of a cash payment or paid time off. A liability for compensated absences and related expense are recognized as the time off benefits are earned by employees using regular pay rates in effect at December 31.

(k) Long-Term Obligations

Long-term obligations are reported net of any applicable premiums or discounts. Premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Debt issuance costs, including underwriter fees, are reported as period costs when incurred.

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

(l) Due to Other Agencies

The Utility acts as billing agent for other public utility service providers. Amounts billed on behalf of these other entities are initially recorded as accounts receivable and a liability due to other agencies, until such time as the amounts are collected and remitted to the appropriate entity.

(m) Revenue Recognition

Revenues for water supply, treatment and distribution services are recognized in the period during which the related services are provided. Revenues include an estimate of charges for services provided but unbilled at year-end. Revenues are reported net of conservation rate discounts totaling approximately \$350,000 and \$339,000 for the years ended December 31, 2020 and 2019, respectively, and net of allowance for uncollectible accounts totaling approximately \$1,209,000 and \$397,000 for the years ended December 31, 2020 and 2019, respectively.

(n) Contributions and Special Items

Contributions-in-aid of construction include cash and capital assets contributed by customers, developers or other entities to improve or extend the Utility system.

Special items are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence.

(o) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arkansas Public Employees Retirement System Plan (APERS Plan) and additions to/deductions from APERS Plan's fiduciary net position have been determined on the same basis as they are reported by the APERS Plan.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(p) Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Utility's Retiree Health Care Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and certificates of deposit which are reported at cost.

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

(q) 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(r) Income Taxes

As a special purpose governmental entity, the Utility is exempt from federal and state income taxes.

(s) Recently Adopted Accounting Standards

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus, such as the Utility's. The standard was effective for the Utility beginning with its fiscal year 2020 and was applied prospectively. As a result, interest incurred before the end of a construction period was recognized as an expense beginning January 1, 2020.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, requires that for purposes of determining whether a primary government is financially accounting for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan or an other employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform. The standard also required that the financial burden criterion used in identifying fiduciary activities only be applicable to defined benefit pension plans that are administered through a qualifying trust. Finally, the standard clarifies that Section 457 plans are required to be classified as either a pension plan or an other employee benefit plan depending on whether it meets the definition of a pension plan. A portion of this standard was effective for the Utility's 2020 financial statements but had no impact on the financial statements.

(t) Recently Issued Accounting Standards

GASB Statement No. 87, *Leases*, provides a new framework for accounting for leases under the principle that leases are financings. No longer will leases be classified between capital and operating. Lessees will recognize an intangible asset and a corresponding liability. The liability will be based on the payments expected to be paid over the lease term, which includes an evaluation of the likelihood of exercising renewal or termination options in the lease. Lessors will recognize a lease receivable and related deferred inflow of resources. Lessors will not derecognize the underlying asset. An exception to the general model is provided for short-term leases that cannot last more than 12 months. Contracts that contain lease and nonlease components will need to be separated so each component is accounted for accordingly.

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

As a result of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, this standard becomes effective for the Utility beginning with its fiscal year 2022. Management of the Utility has not yet determined the impact that adoption of this statement will have on the Utility's financial statements or related disclosures.

Note 2: DEPOSITS AND INVESTMENTS

Investments at December 31 for the Utility include the following:

The Utility

Type	2020				
	Fair Value	Maturities in Years			More than 10
		Less than 1	1-5	6-10	
Unrestricted:					
Money Market Mutual Funds	\$ 25,829,670	\$ 25,829,670	\$ -	\$ -	\$ -
Restricted:					
Money market mutual funds	55,316,871	55,316,871	-	-	-
	<u>\$ 81,146,541</u>	<u>\$ 81,146,541</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Type	2019				
	Fair Value	Maturities in Years			More than 10
		Less than 1	1-5	6-10	
Unrestricted:					
U.S. agency obligations	\$ 10,022,506	\$ 3,023,364	\$ 6,999,142	\$ -	\$ -
Money market mutual funds	13,762,925	13,762,925	-	-	-
Restricted:					
U.S. agency obligations	4,263,742	1,763,629	2,500,113	-	-
Money market mutual funds	19,824,528	19,824,528	-	-	-
	<u>\$ 47,873,701</u>	<u>\$ 38,374,446</u>	<u>\$ 9,499,255</u>	<u>\$ -</u>	<u>\$ -</u>

The Utility invests in the Morgan Stanley Institutional Liquidity Fund, a publicly traded money market mutual fund comprised primarily of short-term U.S. Treasury securities. This investment is classified in cash and cash equivalents in the Utility's statements of net position due to its highly liquid nature. This fund maintains a stable net asset value of \$1 and has a Standard & Poor's credit rating of AAAM. At December 31, 2020 and 2019, the Utility's restricted investment in this fund totaled \$50,131,616 and \$17,081,069, respectively.

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

Investment Valuation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs.

There is a hierarchy of three levels of inputs that may be used to measure fair value:

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

There were no assets or liabilities measured at fair value for the year ended December 31, 2020. The following table presents the fair value measurement of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2019:

Type	2019			
	Fair Value	Level 1	Level 2	Level 3
Classified as Investments				
Unrestricted:				
U.S. agency obligations	\$ 10,022,506	\$ -	\$ 10,022,506	\$ -
Restricted:				
U.S. agency obligations	4,263,742	-	4,263,742	-
	<u>\$ 14,286,248</u>	<u>\$ -</u>	<u>\$ 14,286,248</u>	<u>\$ -</u>

(a) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Utility manages its exposure to declines in fair values by limiting investments to securities with a maturity of not more than five years from the date of purchase.

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

(b) Credit Risk

Credit risk is the risk that the issuer or other counterparty will not fulfill its obligations. To minimize exposure to credit risk, the Utility's investment policy specifies the types of securities in which the Utility may invest. In general, the following investments are considered permissible investments:

- Direct obligations of the United States government
- Open-end, government obligation money market mutual funds
- Obligations that are fully guaranteed, secured or insured by United States government agencies, instrumentalities and government-sponsored entities
- Repurchase agreements that are fully collateralized by direct obligations of the United States government and general obligations of any state of the United States or political subdivision thereof
- General obligations of the states of the United States and of the political subdivisions, municipalities, commonwealths, territories or insular possessions thereof
- Pre-funded municipal bonds, the principal and interest of which are fully secured by the principal and interest of a direct obligation of the United States government
- Revenue bond issues of any state of the United States or any municipality or any political subdivision thereof

(c) Custodial Credit Risk

For a deposit or investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Utility will not be able to recover the value of the deposits, investments or collateral securities that are in the possession of an outside party. State statutes require the Utility to maintain cash balances on deposit with financial institutions located within the state and that account balances in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC) be collateralized by the financial institution in accordance with state statutes. All of the Utility's deposit account balances are fully insured by the FDIC or secured by collateral. All investments are held in the name of the Utility by the Utility's agent.

(d) Concentration of Credit Risk

With the exception of securities that are direct obligations of the U.S. government, deposit accounts that are fully insured by the FDIC or fully collateralized, and money market mutual funds with an underlying investment portfolio that is limited principally to U.S. government obligations, the Utility's policy states that no more than 20% of the total balance may be invested in any single investment or in securities of a single obligor.

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

Note 3: RESTRICTED ASSETS

Assets restricted to meet the requirements of each of the Utility's bond ordinances include the following accounts and their related accrued interest receivable:

- Bond accounts are maintained to segregate funds that will be used to make debt service payments on each of the Utility's outstanding bond issues.
- Debt service reserve accounts are maintained for each of the Utility's bond issues and include amounts as stipulated by the underlying bond agreements to ensure the Utility's ability to meet debt service obligations if revenues are insufficient to do so during a given period. Funding of the debt service reserve accounts is typically based on a percentage of the maximum annual debt service requirements (see *Note 7*).

Assets restricted for future capital costs include the following accounts and their related accrued interest receivable:

- Construction accounts include unspent bond proceeds and are maintained for the first three years of each of the Utility's bond issues to pay construction invoices associated with the capital project funded by the related debt.
- The system development charges account serves to recover the cost of capital improvements or facility expansions attributable to new development. New customers are charged a one-time fee for system development based on meter size.
- The capital investment charges account funds the cost of capital improvements or facility expansions associated with treated water transmission and distribution, pumping or storage facilities.
- Funds in the depreciation account are used to recover cost associated with the replacement of capital assets. Three percent (3%) of water consumption-based revenues (including wholesale revenues) and private fire service revenues are transferred to the account each month.

The consumer deposits account includes funds accumulated through the collection of deposits during the process of establishing new services. Residential account deposits are automatically refunded and applied to the account balance after 12 months of service if the account is in good standing.

Balances in these restricted accounts at December 31 are as follows:

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

	2020	2019
Bond requirements	\$ 9,160,809	\$ 6,968,434
Future capital costs	43,437,802	13,204,997
Consumer deposits	4,923,999	4,503,694
Total restricted assets	\$ 57,522,610	\$ 24,677,125

Note 4: ACCOUNTS RECEIVABLE – CUSTOMERS, NET

Accounts receivable – consumers, net includes amounts due from Utility customers for water sales and other related services provided, net of an allowance for uncollectible amounts, as well as amounts due from customers of other entities for which the Utility serves as billing agent. These amounts are as follows at December 31:

	2020	2019
Water sales and services	\$ 7,914,174	\$ 5,863,239
Billed for other agencies	11,017,024	7,757,841
Less allowance for doubtful accounts	(1,280,431)	(271,270)
Total accounts receivable – consumers, net	\$ 17,650,767	\$ 13,349,810

Note 5: BOARD-DESIGNATED ASSETS

Board-designated assets include resources set aside by the Board of Commissioners for specified purposes, as follows:

(a) Rate Stabilization Trust

The rate stabilization trust was established by Resolution 2010-03 for the purpose of minimizing or leveling rate increases and providing additional cash for operations during revenue shortfall years. Deposits into this account may be made at the discretion of the Board of Commissioners; however, the balance may not exceed \$20 million. Funds may be withdrawn and used for any lawful purpose.

(b) Watershed Protection Trust

The Watershed Protection Trust was established by Resolution 2008-05 to fund the Watershed Management Program, which includes land purchases, water quality monitoring and other measures deemed necessary to protect the water supply in the Lake Maumelle Watershed area from potential sources of pollution. The Utility’s customers are charged a flat monthly rate for Watershed protection based on meter size.

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

Balances in these accounts are as follows at December 31:

	<u>2020</u>	<u>2019</u>
Rate stabilization	\$ 10,575,413	\$ 10,510,420
Watershed protection	<u>57,863</u>	<u>513,136</u>
Total board-designated assets	<u>\$ 10,633,276</u>	<u>\$ 11,023,556</u>

The board-designated assets were reported on the statements of net position in the following classifications at December 31:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 10,633,276	\$ 6,015,587
Investments	<u>-</u>	<u>5,007,969</u>
Total board-designated assets	<u>\$ 10,633,276</u>	<u>\$ 11,023,556</u>

Note 6: CAPITAL ASSETS

A summary of changes in capital asset balances that occurred during the years ended December 31, 2020 and 2019, follows:

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

	Balance 12/31/2019	Additions	Disposals	Transfers, Net	Balance 12/31/2020
Capital Assets, Nondepreciable					
Land and land use rights	\$ 60,324,790	\$ 3,795,651	\$ -	\$ -	\$ 64,120,441
Water rights	4,598,638	375,476	-	-	4,974,114
Construction in progress	29,549,784	32,617,173	-	(15,653,277)	46,513,680
Total capital assets, nondepreciable	94,473,212	36,788,300	-	(15,653,277)	115,608,235
Capital Assets, Depreciable					
Building and improvements	63,505,998	2,323,279	(572,862)	2,960,273	68,216,688
Land improvements	2,974,389	15,000	-	169,726	3,159,115
Water source	33,419,723	-	-	-	33,419,723
Purification	42,984,525	66,261	-	255,694	43,306,480
Pumping	28,569,649	-	(5,636)	4,753,616	33,317,629
Distribution	401,665,841	6,277,538	(724,185)	6,772,605	413,991,799
Other equipment	34,899,019	970,252	(163,945)	741,363	36,446,689
Total capital assets, depreciable	608,019,144	9,652,330	(1,466,628)	15,653,277	631,858,123
Less Accumulated Depreciation					
Building and improvements	31,663,481	1,643,223	(317,397)	-	32,989,307
Land improvements	1,145,416	135,939	-	-	1,281,355
Water source	16,384,695	470,916	-	-	16,855,611
Purification	24,734,110	1,492,085	-	-	26,226,195
Pumping	18,617,830	1,335,900	(5,636)	-	19,948,094
Distribution	122,063,737	9,306,690	(724,185)	-	130,646,242
Other equipment	29,462,533	1,619,168	(163,945)	-	30,917,756
Total accumulated depreciation	244,071,802	16,003,921	(1,211,163)	-	258,864,560
Total Capital Assets, Net	\$ 458,420,554	\$ 30,436,709	\$ (255,465)	\$ -	\$ 488,601,798

