

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

FOR YEARS ENDED DECEMBER 31, 2019
AND 2018



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Years Ended December 31, 2019 & 2018

Prepared by the Central Arkansas Water Finance Department
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Central Arkansas Water

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Introductory Section



April 23, 2020

To the Board of Commissioners and Our Customers:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of Central Arkansas Water (CAW or the Utility) for the years ended December 31, 2019 and 2018.

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, 2019 and 2018. 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 CAFR 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.

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 eight departments: Administration, Distribution, Engineering, Finance, Customer Service, Information Services, Water Production, and Water Quality.

The Utility collects, stores, treats, and distributes water for a population of approximately 450,000 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; two treatment facilities, Jack H. Wilson Treatment Plant (Wilson Plant) and Ozark Point Treatment Plant (Ozark Point Plant); approximately 2,527 miles of public pipeline; 25 remote booster pumping stations; and 29 remote storage facilities. As of December 31, 2019, the Utility provides water service to approximately 530 square miles and approximately 137,000 active customer accounts.

MAJOR INITIATIVES AND ACCOMPLISHMENTS IN 2019

As an organization, CAW was involved in multiple projects and achievements in 2019. One of the main focuses continued to be the replacement of the current customer information system (CIS). The Pinnacle Project Team, comprised of employees from the Customer Service, Engineering, Finance, and Information Services (IS) departments, continued the implementation of the new Cayenta Utilities system. Data cleansing and testing continued to ensure the smooth transition to the Cayenta platform. Go-Live for this project is expected in 2020.

In March 2019, CAW met a major objective of securing future water sources for central Arkansas with the acquisition of water rights of 100 million gallons per day in DeGray Lake. The executed agreement with the U.S. Army Corps of Engineers and Southwest Power Administration ends a 20 plus year campaign for this water storage in central Arkansas.

Dr. Jay Barth was selected as the newest CAW commissioner and began his term in July 2019. He is one of the four Little Rock appointees and will serve through June 2025. Commissioner Eddie Powell passed away, and his replacement, Kevin Newton, joined the Commission in January 2020. He is one of three North Little Rock appointees and will serve through June 2026.

CAW won the annual Water Taste Contest at the Southwest Section American Water Works Association Conference in October 2019. After winning both the Central Arkansas and statewide competitions, CAW was deemed to have the best-tasting water, besting the City of Tulsa and Peoples Water Service Company of Bastrop, Louisiana. CAW moved onto the national contest to be held at the 2020 annual conference.

In November 2019, CAW debuted Vessel, the first water leak detection canine in the United States. Vessel came to us as a rescue, who had graduated from the Arkansas Paws in Prison program. She spent many weeks training to ascertain differences between typical ground water and treated water leaking from our distribution system. Vessel has garnered quite a following on social media in addition to her Distribution department duties.

Administration

2019 marked the first full year during which CAW Administration was served by both a Chief Innovation Officer and a Human Resources Director. These positions continued to move the department and the Utility forward in innovation, technology, and process improvement.

CAW's turnover for 2019 was 7.65%, with a five-year average of 7.88%. Both statistics are significantly lower than the national average for state and local government of 18.7% in 2019 (estimated) and 20.48% for the five-year average. These statistics are provided through the Bureau of Labor Statistics (BLS).

The performance appraisal, utilized as part of the annual evaluation process, was revamped to include the High Performing, Innovative, Values-Driven, Informed, and Passionate (HIVIP) culture initiatives.

CAW's 2019 Cost of Benefits as a percent of total compensation (wages + benefits) decreased slightly to 29.26% and was closely aligned with the BLS/Society for Human Resources Management (SHRM) national average of 29.20%.

As promised at the end of 2018, a total compensation analysis was performed. CAW prepared a request for qualifications to select a benefit broker, and McGriff Insurance Services was selected. With their help, we were able to make changes in our benefit offerings that gave the employee a broader range of services. One of those changes was the offering of both a preferred provider organization (PPO) and a high-deductible health plan (HDHP). Another significant change was adding a fourth tier to all offerings so that employees can now select from employee only, employee and spouse, employee and child(ren), or family plans. Insurance for 65+ retirees was shifted to a group Medicare Supplement plan and Part D prescription plan that saved the both the company and the retiree money. With these enhanced selections, we were able to turn a forecasted 20% increase into a 2% savings in overall benefits. We also automated the enrollment process through benefit administration software made possible through McGriff at no charge.

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 ensure that all interactions with the Utility provide an exceptional experience that exceeds expectations.