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

	Balance 12/31/2018	Additions	Disposals	Transfers, Net	Balance 12/31/2019
Capital Assets, Nondepreciable					
Land and land use rights	\$ 58,804,602	\$ 1,468,918	\$ -	\$ 51,270	\$ 60,324,790
Water rights	-	4,598,638	-	-	4,598,638
Construction in progress	19,019,610	26,637,464	(727,599)	(15,379,691)	29,549,784
Total capital assets, nondepreciable	77,824,212	32,705,020	(727,599)	(15,328,421)	94,473,212
Capital Assets, Depreciable					
Building and improvements	63,294,373	268,073	(622,872)	566,424	63,505,998
Land improvements	2,895,907	-	-	78,482	2,974,389
Water source	33,419,723	-	-	-	33,419,723
Purification	45,671,724	2,837	(2,690,036)	-	42,984,525
Pumping	28,272,198	21,978	(553,231)	828,704	28,569,649
Distribution	388,751,969	-	(413,575)	13,327,447	401,665,841
Other equipment	33,784,779	1,187,046	(600,170)	527,364	34,899,019
Total capital assets, depreciable	596,090,673	1,479,934	(4,879,884)	15,328,421	608,019,144
Less Accumulated Depreciation					
Building and improvements	30,069,709	1,607,149	(13,377)	-	31,663,481
Land improvements	1,010,603	134,813	-	-	1,145,416
Water source	15,837,533	547,162	-	-	16,384,695
Purification	25,639,926	1,784,568	(2,690,384)	-	24,734,110
Pumping	18,319,333	787,023	(488,526)	-	18,617,830
Distribution	116,024,041	6,448,550	(408,854)	-	122,063,737
Other equipment	28,464,859	1,579,264	(581,590)	-	29,462,533
Total accumulated depreciation	235,366,004	12,888,529	(4,182,731)	-	244,071,802
Total Capital Assets, Net	\$ 438,548,881	\$ 21,296,425	\$ (1,424,752)	\$ -	\$ 458,420,554

Included in 2020 additions are assets at cost of approximately \$8,391,352 and accumulated depreciation of approximately \$2,963,628, which transferred to the Utility from POWA (see Note 13).

Central Arkansas Water
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Note 7: LONG-TERM DEBT

The following is a summary of long-term obligation transactions for the Utility for the years ended December 31, 2020 and 2019:

	Balance December 31, 2019			Balance December 31, 2020			Amounts Due Within One Year	Amounts Due Greater Than One Year
	Additions	Deductions	Additions	Deductions	Year	Year	Year	
Long-term debt								
Revenue bonds	\$ 51,885,000	\$ (17,930,900)	\$ 75,100,000	\$ (8,235,000)	\$ 4,375,000	\$ 104,679,100		
Notes from direct placements	20,300,131	(2,311,292)	27,036,460	(799,978)	934,368	44,090,931		
Issuance premiums	1,313,099	(1,163,957)	3,354,004	(1,163,957)	-	3,503,146		
Total long-term debt	73,498,230	(21,406,149)	105,490,464	(15,198,914)	5,309,368	152,273,177		
Other long-term liabilities	375,476	(1,653,464)	5,617,580	(1,653,464)	1,149,587	3,190,005		
Total other noncurrent liabilities	375,476	(1,653,464)	5,617,580	(1,653,464)	1,149,587	3,190,005		
Total long-term liabilities	\$ 73,873,706	\$ (23,059,613)	\$ 111,108,044	\$ 161,922,137	\$ 6,458,955	\$ 155,463,182		

	Balance December 31, 2018			Balance December 31, 2019			Amounts Due Within One Year	Amounts Due Greater Than One Year
	Additions	Deductions	Additions	Deductions	Year	Year	Year	
Long-term debt								
Revenue bonds	\$ -	\$ (8,235,000)	\$ 83,335,000	\$ (8,235,000)	\$ 5,905,000	\$ 69,195,000		
Notes from direct placements	9,026,947	(799,978)	18,809,491	(799,978)	818,395	26,218,065		
Issuance premiums	-	(421,954)	3,775,958	(421,954)	-	3,354,004		
Total long-term debt	9,026,947	(9,456,932)	105,920,449	(9,456,932)	6,723,395	98,767,069		
Other long-term liabilities	4,598,638	(1,872,076)	2,891,018	(1,872,076)	1,109,993	4,507,587		
Total other noncurrent liabilities	4,598,638	(1,872,076)	2,891,018	(1,872,076)	1,109,993	4,507,587		
Total long-term liabilities	\$ 13,625,585	\$ (11,329,008)	\$ 108,811,467	\$ 111,108,044	\$ 7,833,388	\$ 103,274,656		

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Revenue bonds and notes from direct placements at December 31, 2020, include the outstanding principal balance of the following issues:

	Interest Rates	Final Maturity	Original Issue	Total Outstanding
Revenue bonds				
2010C Water Revenue Bonds	2.00% – 4.00%	2023	\$ 8,830,000	\$ 1,050,000
2012A Water Revenue Bonds	2.00% – 4.00%	2032	17,515,000	11,600,000
2014 Refunding Water Revenue Bonds	2.00% – 5.00%	2024	10,850,000	4,980,000
2016 Refunding Water Revenue Bonds	2.00% – 5.00%	2027	17,860,000	4,509,100
2016 Construction and Acquisition Water Revenue Bonds	2.00% – 3.50%	2046	22,750,000	16,480,000
2018B Water Revenue Bonds	3.25% – 5.00%	2038	20,000,000	18,550,000
2020B Capital Improvement and Refunding Water Revenue Bonds	2.00% – 5.00%	2041	12,920,000	12,920,000
2020C Capital Improvement and Refunding Water Revenue Bonds	2.00% – 5.00%	2042	31,825,000	31,825,000
2020D Refunding Water Revenue Bonds	0.30% – 2.70%	2041	7,140,000	7,140,000
Total revenue bonds			149,690,000	109,054,100
Notes from direct placements				
2010A Water Revenue Bond	1.00% ⁽¹⁾	2032	13,400,000	8,669,523
2011A Water Revenue Bond	2.25% ⁽¹⁾	2034	4,000,000	2,970,238
Frazier Pike/ANRC Bond	3.90%	2033	257,500	211,030
2017A Water Revenue Bond	1.50% ⁽¹⁾	2041	5,000,000	4,491,473
2019 Water Revenue Bond	1.50% ⁽¹⁾	2043	37,000,000	24,701,389
2020A Water Revenue Bond	0.75% ⁽¹⁾	2042	6,050,000	3,981,646
Total notes from direct placements			\$ 65,707,500	\$ 45,025,299

⁽¹⁾ In addition to interest, the Utility is required to pay a 1% service fee.

(a) Revenue Bonds

2010C Water Revenue Bonds

The Series 2010C Bonds were issued to refinance a portion of the cost of acquisition of approximately 915 acres of real property within the Lake Maumelle watershed, to establish a debt service reserve for the Series 2010C Bonds and to pay the costs of issuing the Series 2010C Bonds. The Series 2010C Bonds are special obligations of the Utility, payable solely from stabilized net revenues of the water system, as defined in the related bond agreements. Principal payments are due annually on October 1, with the final payment date due in 2023. Interest payments are due semiannually on April 1 and October 1.

2012A Water Revenue Bonds

The Series 2012A Bonds were issued to finance the cost of certain capital improvements to the water system, to pay the then outstanding balance on a capital lease obligation, to establish a debt service reserve for the Series 2012A Bonds and to pay the cost of issuing the Series 2012A Bonds. The Series 2012A Bonds are special obligations of the Utility, payable solely from stabilized net revenues of the water system, as defined in the related bond agreements. Principal

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payments are due annually on October 1, with the final payment scheduled in 2032. Interest payments are due semiannually on April 1 and October 1.

2014 Refunding Water Revenue Bonds

The Series 2014 Bonds were issued to refund the then outstanding Series 2004 Bonds. The difference between the reacquisition price and the net carrying amount of the refunded bonds of \$236,657 is reported as a deferred inflow of resources in the statements of net position and is being amortized through the year 2024 using the straight-line method. The Series 2014 Bonds are special obligations of the Utility, payable solely from the stabilized net revenues of the water system, as defined in the related bond agreements. Principal and interest payments are due semiannually on April 1 and October 1, with the final payment scheduled in 2024.

2016 Refunding Water Revenue Bonds

On July 7, 2016, the Utility issued \$17,860,000 of revenue refunding bonds to refund the then outstanding Series 2007 and 2011B Bonds. The difference between the reacquisition price and the net carrying amount of the refunded bonds of \$652,654 is reported as a deferred outflow of resources in the statements of net position and is being amortized through the year 2027 using the straight-line method. The Series 2016 Bonds are special obligations of the Utility, payable solely from the stabilized net revenues of the water system, as defined in the related bond agreements. Principal payments are due annually on October 1 beginning in 2016, with the final payment scheduled in 2027. Interest payments are due semiannually on April 1 and October 1, beginning in 2016. The current refunding reduced total debt service payments over the next 15 years by approximately \$3,317,000. This resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$1,916,000.

2016 Construction and Acquisition Water Revenue Bonds

The \$22,750,000 Series 2016 Bonds were issued in March 2016 to finance the cost of certain capital improvements to the Maumelle water system, to establish a debt service reserve for the Series 2016 Bonds and to pay the costs of issuing the Series 2016 Bonds. The Series 2016 Bonds are special obligations of the Utility, payable solely from the net revenues of the Maumelle water system. Principal payments are due annually on April 1 beginning in 2016, with the final payment scheduled in 2046. Interest payments are due semiannually on April 1 and October 1.

2018B Water Revenue Bonds

The Series 2018B Bonds were issued to finance the cost of planning, design, construction, and/or rehabilitation of the treatment facilities of the water system, paying cost incidental thereto, and paying approved expenses incurred in connection with the issuance of the bonds. The Series 2018B Bonds are a special obligation of the Utility, payable solely from the stabilized net revenues of the water system, as defined in the related bond agreements. Principal and interest payments are due semiannually on April 1 and October 1, with the final payment scheduled in 2038.

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2020B Capital Improvement and Refunding Water Revenue Bonds

The Series 2020B Bonds were issued to accomplish various capital improvements to the water system, to finance the refunding of the then outstanding Series 2015 Bonds, to fund a debt service reserve, and to pay costs of issuing the bonds. The Series 2020B Bonds are a special obligation of the Utility, payable solely from the stabilized net revenues of the water system, as defined in the related bond agreements. Principal payments are due annually on October 1 and interest payments are due semiannually on April 1 and October 1, with the final payment scheduled in 2041. The refunding reduced debt service payments through 2027 but resulted in an overall increase in debt service costs of approximately \$322,000. This resulted in an overall economic gain (present value of the difference between debt service payments on the new debt and the old debt) of approximately \$64,000.

2020C Capital Improvement and Refunding Water Revenue Bonds

The Series 2020C Bonds were issued to accomplish various capital improvements to the water system, to finance the refunding of the then outstanding Series 2018A Bonds, to fund a debt service reserve, and to pay costs of issuing the bonds. The Series 2020C Bonds are a special obligation of the Utility, payable solely from the stabilized net revenues of the water system, as defined in the related bond agreements. Principal payments are due annually on October 1 and interest payments are due semiannually on April 1 and October 1, with the final payment scheduled in 2042. The refunding reduced the debt service payment in 2023 but resulted in an overall increase in debt service costs of approximately \$292,000. This resulted in an overall economic gain (present value of the difference between debt service payments on the new debt and the old debt) of approximately \$58,000.

2020D Refunding Water Revenue Bonds

The Series 2020D Bonds were issued to partially advance refund the Series 2016 Refunding Bonds, to fund a debt service reserve, and to pay costs of issuing the bonds. The Series 2020D Bonds are a special obligation of the Utility, payable solely from the stabilized net revenues of the water system, as defined in the related bond agreements. Principal payments are due annually on October 1 and interest payments are due semiannually on April 1 and October 1, with the final payment scheduled in 2041. The refunding reduced debt service payments through 2024 but resulted in an overall increase in debt service costs of approximately \$1,898,000. This resulted in an overall economic loss (present value of debt service payments on the new debt in excess of the old debt) of approximately \$303,000.