The Public Affairs and Communications Department reached more than 550,000 online accounts across CAW's five social media platforms in 2019 and acquired a collective following of about 78,000 people. The Utility added an Instagram account 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 launch of Vessel. A large part of the year's success was due to increased engagement with our community stakeholders.

Throughout 2019, Public Affairs and Communications issued over 30 press releases and 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 2019, CAW held its fourth and fifth Citizens Water Academies 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.

CAW continued its The Power of Water professional development week for elementary school science teachers which began in 2017. In 2019, the Utility added a second week for high school science teachers. Both programs were well-attended and well-received. As a result of the high school event, CAW was invited into Cabot Public Schools to participate in several events at different campuses.

CAW continued its community outreach efforts with organizations and events such as The Big Catch, a semi-annual event which draws thousands of families to MacArthur Park for food, fishing and fun. During this event families can obtain information and educational resources to increase their health and well-being. Our Forests to Faucets Festival in partnership with several state agencies, expanded to two locations reaching over 150 fifth grade students with a day of water-focused programming and activities.

During 2019, Public Affairs and Communications developed a highly rated campaign to introduce Vessel, as the nation's first water leak detection canine. The Utility also released the first edition of its consumer targeted magazine, *Discover Central Arkansas Water*, which received Public Relations Society of America Diamond Award finalist recognition. Public Affairs and Communications also played a key role in CAW's nomination for the North Little Rock Chamber of Commerce Business Partner of the Year award and recognition as one of Arkansas Business's Best Places to Work in Arkansas.

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 watershed protection, wise water consumption, and resource utilization, the Utility took a proactive approach to media relations for several key activities in 2019. These activities included education programs, tours, special events, television appearances, and public service involvement.

The Utility continued to market and promote enrollment in paperless billing and use of improved online account management features. At the end of 2019, approximately 20% of the Utility's customers were enrolled in paperless billing, which supports the Utility's sustainability initiatives and reduces expense.

During 2019, the Environmental Health and Safety (EHS) section emphasized personal safety through monthly safety meetings and other focused initiatives. EHS conducted 114 training sessions that provided over 3,500 hours of safety training for CAW employees. In addition, the EHS section continued emphasizing personal safety outside the classroom by conducting 21 facility inspections and 274 field inspections.

Distribution

In 2019, the Distribution department completed over 120,400 work orders on CAW assets including pump stations, treatment plants, storage tanks, wells, 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 staff is highly devoted to reducing unaccounted-for water (UAW), or treated water that does not make it to customers. For December 2019, the 12-month average was at 11.49%, which is below the Arkansas Department of Health's UAW action level of 15%. However, we strive to be below the AWWA Standard, which is at 9.5%. As part of the Utility's effort to reduce UAW, Distribution hired a Leak Detection Specialist/Handler to investigate leaks throughout the system. Part of this Handler's main responsibility is taking care of Vessel. While Vessel is still in the training phase of her career with CAW, she has investigated approximately 55 leaks throughout the system. Of the 55 investigations, she was able to identify 45 leaks within about a 10-foot radius. As she gains more experience and becomes more familiar with her Handler, she will become an even greater asset for the Utility.

The department strives to maintain outstanding levels of service for customers. In 2019, the system had a total of 408 spontaneous main breaks; however, only 48 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 37,100 feet or 7.1 miles, of aging infrastructure in 2019. Distribution's proactive approach in replacing troublesome mains has paid great dividends, with the continued reduction of galvanized main breaks. The department enacted the 2-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 119 breaks per 100 miles of galvanized pipe in 2019.

In 2019, Distribution and Engineering staff inspected all the raw waterline creek crossings. With excessive rain during the past two years, several areas were found needing repairs. The team reviewed and prioritized each crossing needing repairs. Distribution staff was able to restore the areas around two of the creek crossings and will continue to work on getting the others restored.

Along with the help of the Geographical Information Systems (GIS) section, Distribution staff continued its efforts in mapping all 152,000 meters within the system and collected global positioning system (GPS) points on an additional 1,400 meters in 2019. 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 is 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 the names and addresses of each customer attached to the account in one click. Future features would include phone/text/email notification of emergency shutdowns in affected areas. Since all meters have been mapped, Distribution will focus on locating the service line from the meter box to the main where we have two lines on the same street.

Distribution exceeded the Utility's goal of 5,000 meters by replacing 9,700 water meters through its meter change-out program. Per our 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 Maumelle due to poor conditions. Distribution replaced 165 services in 2016, 185 services in 2017, 181 services in 2018, and 183 services in 2019. Service line replacements will continue to be of high importance in 2020 for the Maumelle area.

The department completed the inspection of all fire hydrants in the system in 2019. Staff started the inspections of 11,000 hydrants south of the river in August 2018 and then moved to the north side of the river in January 2019, inspecting an additional 5,000 hydrants for a total of 16,000 hydrant inspections.

With fire hydrant inspections complete, staff turned its focus to inspecting 12-inch and smaller valves throughout the system. They were able to inspect 1,500 valves through the end of 2019. With over 35,000 valves, inspections should take approximately five years to complete. In addition, staff inspected all 800 14-inch and larger valves, which are inspected annually.

Finally, in 2019, the Distribution department formed a working team to evaluate tasks performed in the department and to create standard operating procedures (SOPs) and job standards which define the average time to complete the various tasks. The team meets bi-monthly and plans to remain active until all SOPs are reviewed and completed. Even when SOPs are completed, the Distribution Standards team will stay in place to revise and update the SOPs in an effort to foster continual improvement and drive efficiencies into the work processes.

Engineering

The Engineering department, through capital improvement projects and private developer construction, managed and oversaw the installation and/or replacement of 14.34 miles of public water mains in 2019. Also, in 2019, 6.67 miles of public water mains were retired.

In 2019, the Engineering department designed and managed through contract construction, the installation of approximately 22,600 feet (4.3 miles) of galvanized, PVC, and asbestos-cement pipe replacement. The Engineering department also designed for installation approximately 14,500 feet (2.8 miles) of galvanized pipe replacement that was performed in-house by the CAW Distribution department. The Engineering department managed to completion the installation of over seven miles of new pipe along previously unserved routes.

Major projects that the Engineering department designed, managed and/or inspected to completion in 2019 include:

- Completed several 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.
- Phase 1 of the rehabilitation and improvement to the Wilson Plant Pump Station No. 1A was bid and awarded in late 2017. Work progressed on this \$3,600,000 project to its conclusion in May 2019. Phase 2 of the project is scheduled to start in 2021 under a new \$3,000,000 contract yet to be bid. The total work through both phases will replace all 10 pumping units and electrical switchgear in the 55-year-old pumping station.
- 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 were completed in the first quarter of 2019. The Engineering department is supervising and managing this design project. The project was bid in

mid-2019 and saw construction start in the third quarter of 2019. The construction work will not be finished until mid to late 2021.

- Designed, bid, and managed a project to remove asbestos and tar coatings on the pipe within the west pipe gallery of the Wilson Plant. After removal of the old coating, the pipe was coated with a new water and sweat-resistant coating.
- 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 not completed by the end of 2019 but could result in relocation costs exceeding \$2,000,000.
- Designed and bid the rehabilitation of water storage Tank No. 30A, including the complete replacement of its damaged roof and the painting of the interior and exterior of the tank in 2018. Construction of this rehabilitation work was substantially completed in late 2019.
- Managed preparation of an Inundation Study for Lake Maumelle and Jackson Reservoir.
- Completed the relocation of approximately 1,900 feet of 16-inch transmission main along Cantrell Road for proposed roadway and development improvements in the Gill Street/Episcopal School area.
- Managed rebuild/refurbishment of the 2,000-HP Motors No. 1 and No. 2 at the Lake Maumelle Raw Water Pumping Station.
- Managed demolition of the out-of-service/abandoned Maumelle water treatment plant. The site is in a hazard-free, suitable-to-sell condition.
- Designed, bid, and managed the proper sealing and abandonment of 15 production wells located in the former Maumelle water well field adjacent to the Arkansas River. There were also several small test wells that were also sealed and abandoned.
- Designed, bid, and managed painting the Tank No. 2 roof, an elevated steel 2,000,000-gallon water storage tank.
- Assisted in the Paron-Owensville Water System merger study.
- Assisted in the Shannon Hills Water and Sewer System merger study.
- Designed, bid, and managed replacement of approximately 2,100 feet of old, high-maintenance, high-pressure 16-inch steel pipe along Rebsamen Park Road.
- Completed the Phase 3 Maumelle pipe replacement project, replacing approximately 4,800 feet of asbestos-cement and PVC pipe.
- Designed, bid, and managed replacement and rerouting of 25 private 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.

In 2019, the Engineering department also started other engineering designs for new projects scheduled for construction in 2020 and beyond, including water main relocations due to new street/highway improvements and replacement of troublesome galvanized, PVC, and asbestos-cement water mains.