(b) Notes from Direct Placements

2010A Water Revenue Bond

The Series 2010A Bond was issued to replace the then outstanding Series 2009 Bond. The Series 2010A Bond was issued to change terms, particularly the requirement for security for the outstanding debt. The bond was issued through the Arkansas Natural Resources Commission (ANRC) and the Arkansas Development Finance Authority (ADFA) from monies in the Drinking

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Water State Revolving Fund Account (Revolving Loan Fund), created by Arkansas Code Annotated Section 15-22-1102 to finance the cost of planning, design, construction, and/or rehabilitation of the treatment facilities in the water system, paying cost incidental thereto and paying approved expenses incurred in connection with the issuance of the bond.

The Series 2010A Bond is a special obligation of the Utility, payable solely from stabilized net revenues of the water system, as defined in the related bond agreement. Principal and interest payments are due semiannually on April 15 and October 15, with the final payment scheduled in 2032.

2011A Water Revenue Bond

The Series 2011A Bond was issued through the ANRC and ADFA from monies in the Revolving Loan Fund to finance the cost of planning, design, construction, and/or rehabilitation of the treatment facilities of the water system, paying cost incidental thereto, and paying approved expenses incurred in connection with the issuance of the bond. The Series 2011A Bond is a special obligation of the Utility, payable solely from the stabilized net revenues of the water system, as defined in the related bond agreement. Principal and interest payments are due semiannually on April 15 and October 15, with the final payment scheduled in 2034.

Frazier Pike/ANRC Bond Payable

During 2015, the Utility began providing water to an unincorporated area along Frazier Pike in Pulaski County, Arkansas, that had previously relied upon well water. The Frazier Pike community was the recipient of funding provided by the ANRC including a Water Development Bond that the Utility assumed totaling \$257,200. Principal and interest payments are due annually on December 1 beginning in 2017 and are to be paid through a debt service charge assessed to the Frazier Pike customers. The bond is secured solely by a lien on and pledge of the Frazier Pike water surcharge, as defined in the related bond agreement. In conjunction with providing water service to Frazier Pike customers, the Utility acquired capital assets totaling approximately \$850,000.

2017A Water Revenue Bond

The Series 2017A Bond was issued through the ANRC and ADFA from monies in the Revolving Loan Fund to finance the cost of planning, design, construction, and/or rehabilitation of the treatment facilities of the water system, paying cost incidental thereto, and paying approved expenses incurred in connection with the issuance of the bond. The Series 2017A Bond is a special obligation of the Utility, payable solely from the stabilized net revenues of the water system, as defined in the related bond agreement. Principal and interest payments are due semiannually on April 15 and October 15 beginning in 2021, with the final payment scheduled in 2041.

2019A Water Revenue Bond

The Series 2019A Bond was issued through the ANRC and ADFA from monies in the Revolving Loan Fund to finance the cost of planning, design, construction, and/or rehabilitation of the

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treatment facilities of the water system, paying cost incidental thereto, and paying approved expenses incurred in connection with the issuance of the bond. The Series 2019A Bond is a special obligation of the Utility, payable solely from the stabilized net revenues of the water system, as defined in the related bond agreement. Principal and interest payments are due semiannually on April 15 and October 15 beginning in 2023, with the final payment scheduled in 2043.

2020A Water Revenue Bond

The Series 2020A Bond was issued through the ANRC and ADFA from monies in the Revolving Loan Fund to finance the acquisition of the water system owned by POWA, paying costs incidental thereto, paying interest during construction and paying approved expenses incurred in connection with the issuance of the Bond. The Bond is secured by a pledge of Net POWA Revenues as defined in the bond agreements. Principal and interest payments are due semiannually on April 15 and October 15 beginning in 2023, with the final payment scheduled in 2042.

The following schedule shows the annual debt service of the revenue bonds and notes from direct placements outstanding at December 31, 2020:

Year Ending December 31,	Total to be Paid	Revenue Bonds		Direct Placements	
		Principal	Interest	Principal	Interest
2021	\$ 8,593,428	\$ 4,375,000	\$ 2,948,058	\$ 934,368	\$ 336,002
2022	9,096,896	4,695,000	2,971,912	1,054,471	375,513
2023	10,291,874	4,500,000	2,820,970	2,052,907	917,997
2024	10,425,719	3,635,000	2,671,189	2,807,280	1,312,250
2025	10,378,235	3,700,000	2,526,239	2,895,842	1,256,154
2026 – 2030	52,142,986	20,394,100	10,988,906	15,549,557	5,210,423
2031 – 2035	51,474,162	26,220,000	7,395,161	14,529,955	3,329,046
2036 – 2040	43,201,827	32,890,000	3,407,914	5,200,919	1,702,994
2041 – 2045	8,919,836	8,645,000	274,836	-	-
	<u>\$ 204,524,963</u>	<u>\$ 109,054,100</u>	<u>\$ 36,005,185</u>	<u>\$ 45,025,299</u>	<u>\$ 14,440,379</u>

(c) Financial Covenants

Each bond agreement states that parity debt may be issued by the Utility provided that there is no event of default and net revenues for the immediately preceding two calendar years exceed an amount equal to not less than the sum of (a) 120% of the average annual debt service of all outstanding debt, and (b) the maximum annual debt service on the proposed parity debt.

The terms of the bond agreements impose certain restrictive covenants on the Utility. Generally, the Utility is required to establish and maintain water rates to provide net revenues in each fiscal year at least equal to the sum of (a) 120% of the aggregate debt service, excluding amounts payable on repayment obligations, for the forthcoming fiscal year, (b) 100% of the repayment

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obligations, if any, which will be due and payable during the forthcoming fiscal year and (c) 100% of the amounts, if any, required by the indenture to be deposited into the debt service reserve account during the forthcoming fiscal year.

In addition, the Utility must establish and maintain debt service reserve accounts as follows:

Senior debt – the lesser of (a) 10% of the original principal amount outstanding, (b) maximum annual debt service or (c) 125% of average annual debt service

Subordinate debt – the lesser of (a) 5% of the original principal amount outstanding or (b) 50% of maximum annual debt service

The Utility is also required to maintain working capital in an amount sufficient to ensure efficient operation and maintenance of the water system, and such reserve must not be less than an amount reasonably estimated to pay the operations and maintenance costs of the water system for the next three calendar months. The Utility was in compliance with all debt covenants for the years ended December 31, 2020 and 2019.

(d) Mid-Arkansas Water Alliance Water Storage Allocation Purchase Agreement

The Utility is party to an agreement with Mid-Arkansas Water Alliance (MAWA), along with nine other municipal water providers, to purchase a portion of the water storage rights at Greers Ferry Lake allocated to MAWA by the U.S. government. The Utility and each of the nine other parties to the agreement have been allocated a portion of the debt incurred by MAWA to acquire the storage rights, based on each party's respective share of the total storage area. The initial amount of the debt allocated to the Utility totaled \$284,524 and annual payments of \$17,155 are required, including interest at a variable rate determined by the Secretary of the Treasury (4.125% at December 31, 2020 and 2019). The amortization period of the debt depends upon actual repayments of all parties to the agreement and may vary; these amortization periods are based on two allocations. As of December 31, 2020, the first allocation has 19 payments remaining with an expected final payment date in 2039, while the second allocation has 29 payments remaining with an expected final payment date in 2049.

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(e) DeGray Lake Water Storage Agreement

In 2019, the Utility entered into an agreement with the Department of the Army (Army) to purchase water storage rights at DeGray Reservoir on the Caddo River. Under the terms of the agreement, the Utility is required to pay to the Army its allocated portion of the project cost, based on its percentage share of total storage area. The initial amount of this obligation allocated to the Utility totaled \$4,598,638 and annual payments of \$1,196,720 are required, including interest at a variable rate determined by the Secretary of the Treasury (2.742% at December 31, 2020). The final payment of principal and interest is scheduled in 2022.

(f) Unearned Revenue

The Utility entered into a long-term lease agreement with the Arkansas State Game and Fish Commission in 2013. Payments received are reported as unearned revenue and are recognized as operating revenue over the term of the 99-year agreement.

(g) Brushy Island Public Water Authority (the Authority) Revenue Bonds

2005B Water Revenue Bonds

The Series 2005B Bonds were issued in an original issue amount of \$793,100 at an interest rate of 5.00% to finance the cost of certain capital improvements to the water system, to establish a debt service reserve for the Series 2005B Bonds and to pay the cost of issuing the Series 2005B Bonds. The Series 2005B Bonds are special obligations of the Authority, payable solely from stabilized net revenues of the water system, as defined in the related bond agreements. Principal and interest payments are due annually on December 1, with the final payment scheduled in 2026.

Changes in long-term debt for the years ended December 31, 2020 and 2019, are as follows:

	Balance December 31, 2019	Additions	Deductions	Balance December 31, 2020	Amounts Due Within One Year	Amounts Due Greater Than One Year
Long-term debt						
Note from direct placement	\$ 354,148	\$ -	\$ (51,521)	\$ 302,627	\$ 48,509	\$ 254,118
	Balance December 31, 2018	Additions	Deductions	Balance December 31, 2019	Amounts Due Within One Year	Amounts Due Greater Than One Year
Long-term debt						
Note from direct placement	\$ 425,729	\$ -	\$ (71,581)	\$ 354,148	\$ 44,394	\$ 309,754

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The following schedule shows the annual debt service of the note from direct placement outstanding at December 31, 2020:

Year Ending December 31,	Total to be Paid	Direct Placement	
		Principal	Interest
2021	\$ 63,640	\$ 48,509	\$ 15,131
2022	63,640	50,934	12,706
2023	63,640	53,481	10,159
2024	63,640	56,155	7,485
2025	63,640	58,963	4,677
2026	36,314	34,585	1,729
	<u>\$ 354,514</u>	<u>\$ 302,627</u>	<u>\$ 51,887</u>

Note 8: RISK MANAGEMENT

The Utility has commercial insurance to cover various potential risk areas including automobile liability, theft or destruction of business assets, directors' and officers' liability, employment practices liability, and crime. Settled claims have not exceeded this commercial coverage in any of the three preceding years. Under state law, the Utility is protected by tort immunity.

The Utility is self-insured for a portion of its exposure to risk of loss from work-related employee injuries and illnesses (workers' compensation) up to \$500,000 per occurrence for employees, with a maximum liability coverage of \$1,000,000. All full-time employees are covered by the plan.

Note 9: COMMITMENTS AND CONTINGENCIES

(a) Construction Contracts

The Utility has commitments totaling approximately \$18,802,419 and \$28,993,725 at December 31, 2020 and 2019, respectively, for construction contracts. Certain contracts related to these commitments include a provision for the retainage of a portion of the fees on the work completed to date. Retainage payable related to these contracts included in the statements of net position totaled approximately \$1,098,000 and \$493,000 at December 31, 2020 and 2019, respectively. These amounts will be paid upon completion and inspection of the facilities.

(b) Other

Support funded by government grants is recognized as the Utility performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such

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audit, adjustments could be required. In the opinion of the Utility's management, such adjustments, if any, will not be significant to the Utility's financial statements.

(c) General Litigation

The Utility is subject to claims and lawsuits that arose primarily in the ordinary course of business. It is the opinion of management that disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, results of operations and cash flows of the Utility. Events could occur that would change this estimate materially in the near term.

Note 10: PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

(a) Arkansas Public Employees Retirement System

Plan Description. The Utility contributes to the APERS Plan, which is a cost-sharing multiple-employer defined benefit plan created by the Arkansas Legislature. The APERS Plan provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Benefits are fully vested upon reaching five years of service and are established by state statute. Benefits of the APERS members are calculated on the basis of age, final average salary, years of service and a benefit factor. Authority to establish and amend benefits is provided by state statute.

Contributions. Plan members hired after July 1, 2005, are required to contribute 5.00% of their annual covered salary, and the Utility is required to contribute a percent of covered salary at an actuarially determined rate. The contributions are deducted from the employee's wages or salary and remitted by the Utility to the APERS Plan on a semi-monthly basis. The applicable employer contribution rates were 15.32% (July 1, 2018 to December 31, 2020). The contribution requirements of plan members and the Utility are established and may be amended by the APERS Board of Trustees. The Utility's contributions for the years ended December 31, 2020 and 2019, were \$3,235,796 and \$3,191,138, respectively, which were equal to the required contributions for each year.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. At December 31, 2020 and 2019, the Utility reported a liability of \$30,661,451 and \$25,504,253, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The Utility's proportion of the net pension liability was based on a projection of the Utility's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At December 31, 2020 and 2019, the Utility's proportion was 1.07073675% and 1.05715841%, respectively.

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Contributions payable to APERS at December 31, 2020 and 2019, totaled approximately \$51,000 and \$149,000, respectively, and are included in payroll and related liabilities in the statements of net position.

For the years ended December 31, 2020 and 2019, the Utility recognized the actuarially determined pension expense of approximately \$5,990,000 and \$5,732,000, respectively. At December 31, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

December 31, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 384,162	\$ 525,342
Changes in proportion and differences between employer contributions and proportionate share of contributions	691,552	-
Differences between expected and actual experience	407,039	20,304
Net difference between projected and actual investment earnings on pension plan investments	3,244,372	-
Utility contributions subsequent to the measurement date	<u>1,624,530</u>	<u>-</u>
Total	<u>\$ 6,351,655</u>	<u>\$ 545,646</u>

December 31, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 1,384,300	\$ 980,427
Changes in proportion and differences between employer contributions and proportionate share of contributions	948,538	1,447
Differences between expected and actual experience	694,117	37,892
Net difference between projected and actual investment earnings on pension plan investments	-	193,720
Utility contributions subsequent to the measurement date	<u>1,743,556</u>	<u>-</u>
Total	<u>\$ 4,770,511</u>	<u>\$ 1,213,486</u>

Deferred outflows of resources resulting from the Utility's contributions subsequent to the measurement date totaling approximately \$1,625,000 at December 31, 2020, relate to contributions made subsequent to the measurement date. The Utility will recognize these amounts as a reduction in the net pension liability in the year ending December 31, 2021.

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The other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending December 31,	
2021	\$ 629,239
2022	1,164,603
2023	1,423,171
2024	964,466
2025	-
	<hr/>
Total	<u>\$ 4,181,479</u>

Actuarial Assumptions. The total pension liability in the June 30, 2020, actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Inflation	3.25% wage inflation, 2.50% price inflation
Salary increases	3.25% – 9.85% including inflation
Investment rate of return	7.15%

Mortality rates were based on the RP-2006 Healthy Annuitant benefit weighted generational mortality tables for males and females. Mortality rates are multiplied by 135% for males and 125% for females and are adjusted for fully generational mortality improvements using Scale MP-2017.

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 inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the APERS Plan’s target asset allocation as of June 30, 2020, 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%	6.22%
International Equity	24%	6.69%
Real Assets	16%	4.81%
Absolute Return	5%	3.05%
Domestic Fixed	18%	0.57%
	<hr/>	
Total	<u>100%</u>	

Central Arkansas Water
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The target allocation for the June 30, 2019, measurement date was as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37%	6.20%
International Equity	24%	6.33%
Real Assets	16%	3.32%
Absolute Return	5%	3.56%
Domestic Fixed	18%	1.54%
Total	100%	

Discount Rate. The discount rate used to measure the total pension liability at June 30, 2020 and 2019, was 7.15%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the 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.

Sensitivity of the Utility's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the Utility's proportionate share of the net pension liability as of the June 30, 2020, measurement date, calculated using the discount rate of 7.15%, as well as what the Utility's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.15%) or 1 percentage point higher (8.15%) than the current rate:

	Discount Rate	Utility's Proportionate Share of Net Pension Liability
1% decrease	6.15%	\$ 46,699,659
Current discount rate	7.15%	\$ 30,661,451
1% increase	8.15%	\$ 17,426,299

Plan Fiduciary Net Position. Detailed information about the APERS Plan's fiduciary net position is available in the separately issued APERS Plan financial report, which may be obtained by making a written request at 124 West Capitol Avenue, Suite 400, Little Rock, Arkansas 72201 or by calling 501.682.7800 or 800.682.7377, or online at www.apers.org/publications.

Central Arkansas Water
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(b) IRS Section 401(a)

An Employee Savings Plan under IRS Code 401(a) established by Little Rock Municipal Water Works was transferred to the Utility on July 1, 2001. Employee participation in this plan is mandatory. At December 31, 2020, there were 320 plan members. Plan members are required to contribute 1% of covered salary. Plan provisions and contribution requirements, including any matching contributions by the Utility, are established and may be amended by the Utility's Board of Commissioners. Total plan member contributions and the Utility's matching contributions were approximately \$218,000 and \$210,000 for the years ended December 31, 2020 and 2019, respectively.

(c) Other Postemployment Benefits

Retiree Health Care Plan

The Utility sponsors and administers a single-employer defined benefit health care plan providing medical insurance benefits for retirees meeting all of the following eligibility requirements:

- The retiree must have been hired by the Utility on or before December 31, 2009.
- The retiree must have 20 years or more of continuous service with the Utility.
- The retiree must be receiving retirement benefits from APERS.
- The retiree must not obtain full-time employment elsewhere.
- If the retiree is eligible for Medicare, the retiree must carry and pay for both Parts A and B Medicare coverage.

Assets of the plan are held in the Other Postemployment Benefits (OPEB) Trust and may only be used to pay expenses associated with administration of the plan and health care benefits for participating retirees. Arkansas Municipal League serves as Trust Administrator. Management of the trust is vested in the Central Arkansas Water Board of Commissioners, which consists of seven members, each of whom are elected by the remaining members of the Board and confirmed by the Little Rock Board of Directors and the North Little Rock City Council.

Financial statements and required schedules of the plan are not publicly available in a stand-alone financial report; therefore, the Utility includes the financial statements of the plan and all required disclosures and schedules in this report.

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
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Plan membership as of December 31, 2020 and 2019, is as follows:

<u>Membership</u>	<u>2020</u>	<u>2019</u>
Active members	158	158
Inactive members receiving benefits	<u>81</u>	<u>81</u>
Total members	<u><u>239</u></u>	<u><u>239</u></u>

Contributions, Benefits and Funding Policy

The funding policy, the contribution requirements, and the benefits available to plan members are established by the Utility and may be amended as deemed necessary. At present, the Utility will contribute amounts necessary to pay health care premiums for single coverage of eligible retirees as described in the paragraphs that follow. In the event that a retiree obtains full-time employment elsewhere or obtains coverage under another group health plan, the Utility will discontinue coverage of that retiree under this plan.

For fiscal year 2020, the Utility contributed a total of \$1,169,000 to the plan for current premiums. Of the \$1,169,000, \$782,000 was contributed to the OPEB Trust and approximately \$387,000 was for health insurance premium activity. For fiscal year 2019, the Utility contributed a total of \$1,175,000 to the plan for current premiums. Of the \$1,175,000, \$656,000 was contributed to the OPEB Trust and approximately \$519,000 was for health insurance premium activity.

If an employee meets the eligibility requirements described above and retires upon reaching age 65, the Utility pays 100% of single member coverage under either a) the Utility's group health plan or b) a Medicare supplement selected by the Utility, according to the following guidelines based upon years of service:

- Eligible retirees who have completed at least 20 years of continuous service prior to January 1, 2010, are provided coverage under the same group health plan provided to active employees.
- Eligible retirees who have completed less than 20 years of continuous service prior to January 1, 2010, are provided coverage under a Medicare supplement selected by the Utility.

If an employee meets the eligibility requirements described above, but retires before reaching age 65, the employee may receive early retiree health care benefits under the same group health plan provided to active employees until he or she is eligible for Medicare benefits. The Utility may pay up to 100% of the single coverage premiums for those eligible for early retiree health care benefits until the sooner of the date the employee reaches age 65 or the period of three to five years based on the years of continuous service at retirement.

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
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Employees hired on or after January 1, 2010, are not entitled to retiree health care benefits, except as provided by Arkansas Statute, which requires that any Utility employee vested in APERS benefits who is at least age 55 and has completed 20 years of service may continue to receive the same medical benefits as active employees, provided the retiree pays the full premium amount.

Net OPEB Liability

The net OPEB liability is measured as the total OPEB liability, less the amount of the plan's fiduciary net position. The net OPEB liability at December 31, 2020, was based on a valuation date and measurement date of December 31, 2019, with update procedures used to roll forward the total OPEB liability to the measurement date of December 31, 2020. The net OPEB liability at December 31, 2019, is based on the valuation performed at December 31, 2019. A single discount rate of 1.93% and 3.26% was used to measure the total OPEB liability as of December 31, 2020 and 2019, respectively. The long-term rate of return on OPEB plan investments was determined using a building block method in which best-estimate ranges of expected future real rates rate of return. The target allocation is 65% in domestic fixed income and 35% in cash with a long-term expected rate of return of 0.16% for December 31, 2020.

The target allocation is 100% in cash with a long-term expected rate of return of 0.76% for December 31, 2019. The long-term rate of return also included an expected 2.50% inflation for 2020 and 2019.

This single discount rate was based on an expected rate of return on OPEB plan investments of 1.93 % and 3.26% at December 31, 2020 and 2019, respectively.

The significant assumptions used to actuarially determine the OPEB plan's total OPEB liability at December 31, 2020 and 2019, were as follows:

Actuarial cost method:	Entry Age Normal
Inflation:	2.5 percent per year
Health care cost trend rates:	8 percent initial, decreasing 0.5 percent per year to an ultimate rate of 5.0 percent
Single discount rate:	3.64 percent at 12/31/2018; 3.26 percent at 12/31/2019; 1.93 percent at 12/31/2020
Mortality:	Pub-G 2010 Mortality Table (headcount basis), projected generationally with Scale MP 2019

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

Changes in Net OPEB Liability

	Increases (Decreases)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balance at December 31, 2019	\$ 19,716,456	\$ 5,927,818	\$ 13,788,638
Changes for the year:			
Service cost	360,342	-	360,342
Interest	642,326	-	642,326
Contributions – employer	-	1,169,000	(1,169,000)
Changes in assumptions	5,054,267	-	5,054,267
Net investment income	-	45,785	(45,785)
Benefit payments	(386,808)	(386,808)	-
Net changes	5,670,127	827,977	4,842,150
Balance at December 31, 2020	\$ 25,386,583	\$ 6,755,795	\$ 18,630,788

	Increases (Decreases)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balance at December 31, 2018	\$ 19,859,049	\$ 5,163,002	\$ 14,696,047
Changes for the year:			
Service cost	275,654	-	275,654
Interest	718,448	-	718,448
Differences between expected and actual experience	(2,647,739)	-	(2,647,739)
Contributions – employer	-	1,175,000	(1,175,000)
Changes in assumptions	1,976,284	-	1,976,284
Net investment income	-	108,413	(108,413)
Benefit payments	(518,597)	(518,597)	-
Other – statutory employees	53,357	-	53,357
Net changes	(142,593)	764,816	(907,409)
Balance at December 31, 2019	\$ 19,716,456	\$ 5,927,818	\$ 13,788,638

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

Below is a table providing the sensitivity of the net OPEB liability to changes in the discount rate as of December 31, 2020 and 2019. In particular, the table presents the plan's net OPEB liability if it were calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the assumed rate:

Net OPEB Liability at December 31,	Discount Rate	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
2020	1.93%	\$ 23,630,581	\$ 18,630,788	\$ 14,703,662
2019	3.26%	\$ 17,421,483	\$ 13,788,638	\$ 10,903,721

Below is a table providing the sensitivity of the net OPEB liability to changes in the health care trend rate as of December 31, 2020 and 2019. In particular, the table presents the plan's net OPEB liability if it were calculated using a single Health Care Cost Trend Rate that is one-percentage-point lower or one-percentage-point higher than the assumed rate:

Net OPEB Liability at December 31,	1% Decrease (7% decreasing to 4%)	Health Care Cost Trend Rates (8% decreasing to 5%)	1% Increase (9% decreasing to 6%)
2020	\$ 14,096,515	\$ 18,630,788	\$ 24,627,951
2019	\$ 10,482,095	\$ 13,788,638	\$ 18,081,313

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The Utility recognized OPEB expense of \$1,535,221 and \$995,303 for the years ended December 31, 2020 and 2019, respectively. Below are tables providing the deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources as of December 31, 2020 and 2019:

December 31, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,885,942	\$ 2,118,191
Changes of assumptions	7,469,550	1,432,212
Net difference between projected and actual earnings on OPEB plan investments	<u>252,891</u>	<u>-</u>
Total	<u>\$ 9,608,383</u>	<u>\$ 3,550,403</u>

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

December 31, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,048,063	\$ 2,382,965
Changes of assumptions	3,315,212	1,611,238
Net difference between projected and actual earnings on OPEB plan investments	<u>212,979</u>	<u>-</u>
Total	<u>\$ 5,576,254</u>	<u>\$ 3,994,203</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31,

2021	\$ 718,293
2022	688,719
2023	668,588
2024	650,291
2025	618,250
Thereafter	<u>2,713,839</u>
Total	<u>\$ 6,057,980</u>

The Utility's Retired Employee Healthcare Plan's policy in regard to the allocation in invested assets is established and may be amended by the Utility's Board by a majority votes of its members. It is the policy of the Board of Commissioners to pursue an investment strategy that reduces risk through the prudent investment in low-risk asset classes. As discussed in *Note 2*, the Utility's Investment Policy details acceptable investment types to ensure the preservation of capital and meet stated liquidity and yield objectives.