Finance

For the tenth 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 (CAFR Program) recognizes those state and local governments that go beyond the minimum requirements of generally accepted accounting principles to prepare comprehensive annual 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 conducted feasibility studies on consolidation possibilities with Paron-Owensville Water Authority, Shannon Hills Water Department, and West Pulaski Water Authority. Finance provided financial analysis on these potential consolidation candidates.

Finance assisted in the issuance of \$37 million in water revenue bonds. The proceeds were used to refund the Series 2018A Revolving Loan Fund Bond and to finance capital improvements at the Ozark Point Plant.

Customer Service

This year marked the first full year of operation since CAW ceased occupancy at the North Little Rock City Services office. We absorbed those customer and payment volumes into our operation at the James T. Harvey Administration Building in Little Rock. The number of face-to-face customer contacts between the two offices was 36,000 in 2018. During 2019, while operating one location, that number fell to 32,000. Although customer interactions decreased, we saw a marked uptick in payments by phone, internet, electronic fund transfers, and all versions of in-person transactions (drive thru, lobby counter, and night depository). The most remarkable growth was seen in web payments. In 2018 there were 360,000 web payments, and increased to 442,000 in 2019, representing a 23% increase.

Customers continued to take advantage of CAW's electronic billing process in 2019. At the end of 2018, 12,000 customers utilized the e-bill option. At the end of 2019, 16,000 customers had gone to paperless billing. This increase equates to utility savings of approximately \$7,800 per month on postage, printing, and supplies. CAW hopes to grow that number to 20,000 by end of year 2020.

CAW saw a slight increase in customer phone contact in 2019. For the year, CAW's call center fielded 215,000 calls from our valued customers. This equates to an increase of 4.5% compared to the number of calls handled in 2018. The abandoned call percentage improved from 5.70% in 2018 to 5.25% in 2019. Most of the improved performance can be attributed to more efficient staffing and less turnover.

Meter reading operations continue to look for technological improvements to assist our meter reading team with their goal of accurately reading over 170,000 reads per month. As part of the iTron Meter Reading System upgrade mentioned in the next section, CAW upgraded equipment to use both iPhone and Android based devices to gather billing data. This new technology means readings that are gathered throughout our service area now can efficiently be sent from virtually any location, rather than readers only being able to upload data from a limited number of locations. This improvement allows readers to be more productive and offers the Utility increased billing efficiencies.

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.

The Information Services Governance Committee (ISGC) meets on a regular basis. During these meetings, the IS Director provides an update on past and current projects, as well as upcoming projects. During 2019, a major project overseen by the IS department was the upgrade of the iTron Meter Reading System. The meter reading system upgraded from iTron's Multi-Vendor Reading System (MVRS) to iTron's Field Collection System (FCS). The upgrade gave CAW the ability to read meters with a mobile device. Testing of this project began in November 2018, while full deployment occurred during November 2019 using the Honeywell CN80. The CN80s allow the readers to load and unload routes while out in the field and allows office staff to monitor the route status.

IS also worked very closely with the Pinnacle Team in preparation for the CIS upgrade from enQuesta to Cayenta Utilities. In preparation for this system upgrade, IS updated the Cisco Call Manager (CM) from version 10.5 to version 12.5, which will give CAW the ability to chat with customers via web-based chat boxes. The Cisco CM upgrade was completed in July 2019; however, the chat feature is still in the testing phase and will be completed before the CIS conversion go-live. To assist with these capabilities, staff increased the internet speed and the Wide Area Network (WAN) connection speed to all CAW locations.

IS continued its efforts in assisting the Pinnacle Project Team in the Cayenta conversion. To ensure accurate data transfer, the Pinnacle team is completing the integration process in individual phases. The GIS section of the department worked closely with the Pinnacle Team to determine the required criteria for each integration to be successful. The main goal of the GIS section was to create the testing

environments for multiple CAW software systems currently in place for developers to utilize during integration and testing. The testing environment for the Cityworks and Cayenta integration required a new Cityworks test site and database to be created and proper access granted to developers. During the Cayenta testing phase, GIS determined this new database could be used to test a Cityworks upgrade, which will be needed prior to the final implementation of Cayenta. This integration field allows users to utilize a similar workflow that currently allows enQuesta orders to be sent to Cityworks, worked by the end-users and then sent back to enQuesta for office personnel to view.