The fair value of individual investments that represented 5% or more of the Plan's net position restricted for other postemployment benefits was as follows:

December 31, 2020	
Investment	Fair Value
U.S. Treasury Obligations	\$ 2,499,240

December 31, 2019	
Investment	Fair Value
U.S. Treasury Obligations	\$ 3,450,420

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

Note 11: PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

The following tables include financial information for the pension (and other employee benefit) trust funds as of December 31, 2020 and 2019:

	2020			Total Pension (and Other Employee Benefit) Trust Funds
	Employee Savings Plan	Deferred Compensation Plan	OPEB Trust Fund	
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 2,198,138	\$ 2,198,138
U.S. Treasury obligations	-	-	2,499,240	2,499,240
Certificates of deposit	-	-	1,682,308	1,682,308
Exchange-traded funds	-	-	377,538	377,538
Mutual funds	11,557,374	7,838,475	-	19,395,849
Investment contract, at contract value	501,242	5,421,655	-	5,922,897
Accrued interest receivable	-	-	6,407	6,407
Total assets	<u>\$ 12,058,616</u>	<u>\$ 13,260,130</u>	<u>\$ 6,763,631</u>	<u>\$ 32,082,377</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ 7,836	\$ 7,836
Total liabilities	-	-	7,836	7,836
Net Position				
Restricted for:				
Pensions	12,058,616	-	-	12,058,616
Employee benefits other than pensions	-	13,260,130	6,755,795	20,015,925
Total net position	<u>12,058,616</u>	<u>13,260,130</u>	<u>6,755,795</u>	<u>32,074,541</u>
Total liabilities and net position	<u>\$ 12,058,616</u>	<u>\$ 13,260,130</u>	<u>\$ 6,763,631</u>	<u>\$ 32,082,377</u>

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
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	2019			
	Employee Savings Plan	Deferred Compensation Plan	OPEB Trust Fund	Total Pension (and Other Employee Benefit) Trust Funds
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 38,848	\$ 38,848
U.S. Treasury obligations	-	-	3,450,420	3,450,420
Certificates of deposit	-	-	2,177,092	2,177,092
Exchange-traded funds	-	-	257,161	257,161
Mutual funds	9,862,341	2,437,776	-	12,300,117
Investment contract, at contract value	626,299	1,223,153	-	1,849,452
Notes receivable to participants	-	13,292	-	13,292
Employer contribution receivable	8,082	-	-	8,082
Participant contribution receivable	8,082	4,828	-	12,910
Accrued interest receivable	-	-	11,697	11,697
Total assets	<u>\$ 10,504,804</u>	<u>\$ 3,679,049</u>	<u>\$ 5,935,218</u>	<u>\$ 20,119,071</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ 7,400	\$ 7,400
Total liabilities	<u>-</u>	<u>-</u>	<u>7,400</u>	<u>7,400</u>
Net Position				
Restricted for:				
Pensions	10,504,804	-	-	10,504,804
Employee benefits other than pensions	-	3,679,049	5,927,818	9,606,867
Total net position	<u>10,504,804</u>	<u>3,679,049</u>	<u>5,927,818</u>	<u>20,111,671</u>
Total liabilities and net position	<u>\$ 10,504,804</u>	<u>\$ 3,679,049</u>	<u>\$ 5,935,218</u>	<u>\$ 20,119,071</u>

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

	2020			
	Employee Savings Plan	Deferred Compensation Plan	OPEB Trust Fund	Total Pension (and Other Employee Benefit) Trust Funds
Additions				
Employer contributions	\$ 213,290	\$ -	\$ 1,169,000	\$ 1,382,290
Participant contributions	213,290	320,204	-	533,494
Rollover contributions	-	8,849,822	-	8,849,822
Net investment income	1,683,206	1,821,392	75,587	3,580,185
Total additions	<u>2,109,786</u>	<u>10,991,418</u>	<u>1,244,587</u>	<u>14,345,791</u>
Deductions				
Benefits paid	547,564	1,409,218	386,808	2,343,590
Administrative expenses	8,410	1,119	29,802	39,331
Total deductions	<u>555,974</u>	<u>1,410,337</u>	<u>416,610</u>	<u>2,382,921</u>
Change in Fiduciary Net Position	1,553,812	9,581,081	827,977	11,962,870
Beginning of year	<u>10,504,804</u>	<u>3,679,049</u>	<u>5,927,818</u>	<u>20,111,671</u>
End of year	<u>\$ 12,058,616</u>	<u>\$ 13,260,130</u>	<u>\$ 6,755,795</u>	<u>\$ 32,074,541</u>
	2019			
	Employee Savings Plan	Deferred Compensation Plan	OPEB Trust Fund	Total Pension (and Other Employee Benefit) Trust Funds
Additions				
Employer contributions	\$ 209,528	\$ -	\$ 1,175,000	\$ 1,384,528
Participant contributions	209,528	113,732	-	323,260
Rollover contributions	-	299,945	-	299,945
Net investment income	2,103,713	510,240	135,292	2,749,245
Total additions	<u>2,522,769</u>	<u>923,917</u>	<u>1,310,292</u>	<u>4,756,978</u>
Deductions				
Benefits paid	268,456	64,650	518,597	851,703
Administrative expenses	10,503	2,272	26,879	39,654
Total deductions	<u>278,959</u>	<u>66,922</u>	<u>545,476</u>	<u>891,357</u>
Change in Fiduciary Net Position	2,243,810	856,995	764,816	3,865,621
Beginning of year	<u>8,260,994</u>	<u>2,822,054</u>	<u>5,163,002</u>	<u>16,246,050</u>
End of year	<u>\$ 10,504,804</u>	<u>\$ 3,679,049</u>	<u>\$ 5,927,818</u>	<u>\$ 20,111,671</u>

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

Note 12: FIDUCIARY FUNDS

The Brushy Island Trust Fund did not hold investment securities for the years ended December 31, 2020 and 2019. Investments at December 31 for the Pension (and Other Employee Benefit) Trust Funds (the Trust Funds), which were all Level 1 (mutual funds and money market funds) and Level 2 (U.S. treasury obligations and certificates of deposit) fair value measurements, include the following:

Type	Fair Value	2020			
		Maturities in Years			
		Less than 1	1-5	6-10	More than 10
Classified as Investments					
Restricted:					
U.S. Treasury obligations	\$ 2,499,240	\$ 1,999,590	\$ 499,650	\$ -	\$ -
Certificate of deposit	1,682,308	699,060	983,248	-	-
Money market fund	2,198,138	2,198,138	-	-	-
		<u>\$ 4,896,788</u>	<u>\$ 1,482,898</u>	<u>\$ -</u>	<u>\$ -</u>
Exchange-traded funds	377,538				
Mutual funds	19,395,849				
	<u>\$ 26,153,073</u>				

Type	Fair Value	2019			
		Maturities in Years			
		Less than 1	1-5	6-10	More than 10
Classified as Investments					
Restricted:					
U.S. Treasury obligations	\$ 3,450,420	\$ 3,450,420	\$ -	\$ -	\$ -
Certificate of deposit	2,177,092	1,490,765	686,327	-	-
Money market fund	38,848	38,848	-	-	-
		<u>\$ 4,980,033</u>	<u>\$ 686,327</u>	<u>\$ -</u>	<u>\$ -</u>
Exchange-traded funds	257,161				
Mutual funds	12,300,117				
	<u>\$ 18,223,638</u>				

At December 31, 2020 and 2019, the Trust Funds invested in the Federated Treasury Obligation Fund, a publicly traded money market mutual fund comprised primarily of short-term U.S. Treasury securities. This investment is classified in cash and cash equivalents in the statements of fiduciary net position due to its highly liquid nature. This fund maintains a stable net asset value of \$1 and has a Standard and Poor's credit rating of AAAM. At December 31, 2020 and 2019, the Trust Funds' restricted investment in this fund totaled \$2,198,138 and \$38,848, respectively.

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

(a) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Utility manages its exposure to declines in fair values by limiting investments to securities with a maturity of not more than five years from the date of purchase.

(b) Credit Risk

Credit risk is the risk that the issuer or other counterparty will not fulfill its obligations. To minimize exposure to credit risk, the Utility's investment policy specifies the types of securities in which the Utility may invest. In general, the following investments are considered permissible investments:

- Direct obligations of the United States government
- Open-end, government obligation money market mutual funds
- Obligations that are fully guaranteed, secured or insured by United States government agencies, instrumentalities and government-sponsored entities
- Repurchase agreement that are fully collateralized by direct obligations of the United States government and general obligations of any state of the United States or political subdivision thereof
- General obligations of the states of the United States and of the political subdivisions, municipalities, commonwealths, territories or insular possessions thereof
- Pre-funded municipal bonds, the principal and interest of which are fully secured by the principal and interest of a direct obligation of the United States government
- Revenue bond issues of any state of the United States or any municipality or any political subdivision thereof

(c) Custodial Credit Risk

For a deposit or investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Utility will not be able to recover the value of the deposits, investments or collateral securities that are in the possession of an outside party. State statutes require the Utility to maintain cash balances on deposit with financial institutions located within the state and that account balances in excess of amounts insured by the FDIC be collateralized by the financial institution in accordance with state statutes. All of the Utility's deposit balances are fully insured by the FDIC or secured by collateral. All investments are held in the name of the Utility by the Utility's agent.

(d) Concentration of Credit Risk

With the exception of securities that are direct obligations of the U.S. government, deposit accounts that are fully insured by the FDIC or fully collateralized, and money market mutual funds with an underlying investment portfolio that is limited principally to U.S. government obligations,

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
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the Utility's policy states that no more than 20% of the total balance may be invested in any single investment or in securities of a single obligor.

Note 13: TRANSFER OF OPERATIONS

Under a water consolidation agreement between POWA and the Utility, POWA agreed to combine its water sales and service with the Utility for the purpose of ultimately enhancing the quality of water available to its citizens. On June 1, 2020, POWA transferred the assets and liabilities comprising its water operations to the Utility. As a result of the transfer, the Utility recognized the following assets, liabilities and net position:

Assets	
Accounts receivable – consumers, net	\$ 118,125
Inventory	1,905
Capital assets, net of accumulated depreciation	<u>5,435,675</u>
Total Assets	<u><u>\$ 5,555,705</u></u>
Liabilities	
Accounts payable and accrued expenses	\$ 141,741
Long-term obligations	<u>3,635,049</u>
Total Liabilities	<u>3,776,790</u>
Net Position	
Net investment in capital assets	1,800,626
Unrestricted	<u>(21,711)</u>
Total Net Position	<u>1,778,915</u>
Total Liabilities and Net Position	<u><u>\$ 5,555,705</u></u>

The accompanying financial statements include the results of operations and cash flows as though the Utility and POWA had been combined at the beginning of the Utility's 2020 reporting period.



REQUIRED SUPPLEMENTARY STATEMENTS

5

Central Arkansas Water
REQUIRED SUPPLEMENTARY INFORMATION
TEN YEAR SUMMARY OF UTILITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
2011 – 2020 (Unaudited)

	2020	2019	2018	2017	2016	2015
Utility's proportion of the net pension liability	1.07%	1.06%	1.03%	1.02%	0.95%	0.94%
Utility's proportionate share of the net pension liability	\$ 30,661,451	\$ 25,504,253	\$ 22,682,488	\$ 26,485,412	\$ 22,821,130	\$ 17,301,107
Utility's covered payroll	\$ 21,763,604	\$ 21,020,523	\$ 19,769,522	\$ 18,472,503	\$ 17,290,639	\$ 16,700,073
Utility's proportionate share of the net pension liability as a percentage of its covered payroll	140.88%	121.33%	114.73%	143.38%	131.99%	103.60%
Plan fiduciary net position as a percentage of the total pension liability	75.38%	78.55%	79.59%	75.65%	75.50%	80.39%

Pension schedules included in the required supplementary information section are intended to show information for ten years. GASB Statement No. 68 was implemented in 2015; therefore, only six years of information are shown, and additional years' information will be added as it becomes available.

Central Arkansas Water
REQUIRED SUPPLEMENTARY INFORMATION
TEN YEAR SUMMARY OF THE UTILITY'S CONTRIBUTIONS TO
ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
2011 – 2020 (Unaudited)

Measurement Date June 30:	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 3,200,646	\$ 3,099,272	\$ 2,840,869	\$ 2,751,581	\$ 2,521,470	\$ 2,479,699
Contributions in relation to the contractually required contribution	<u>3,200,646</u>	<u>3,099,272</u>	<u>2,840,869</u>	<u>2,751,581</u>	<u>2,521,470</u>	<u>2,479,699</u>
Utility's proportionate share of the net pension liability	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Utility's covered payroll	\$ 20,891,894	\$ 21,020,523	\$ 19,249,638	\$ 18,812,453	\$ 18,791,818	\$ 16,881,194
Contributions as a percentage of covered payroll	15.32%	14.74%	14.76%	14.63%	13.42%	14.69%

Pension schedules included in the required supplementary information section are intended to show information for ten years. GASB Statement No. 68 was implemented in 2015; therefore, only six years of information are shown, and additional years' information will be added as it becomes available.

Central Arkansas Water
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLAN (OPEB) – TEN YEAR SCHEDULE OF
CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
Year Ended December 31, 2020

	2020	2019	2018	2017	2016
Total OPEB liability					
Service cost	\$ 360,342	\$ 275,654	\$ 319,030	\$ 266,786	\$ 284,194
Interest	642,325	718,448	656,990	595,466	566,116
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	-	(2,647,739)	-	2,662,481	-
Changes of assumptions	5,054,267	2,029,641	(1,520,535)	1,935,094	(530,347)
Benefit payments	<u>(386,808)</u>	<u>(518,597)</u>	<u>(455,506)</u>	<u>(440,889)</u>	<u>(390,661)</u>
Net change in total OPEB liability	5,670,126	(142,593)	(1,000,021)	5,018,938	(70,698)
Total OPEB liability – beginning	<u>19,716,456</u>	<u>19,859,049</u>	<u>20,859,070</u>	<u>15,840,132</u>	<u>15,910,830</u>
Total OPEB liability – ending (a)	<u>\$ 25,386,582</u>	<u>\$ 19,716,456</u>	<u>\$ 19,859,049</u>	<u>\$ 20,859,070</u>	<u>\$ 15,840,132</u>
Plan fiduciary net position					
Contributions – employer	\$ 1,169,000	\$ 1,175,000	\$ 1,181,000	\$ 927,000	\$ 844,935
Net investment income	45,784	108,413	49,464	8,485	28,577
Benefit payments	<u>(386,808)</u>	<u>(518,597)</u>	<u>(455,506)</u>	<u>(440,889)</u>	<u>(390,661)</u>
Net change in fiduciary net position	827,976	764,816	774,958	494,596	482,851
Plan fiduciary net position – beginning	<u>5,927,818</u>	<u>5,163,002</u>	<u>4,388,044</u>	<u>3,893,448</u>	<u>3,410,597</u>
Plan fiduciary net position – ending (b)	<u>\$ 6,755,794</u>	<u>\$ 5,927,818</u>	<u>\$ 5,163,002</u>	<u>\$ 4,388,044</u>	<u>\$ 3,893,448</u>
Utility's net OPEB liability – ending (a)–(b)	\$ 18,630,788	\$ 13,788,638	\$ 14,696,047	\$ 16,471,026	\$ 11,946,684
Plan fiduciary net position as a percentage of the total OPEB liability	26.61%	30.07%	26.00%	21.04%	24.58%
Covered payroll	\$ 22,133,288	\$ 20,474,476	\$ 19,131,804	\$ 18,221,916	\$ 17,104,744
Utility's net OPEB liability as a percentage of covered payroll	84.18%	67.35%	76.81%	90.39%	69.84%

Notes to the Schedule

Changes of assumptions. In 2020, the assumed single discount rate was decreased from 3.26% to 1.93% to more closely reflect the expected rate of return on investments. In 2019, the assumed single discount rate was decreased from 3.64% to 3.26% to more closely reflect the expected rate of return on investments. In 2018, the assumed single discount rate was increased from 3.16% to 3.64% to more closely reflect the expected rate of return on investments. In 2017, the assumed single discount rate was reduced from 3.78% to 3.16% to more closely reflect the expected rate of return on investments.

OPEB schedules under GASB Statement 75 included in the required supplementary information are intended to show information for ten years. GASB Statement 75 was implemented in 2018; therefore, only five years of information are shown, and additional years' information will be added as it becomes available.

Central Arkansas Water
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLAN (OPEB) – SCHEDULE OF THE UTILITY’S CONTRIBUTIONS
Year Ended December 31, 2020

Plan Years Ending December 31:	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 1,123,868	\$ 1,106,524	\$ 1,181,365	\$ 1,068,588	\$ 699,905
Contributions in relation to the actuarially determined contribution	1,169,000	1,175,000	1,181,000	927,000	844,935
Contribution deficiency (excess)	(45,132)	(68,476)	365	141,588	(145,030)
Covered payroll	22,133,288	20,474,476	19,131,804	18,221,916	17,104,744
Contributions as a percentage of covered payroll	5.28%	5.74%	6.17%	5.09%	4.94%

Notes to Schedule

Valuation date: Actuarially determined contributions are calculated as of December 31 after the valuation date.

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry Age Normal
Amortization method: Level Dollar over 30 years from January 1, 2017
Remaining amortization period: 27 years
Asset valuation method: Market value
Inflation: 2.5 percent per year
Health care cost trend rates: 8 percent initial, decreasing 0.5 percent per year to an ultimate rate of 5.0 percent
Single discount rate: 3.78 percent at 12/31/2016; 3.16 percent at 12/31/2017; 3.64 percent at 12/31/2018; 3.26 percent at 12/31/2019; 1.93% at 12/31/2020
Retirement age: Expected retirement ages of general employees are based on information provided by Arkansas Public Employees Retirement System.
Mortality: PUB-G 2010 Table projected generationally with MP 2019

OPEB schedules under GASB Statement 75 included in the required supplementary information are intended to show information for ten years. GASB Statement 75 was implemented in 2018; therefore, only five years of information are shown, and additional years' information will be added as it becomes available.

Central Arkansas Water
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLAN (OPEB) – TEN YEAR SCHEDULE OF INVESTMENT RETURNS
Year Ended December 31, 2020

	2020	2019	2018	2017	2016
Annual money-weighted rate of return, net of investment expense	0.7%	2.0%	1.0%	0.2%	0.8%

OPEB schedules under GASB Statement 75 included in the required supplementary information are intended to show information for ten years. GASB Statement 75 was implemented in 2018; therefore, only five years of information are shown, and additional years' information will be added as it becomes available.

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Central Arkansas Water

STATISTICAL SECTION INDEX

This section of the Utility’s comprehensive annual financial report presents detailed information to provide a context for understanding what the information in the financial statements, notes to financial statements and required supplementary information says about the Utility’s overall financial health.

Financial Trends 94

These schedules contain trend information to help readers understand how the Utility’s financial performance and well-being have changed over time.

Revenue and Debt Capacity 99

These schedules contain information to help readers assess the Utility’s most significant revenue source, water revenues. Also included in this section is information to help the reader assess the affordability of the Utility’s current levels of debt outstanding and the Utility’s ability to issue additional debt in the future.

Demographic and Economic Information 104

These schedules offer demographic and economic indicators to help readers understand the environment within which the Utility’s financial activities take place.

Operating Information 106

These schedules contain system and infrastructure data to help readers understand how the information in the Utility’s financial report relates to the services the Utility provides and the activities it performs.

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Central Arkansas Water

TEN YEAR SUMMARY OF REVENUES, EXPENSES AND RATE INCREASES 2011–2020 (Unaudited)

	2011	2012	2013	2014
Operating Revenues				
Water Sales	\$ 47,899,601	\$ 49,448,601	\$ 45,998,541	\$ 45,070,592
Penalties	915,430	891,014	859,938	916,613
Turn-on charges	1,019,839	1,195,622	1,101,038	1,010,229
Ancillary charges	2,841,724	3,014,509	3,083,148	2,917,964
Watershed protection fees	999,083	1,003,492	1,012,991	1,012,005
Other Revenue	596,503	716,994	1,990,277	670,741
Total Revenues	<u>54,272,180</u>	<u>56,270,232</u>	<u>54,045,933</u>	<u>51,598,144</u>
Operating Expenses				
Administration	2,842,433	2,252,142	2,364,744	2,471,360
Distribution	9,994,051	9,817,795	10,495,249	10,659,085
Engineering	1,779,691	1,768,725	1,773,172	1,821,276
Finance and customer service	6,186,750	-	-	-
Finance	-	2,605,926	2,585,870	2,548,209
Customer service	-	4,055,518	4,176,286	4,458,680
Information services	3,005,343	3,013,314	2,902,303	3,133,821
Water production	8,556,749	9,423,762	7,889,209	7,717,004
Watershed protection	1,158,939	1,062,484	-	-
Water quality	-	-	1,936,431	1,911,167
POWA operating expenses	-	-	-	-
General	2,048,645	2,345,009	2,017,004	1,971,006
Depreciation	9,589,451	10,346,997	11,068,273	10,786,930
Total Operating Expenses	<u>45,162,052</u>	<u>46,691,672</u>	<u>47,208,541</u>	<u>47,478,538</u>
Nonoperating Revenues Expenses				
Transfers to Cities of LR and NLR	(584,388)	(602,832)	(608,436)	(658,776)
Gain (loss) on disposal of capital assets	(476,219)	204,043	249,854	26,456
Investment Income	118,372	76,650	111,482	199,334
Bond and other interest expense, net	(900,468)	(1,579,723)	(2,348,152)	(2,320,427)
Total Nonoperating Revenues (Expenses)	<u>(1,842,703)</u>	<u>(1,901,862)</u>	<u>(2,595,252)</u>	<u>(2,753,413)</u>
Contributions				
Contributions-in-aid of construction	9,573,703	2,826,327	864,644	2,253,550
Capital contributions from grantors	4,000,000	171,514	47,903	-
Special Item – transfer of assets from Maumelle	-	-	-	-
Special Item – transfer of operations from POWA	-	-	-	-
Total Contributions	<u>13,573,703</u>	<u>2,997,841</u>	<u>912,547</u>	<u>2,253,550</u>
Change in Net Position	<u>\$ 20,841,128</u>	<u>\$ 10,674,539</u>	<u>\$ 5,154,687</u>	<u>\$ 3,619,743</u>
% Water Rate Increase ⁽¹⁾	<u>5.3%</u>	<u>0.0%</u>	<u>3.8%</u>	<u>3.7%</u>

Source: Central Arkansas Water Finance Department

⁽¹⁾ Little Rock Inside-city residential typical bill % increase (typical bill based on 650 cubic feet consumption)

Central Arkansas Water

TEN YEAR SUMMARY OF REVENUES, EXPENSES AND RATE INCREASES *(Continued)* 2011–2020 (Unaudited)

	2015	2016	2017	2018	2019	2020
\$	47,459,563	\$ 51,325,094	\$ 51,648,173	\$ 57,264,083	\$ 54,639,500	\$ 54,436,691
	878,500	885,551	922,616	991,571	1,019,732	1,120,690
	989,227	1,091,867	1,342,974	1,335,236	1,403,494	913,820
	3,005,354	5,549,781	6,188,546	5,667,721	7,495,745	8,775,595
	1,017,055	1,025,064	1,120,097	1,101,065	1,323,160	1,868,949
	731,607	818,766	611,842	560,731	552,289	(190,218)
	<u>54,081,306</u>	<u>60,696,123</u>	<u>61,834,248</u>	<u>66,920,407</u>	<u>66,433,920</u>	<u>66,925,527</u>
	2,598,576	2,668,488	3,447,845	4,019,183	4,462,396	6,059,961
	10,256,858	13,313,139	14,256,900	14,980,984	15,583,222	15,620,557
	1,694,457	1,803,704	2,049,525	2,038,602	2,862,634	2,037,030
	-	-	-	-	-	-
	2,582,474	3,103,823	3,078,676	2,895,514	2,864,906	3,001,925
	4,436,408	4,954,842	3,151,815	3,298,739	3,710,651	3,795,995
	3,050,213	3,186,317	3,328,787	3,302,483	3,527,672	3,843,156
	8,011,935	8,239,835	9,341,319	9,120,982	10,186,502	10,926,225
	-	-	-	-	-	-
	2,024,136	2,050,733	2,134,930	2,267,752	2,466,084	-
	-	-	-	-	-	281,493
	2,112,725	3,057,387	2,484,482	2,298,966	2,246,364	2,831,598
	<u>11,246,626</u>	<u>12,149,744</u>	<u>12,770,370</u>	<u>12,687,333</u>	<u>12,888,536</u>	<u>13,165,555</u>
	<u>48,014,408</u>	<u>54,528,012</u>	<u>56,044,649</u>	<u>56,910,538</u>	<u>60,798,967</u>	<u>61,563,495</u>
	(659,088)	(676,408)	(706,716)	(709,068)	(791,064)	(802,260)
	76,092	76,664	70,231	(17,965)	(496,099)	80,724
	194,795	237,700	413,111	846,878	1,269,965	255,819
	<u>(2,408,154)</u>	<u>(3,284,945)</u>	<u>(2,043,741)</u>	<u>(2,031,574)</u>	<u>(2,162,183)</u>	<u>(3,707,779)</u>
	<u>(2,796,355)</u>	<u>(3,646,989)</u>	<u>(2,267,115)</u>	<u>(1,911,729)</u>	<u>(2,179,381)</u>	<u>(4,173,496)</u>
	3,021,520	2,148,229	2,442,052	2,580,491	3,079,598	1,081,550
	127,396	26,112	-	-	-	9,200
	-	7,745,408	-	-	-	-
	-	-	-	-	-	1,778,915
	<u>3,148,916</u>	<u>9,919,749</u>	<u>2,442,052</u>	<u>2,580,491</u>	<u>3,079,598</u>	<u>2,869,665</u>
\$	<u>6,419,459</u>	<u>\$ 12,440,871</u>	<u>\$ 5,964,536</u>	<u>\$ 10,678,631</u>	<u>\$ 6,535,170</u>	<u>\$ 4,058,201</u>
	0.0%	0.0%	8.9%	8.9%	0.0%	0.0%

Central Arkansas Water
TEN YEAR SUMMARY OF NET POSITION
2011–2020 (Unaudited)

Net Position	2011	2012	2013	2014	2015⁽¹⁾
Net Investment in capital assets	\$ 299,621,462	\$ 302,315,617	\$ 309,457,263	\$ 312,635,439	\$ 320,025,891
Restricted – expendable	6,466,360	7,988,462	7,121,040	6,059,324	7,188,147
Unrestricted	29,622,305	36,080,587	34,961,050	36,464,333	19,108,904
Total Net Position	\$ 335,710,127	\$ 346,384,666	\$ 351,539,353	\$ 355,159,096	\$ 346,322,942

Source: Central Arkansas Water Finance Department

⁽¹⁾ Beginning net position was restated by the Utility during the year ended December 31, 2015, as a result of implementation of GASB Statement No. 68.

⁽²⁾ Beginning net position was restated by the Utility during the year ended December 31, 2017, as a result of implementation of GASB Statement No. 75.

Central Arkansas Water
TEN YEAR SUMMARY OF NET POSITION (*Continued*)
2011–2020 (Unaudited)

2016	2017 ⁽²⁾	2018	2019	2020
\$ 329,906,226	\$ 337,464,888	\$ 348,267,555	\$ 357,586,670	\$ 367,648,777
7,683,719	9,093,839	10,517,702	8,806,305	8,851,333
21,173,868	5,793,875	4,245,982	3,173,434	(2,875,500)
\$ 358,763,813	\$ 352,352,602	\$ 363,031,239	\$ 369,566,409	\$ 373,624,610

Central Arkansas Water
TEN YEAR SUMMARY OF WRITE-OFFS
2011–2020 (Unaudited)

Year	Water Sales	Write-Offs	Write-Offs/ Water Sales
2011	\$ 47,899,601	\$ 290,008	0.61%
2012	49,448,601	257,771	0.52%
2013	45,998,541	239,301	0.52%
2014	45,070,592	369,709	0.82%
2015	47,459,563	316,441	0.67%
2016	51,325,094	237,356	0.46%
2017	51,648,173	287,151	0.56%
2018	57,267,083	344,203	0.60%
2019	54,639,500	305,497	0.56%
2020	54,436,691	627,851	1.15%

Source: Central Arkansas Water Finance Department



REVENUE & DEBT CAPACITY

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Central Arkansas Water

TEN YEAR SUMMARY OF REVENUES, EXPENSES AND DEBT SERVICE COVERAGE 2011–2020 (Unaudited)

	2011	2012	2013	2014
Operating Revenues				
Water Sales	\$ 47,899,601	\$ 49,448,601	\$ 45,998,541	\$ 45,070,592
Penalties	915,430	891,014	859,938	916,613
Turn-on charges	1,019,839	1,195,622	1,101,038	1,010,229
Ancillary charges	2,841,724	3,014,509	3,083,148	2,917,964
Watershed protection fees	999,083	1,003,492	1,012,991	1,012,005
Proceeds from sale of capital assets	1,378,313	1,270,452	1,259,097	62,548
Investment income	118,372	76,650	111,482	199,334
Other revenue	596,503	716,994	1,990,277	670,741
Total Revenues	<u>55,768,865</u>	<u>57,617,334</u>	<u>55,416,512</u>	<u>51,860,026</u>
Expenses				
Administration	2,842,433	2,252,142	2,364,744	2,471,360
Distribution	9,994,051	9,817,795	10,495,249	10,659,085
Engineering	1,779,691	1,768,725	1,773,172	1,821,276
Finance and customer service	6,186,750	-	-	-
Finance	-	2,605,926	2,585,870	2,548,209
Customer service	-	-	-	-
Customer relations and public affairs	-	4,055,518	4,176,286	4,458,680
Information services	3,005,343	3,013,314	2,902,303	3,133,821
Water production	8,556,749	9,423,762	7,889,209	7,717,004
Watershed protection	1,158,939	1,062,484	-	-
Water quality	-	-	1,936,431	1,911,167
General	2,048,645	2,345,009	2,017,004	1,971,006
POWA operating expenses	-	-	-	-
Transfers to Cities of LR and NLR	584,388	602,832	608,436	658,776
Total Expenses	<u>36,156,989</u>	<u>36,947,507</u>	<u>36,748,704</u>	<u>37,350,384</u>
Transfers to rate stabilization account ⁽²⁾	<u>(2,600,000)</u>	<u>(3,300,000)</u>	<u>-</u>	<u>-</u>
Net Revenues	<u>\$ 17,011,876</u>	<u>\$ 17,369,827</u>	<u>\$ 18,667,808</u>	<u>\$ 14,509,642</u>
Maximum Annual Debt Service on Revenue Bonds	<u>\$ 6,884,537</u>	<u>\$ 8,061,331</u>	<u>\$ 7,909,925</u>	<u>\$ 7,645,191</u>
Ratio of Net Revenues to Maximum Annual Debt Service on Revenue Bonds ⁽¹⁾	<u>2.47</u>	<u>2.15</u>	<u>2.36</u>	<u>1.90</u>

Source: Central Arkansas Water Finance Department

Note: Revenues and expenses included in statements of revenues, expenses and changes in net position but excluded above consist of the following: depreciation and amortization, loss of disposal of capital assets, interest expense, contributions-in-aid of construction, and capital contributions from grantors.

⁽¹⁾ Bond Requirement is 1.2.

⁽²⁾ Per Resolution 2010-03, transfers to the rate stabilization account within 90 days after year-end are excluded from net revenues, and transfers from the rate stabilization account within 90 days after year-end are included in net revenues.

Central Arkansas Water

TEN YEAR SUMMARY OF REVENUES, EXPENSES AND DEBT SERVICE COVERAGE *(Continued)* 2011–2020 (Unaudited)

	2015	2016	2017	2018	2019	2020
\$	47,459,563	\$ 51,325,094	\$ 51,648,173	\$ 57,264,083	\$ 54,639,500	\$ 54,436,691
	878,500	885,551	922,616	991,571	1,019,732	1,120,690
	989,227	1,091,867	1,342,974	1,335,236	1,403,494	913,820
	3,005,354	5,549,781	6,188,546	5,667,721	7,495,745	8,775,595
	1,017,055	1,025,064	1,120,097	1,101,065	1,323,160	1,868,949
	93,675	87,285	70,231	74,887	131,565	305,273
	194,795	237,700	413,111	846,878	1,269,965	255,819
	731,607	818,766	898,993	560,731	552,289	(190,218)
	<u>54,369,776</u>	<u>61,021,108</u>	<u>62,604,741</u>	<u>67,842,172</u>	<u>67,835,450</u>	<u>67,486,619</u>
	2,598,576	2,668,488	3,447,845	4,019,183	4,462,396	6,059,961
	10,256,858	13,313,139	14,256,900	14,980,984	15,583,222	15,620,557
	1,694,457	1,803,704	2,049,525	2,038,602	2,862,634	2,037,030
	-	-	-	-	-	-
	2,582,474	3,103,823	3,078,676	2,895,514	2,864,906	3,001,925
	-	-	3,151,815	3,298,739	3,710,651	3,795,995
	4,436,408	4,954,842	-	-	-	-
	3,050,213	3,186,317	3,328,787	3,302,483	3,527,672	3,843,156
	8,011,935	8,239,835	9,341,319	9,120,982	10,186,502	10,926,225
	-	-	-	-	-	-
	2,024,136	2,050,733	2,134,930	2,267,752	2,466,084	-
	2,112,725	3,057,387	2,650,583	2,298,966	2,246,364	2,831,598
	-	-	-	-	-	281,493
	659,088	676,408	706,716	709,068	791,064	802,260
	<u>37,426,870</u>	<u>43,054,676</u>	<u>44,147,096</u>	<u>44,932,273</u>	<u>48,701,495</u>	<u>49,200,200</u>
	-	-	-	-	-	675,000
\$	<u>16,942,906</u>	<u>\$ 17,966,432</u>	<u>\$ 18,457,645</u>	<u>\$ 22,909,899</u>	<u>\$ 19,133,955</u>	<u>\$ 18,961,419</u>
\$	<u>7,600,019</u>	<u>\$ 7,125,431</u>	<u>\$ 7,113,368</u>	<u>\$ 7,113,368</u>	<u>\$ 10,284,375</u>	<u>\$ 10,425,719</u>
	<u>2.23</u>	<u>2.52</u>	<u>2.59</u>	<u>3.22</u>	<u>1.86</u>	<u>1.82</u>

Central Arkansas Water
TEN YEAR SUMMARY OF OUTSTANDING DEBT-TO-CUSTOMER COUNT
2011–2020 (Unaudited)

Year	Residential	Commercial	Large Volume	Wholesale	Sprinkler
2011	106,556	11,160	63	9	3,497
2012	106,961	11,243	64	9	3,554
2013	108,116	11,297	57	9	3,748
2014	108,426	11,411	56	9	3,782
2015	109,007	11,419	50	9	3,955
2016	116,601	11,592	48	9	4,083
2017	117,015	11,824	52	9	4,082
2018	117,637	12,145	45	9	4,037
2019	118,354	12,249	48	9	3,976
2020	122,247	12,460	49	9	4,199

Source: Central Arkansas Water Finance Department

* Total outstanding debt is net of the 2016 Construction and Acquisition Water Revenue bonds. A debt surcharge levied on the Maumelle service area customers is pledged to repay this debt.

** Total outstanding debt is net of the 2016 Construction and Acquisition Water Revenue bonds and 2020A Water Revenue bond (POWA Project). A debt surcharge levied on the Maumelle and POWA service area customers is pledged to repay these debts.

Central Arkansas Water

TEN YEAR SUMMARY OF OUTSTANDING DEBT-TO-CUSTOMER COUNT *(Continued)* 2011–2020 (Unaudited)

Private Fire Service	Total Customers	Total Outstanding Debt	Total Outstanding Debt-to- Customer Count
1,723	123,008	\$ 75,463,932	\$ 613
1,772	123,603	\$ 92,506,391	\$ 748
1,821	125,048	\$ 85,442,806	\$ 683
1,850	125,534	\$ 80,966,271	\$ 645
1,880	126,320	\$ 76,734,499	\$ 607
2,104	134,437	\$ 71,076,875 *	\$ 529
2,145	135,127	\$ 65,799,015 *	\$ 487
2,194	136,067	\$ 88,337,149 *	\$ 649
2,295	136,931	\$ 92,338,051 *	\$ 674
2,326	141,290	\$ 141,460,491 **	\$ 1,001

Central Arkansas Water

TEN YEAR SUMMARY OF TEN LARGEST WATER CUSTOMERS 2011–2020 (Unaudited)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Jacksonville Water Works	1	1	1	1	1	1	1	2	1	1
Bryant Water and Sewer	2	2	2	2	2	3	2	3	2	2
Salem Water Alliance	4	3	3	3	3	2	3	1	3	3
Mid-Arkansas Utilities	3	4	4	4	5	-	-	-	-	-
University of Arkansas for Medical Sciences	6	5	5	5	6	5	4	7	5	4
Arkansas Department of Corrections	9	10	9	6	7	6	6	8	6	7
Sage V Foods	-	-	-	7	10	-	8	-	-	-
Cabot WaterWorks	-	9	10	8	8	7	5	6	4	5
Shannon Hills Water Department	-	-	-	9	4	9	-	9	10	9
Baptist Health System	7	7	7	10	9	10	10	10	9	10
Veterans Administration Hospitals	-	8	8	-	-	-	-	-	-	-
3-M Company	8	-	-	-	-	4	9	-	7	6
North Little Rock Burns Park	-	-	-	-	-	8	-	-	-	-
Arkansas Military Department	10	-	-	-	-	-	-	-	-	-
Kimberly-Clark	-	-	-	-	-	-	7	5	8	8



Central Arkansas Water
LARGEST EMPLOYERS WITHIN PULASKI COUNTY
2020 vs. 2019 (Unaudited)

Employer	Type of Business	2020			2011	
		Rank	Employees	Percentage of Total Employment	Rank	Employees
State of Arkansas	Government	1	35,800	19%	1	32,200
Local Government	Government	2	26,200	14%	2	28,800
Federal Government	Government	3	9,900	5%	3	9,200
University of Arkansas for Medical Sciences	Medical Services	4	9,700	5%	4	8,500
Baptist Health	Medical Services	5	7,340	4%	6	7,000
Little Rock Air Force Base	Government	6	4,500	2%	7	4,500
Arkansas Children's Hospital	Medical Services	7	4,370	2%	-	-
Central Arkansas Veterans Health Care Systems	Medical Services	8	4,000	2%	9	3,500
Little Rock School District	Education	9	3,970	2%	-	-
CHI St. Vincent	Medical Services	10	3,000	2%	-	-
Pulaski County Public School District	Education	-	-	0%	5	7,410
Acxiom	Data Processing	-	-	0%	8	4,390
Entergy Arkansas	Utility	-	-	0%	10	2,740
Total			<u>108,780</u>	<u>57%</u>		<u>108,240</u>
Total Employment			188,340			

Source: Central Arkansas Water Finance Department

Central Arkansas Water
TEN YEAR SUMMARY OF
DEMOGRAPHIC AND ECONOMIC STATISTICS WITHIN PULASKI COUNTY
2011–2020 (Unaudited)

Year	Population	Households	Median Household Income	Per Capita Personal Income	Total Personal Income (000s)	Unemployment Rate
2011	386,299	176,324	\$ 45,897	\$ 43,938	\$ 16,973,344	6.4%
2012	388,953	178,704	\$ 44,819	\$ 45,875	\$ 17,843,080	6.3%
2013	391,284	179,470	\$ 46,526	\$ 47,854	\$ 18,724,616	6.9%
2014	392,490	180,023	\$ 45,698	\$ 46,349	\$ 18,201,484	5.6%
2015	392,664	180,103	\$ 46,673	\$ 45,862	\$ 18,008,251	4.0%
2016	393,250	155,440	\$ 46,070	\$ 47,834	\$ 18,810,571	3.2%
2017	393,956	155,435	\$ 48,850	\$ 48,838	\$ 19,240,052	3.4%
2018	392,680	157,083	\$ 50,093	\$ 31,359	\$ 20,099,504	3.4%
2019	391,911	186,437	\$ 51,749	\$ 32,692	\$ 20,281,002	3.3%
2020	(1)	(1)	(1)	(1)	(1)	5.0%

Source: <https://www.census.gov/quickfacts/pulaskicountyarkansas>

⁽¹⁾ Information is not available.



Central Arkansas Water
TEN YEAR SUMMARY OF NEW CONNECTIONS
2011–2020 (Unaudited)

Year	Meters	Fire Hydrants	New Pipe (in Miles)
2011	1,187	86	11.90
2012	1,442	61	28.50
2013	2,158	137	15.30
2014	1,205	150	16.90
2015	1,233	165	11.80
2016	1,277	168	17.00
2017	1,450	166	16.30
2018	1,301	202	17.61
2019	1,177	225	14.34
2020	1,450	148	10.48

Source: Central Arkansas Water GIS

Central Arkansas Water
TEN YEAR SUMMARY OF SYSTEM HIGHLIGHTS
2011–2020 (Unaudited)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Miles of public water distribution pipe	2,280	2,295	2,358	2,366	2,372	2,497	2,506	2,518	2,527	2,663
Number of treatment plants	2	2	2	2	2	3	3	2	2	3
Maximum treatment capacity (MGD)	157.0	157.0	157.0	157.0	157.0	163.7	163.7	157.0	157.0	157.0
Maximum day consumption	119.4	126.0	106.0	88.3	98.9	98.1	92.0	101.0	88.7	90.7
Percentage of maximum capacity utilized	76%	80%	68%	56%	63%	60%	56%	64%	56%	58%

Source: Central Arkansas Water Engineering and Water Production Departments

MGD = Millions of Gallons per Day

MG = Million Gallons

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Central Arkansas Water
TEN YEAR SUMMARY OF CAPITAL ASSETS
2011–2020 (Unaudited)

	2011	2012	2013	2014	2015
Land and land use rights	\$ 43,779,013	\$ 45,521,648	\$ 46,032,162	\$ 46,192,915	\$ 47,488,299
Water Rights	-	-	-	-	-
Building and grounds	41,954,807	44,160,573	49,154,620	60,806,083	60,916,771
Land improvements	-	-	1,478,894	2,253,459	2,259,083
Water source	32,778,582	32,920,887	32,927,318	33,211,941	33,211,941
Purification	36,299,049	37,261,755	37,518,831	42,180,124	42,449,597
Pumping	22,323,783	25,740,465	25,796,891	26,233,796	26,410,016
Distribution	279,106,680	318,974,140	323,590,447	335,078,600	339,621,061
Other equipment	27,362,197	27,875,369	27,139,956	28,573,745	29,123,839
Construction in progress	42,187,758	11,868,158	21,527,876	2,150,054	8,880,044
	<u>525,791,869</u>	<u>544,322,995</u>	<u>565,166,995</u>	<u>576,680,717</u>	<u>590,360,651</u>
Less accumulated depreciation	<u>153,522,735</u>	<u>163,299,356</u>	<u>173,414,469</u>	<u>183,412,270</u>	<u>193,915,770</u>
Net Capital Assets	<u>\$ 372,269,134</u>	<u>\$ 381,023,639</u>	<u>\$ 391,752,526</u>	<u>\$ 393,268,447</u>	<u>\$ 396,444,881</u>

Source: Central Arkansas Water Finance Department

Central Arkansas Water
TEN YEAR SUMMARY OF CAPITAL ASSETS (Continued)
2011–2020 (Unaudited)

	2016	2017	2018	2019	2020
\$	47,892,367	\$ 48,977,583	\$ 58,804,602	\$ 60,324,790	\$ 64,120,441
	-	-	-	4,598,638	4,974,114
	62,556,517	62,767,365	63,294,373	63,505,997	68,216,688
	2,702,932	2,831,335	2,895,907	2,974,389	3,159,115
	33,419,723	33,419,723	33,419,723	33,419,723	33,419,723
	45,268,031	45,527,263	45,671,724	42,984,525	43,306,480
	27,159,362	27,257,925	28,272,196	28,569,649	33,317,629
	363,365,749	368,386,584	388,726,499	401,665,841	413,991,799
	31,027,067	31,740,663	33,810,257	34,899,020	36,446,689
	8,044,217	21,632,031	19,019,605	29,549,784	46,513,682
	621,435,965	642,540,472	673,914,886	702,492,356	747,466,360
	211,426,836	223,337,873	235,366,005	244,071,804	258,864,562
\$	410,009,129	\$ 419,202,599	\$ 438,548,881	\$ 458,420,552	\$ 488,601,798

Central Arkansas Water

TEN YEAR SUMMARY OF FILLED POSITIONS BY DEPARTMENT 2011–2020 (Unaudited)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Administration	14	11	11	12	11	14	15	24	31	32
Customer relations and public affairs	-	-	-	61	63	-	-	-	-	-
Customer service	-	-	-	-	-	-	-	45	45	49
Distribution	104	106	109	108	110	135	141	139	146	145
Engineering	22	23	23	22	21	22	24	24	22	21
Finance and customer service	75	79	79	-	-	69	64	-	-	-
Finance	-	-	-	17	20	-	-	21	21	20
Information services	17	17	17	17	17	16	16	14	16	15
Source and treatment	40	32	31	-	-	-	-	-	-	-
Water quality	-	10	9	-	-	13	12	14	10	-
Water quality and operations	-	-	-	40	41	-	-	-	-	-
Source and treatment/ Water production	-	-	-	-	-	31	35	38	34	46
Total	<u>272</u>	<u>278</u>	<u>279</u>	<u>277</u>	<u>283</u>	<u>300</u>	<u>307</u>	<u>319</u>	<u>325</u>	<u>328</u>

Source: Central Arkansas Water Administration Department

Central Arkansas Water
SCHEDULE OF WATER RATES FOR CAW
2020 (Unaudited)

Minimum Monthly Charge (CAW):

Meter Size	Central Arkansas Water	
	Charge	
	Inside City	Outside City
5/8"	\$ 7.85	\$ 10.28
3/4"	\$ 10.14	\$ 13.28
1"	\$ 14.41	\$ 18.87
1 1/2"	\$ 24.37	\$ 31.90
2"	\$ 39.52	\$ 51.73
3"	\$ 73.07	\$ 95.64
4"	\$ 118.85	\$ 155.58
6"	\$ 235.08	\$ 307.72
8"	\$ 397.64	\$ 520.51
10"	\$ 572.49	\$ 749.38
12"	\$ 1,042.65	\$ 1,364.83

Consumption Charge (per 100 cubic feet of usage in excess of 200 cubic feet per month):

Customer Class	Charge			
	Inside City – LR & NLR		Outside City – LR & NLR	
	3-33 CCFs	Over 33 CCFs	3-33 CCFs	Over 33 CCFs
Residential	\$ 1.71	\$ 2.22	\$ 2.73	\$ 3.57
Commercial	\$ 1.60	\$ 1.60	\$ 2.56	\$ 2.56
Large Volume	\$ 1.30	\$ 1.30	\$ 2.09	\$ 2.09
Sprinkler	\$ 1.71	\$ 2.22	\$ 2.73	\$ 3.57

Customer Class	Charge	
	On Peak	Off Peak
Wholesale	\$ 1.65	\$ 1.52
Raw Water	\$ 0.66	\$ 0.66

Watershed Protection Fee (all CAW customers):

Meter Size	City
5/8"	\$ 0.75
3/4"	\$ 0.75
1"	\$ 1.13
1 1/2"	\$ 1.88
2"	\$ 3.75
3"	\$ 6.00
4"	\$ 11.25
6"	\$ 18.75
8"	\$ 37.50
10"	\$ 60.00

NOTE: Inside City Residential accounts with a single house meter (no sprinkler meter) using 100, 200, or 300 cubic feet of monthly usage shall be given a Conservation Rate Discount of 15%. The discount shall not apply to zero consumption billings.

Source: Central Arkansas Water Finance Department

Central Arkansas Water
SCHEDULE OF WATER RATES FOR POWA
2020 (Unaudited)

Minimum Monthly Charge (POWA):

<u>Meter Size</u>	<u>Charge</u>
5/8"	\$ 24.34
3/4"	\$ 24.34
1 1/2"	\$ 27.83
2"	\$ 45.14

Consumption Charge (per 1,000 gallons of usage in excess of 1,000 gallons per month):

<u>Gallons</u>	<u>Charge</u>
1,001 and over	\$ 8.09 per 1,000 gallons

Reserve Fee:

<u>Meter Size</u>	<u>Fee</u>
All Meter Sizes	5% of total Minimum Monthly Charge and Consumption Charge

Watershed Protection Fee:

<u>Meter Size</u>	<u>Fee</u>
5/8"	\$ 0.75
3/4"	\$ 0.75
1 1/2"	\$ 1.88
2"	\$ 3.75

Transition Surcharges:

<u>Meter Size</u>	<u>Fee</u>
All Meter Sizes	\$ 5.50

Source: Central Arkansas Water Finance Department