Distribution field crews began using iPads in place of laptops during 2018, but with all the enhancements with the Microsoft 365 offerings, it was determined staff need to adjust how documents were being edited with the iPads. The original process of using MaaS360's Document Editor and File share caused difficulties for some staff while out in the field. To simplify the process, IS determined the use of Microsoft Word, Excel, and OneDrive/Sharepoint would be the best way to move forward. IS and Distribution tested the best method to utilize these programs, and a complete roll-out for Distribution occurred in October 2019.

Water Production

In 2018, the Utility purchased Supervisory Control and Data Acquisition (SCADA) remote site radios, and staff completed the replacement of all legacy radios during 2019.

A major project for the department in 2019 was the rehabilitation of the Ozark Point Plant. The department met with engineers in 2018 and began construction in 2019. To effectively complete the project, Water Production operational staff shut down the Ozark Point Plant and met regularly with consulting engineers to ensure the improvements progressed according to schedule and as needed. This project will continue in 2020 and is expected to be completed in early 2021.

Another major project during 2019 was the rehabilitation of the Wilson Plant No. 1A pump station. Phase 1 of this project was completed with the change out of five motors, five pumps and the associated electrical gear.

During 2019, the Wilson west pipe gallery piping was stripped and painted in efforts to maintain the infrastructure. Additionally, Water Production staff replaced all the differential pressure transmitters on each filter at Wilson Plant and installed 22 new turbidimeters.

At the Lake Maumelle Pump Station, Water Production staff rebuilt pump motors #1 and #2, while technicians from Rockwell came and performed service and preventive maintenance on the #3, #4 and #7 pump motor drives.

Water Quality

The Water Quality department encompasses the Utility's work related to watershed management, watershed stewardship, and water quality monitoring. The department oversees all sampling and laboratory operations including an Arkansas Department of Health certified bacteriological lab. During 2019, the CAW laboratory section conducted over 80,000 water quality analyses, ensuring customers received the highest quality water, and the Utility maintained full compliance with the federal Safe Drinking Water Act (SDWA) and the State of Arkansas' Rules and Regulations Pertaining to Public Water

Systems. CAW's laboratory remained one of the few utility laboratories in the state certified for coliform analyses under the Total Coliform Rule of the SDWA.

In 2019, the laboratory reviewed prospective vendors for the Laboratory Information Management System (LIMS). The selected vendor, Ethosoft, began collaborating with the laboratory staff in the last quarter of 2019 to develop a LIMS that will enhance the laboratories capabilities for reporting the data internally and externally. Laboratory staff also conducted and participated in additional water quality research studies, primarily focused on the water quality in the distribution system and at the lakes.

Water quality sampling staff conducted and participated in additional water quality research studies investigating the occurrence of *Legionella* and other pathogens of emerging concern in the distribution system. This includes continued participation in a multi-year study related to low-pressure events in the distribution system performed in conjunction with the U.S. Centers for Disease Control and Prevention. Three of these low-pressure events were sampled in 2019 until the project's official completion in June 2019. CAW increased distribution system water quality monitoring at 35 routinely monitored Total Coliform Rule sample sites spatially located throughout the distribution system allowing staff to proactively respond to potential water quality issues and adaptively manage the distribution system. Staff continued providing support for the lead service line replacement program including coordinating individual site testing for lead and copper, extensive customer interaction, and data reporting. Staff presented highlights from this successful customer-focused sampling at the American Water Works Association's annual conference and exposition in June. Additionally, the dedicated sample station project continued in 2019 with additional 22 sites installed and 12 new Total Coliform Rule monitoring sites added to the sampling plan. These additions improve sample collection and provide highest quality data for decision making.

Participation on the Distribution Optimization Team led to the placement of five mixers to improve water quality in storage tanks serving areas of the CAW distribution system having lower-than-desired free chlorine residual values. Installation of these mixers was coupled with the installation of on-line chlorine residual monitors. Data from these new monitors indicates the mixers have contributed to increased chlorine residual values, improving water quality and reducing the opportunity for microbiological growth in the distribution system.

The Watershed Protection Program added a Natural Resource Specialist in February 2019. The program also received a federal grant award for \$220,000 from the US Endowment for Forest and Communities and the Environmental Protection Agency to create a land financing and purchasing plan for the Lake Maumelle watershed. This grant will allow the addition of another staff member in 2020. The program received a second grant award for nearly \$7,000 to plant 15,000 trees in 2020 and 2021.

Forest management and lake and tributary sampling efforts were of major focus in both the Lake Maumelle and Lake Winona watersheds in 2019. A forest monitoring protocol was developed to assess management activities and the first 15 photo plots, and five comprehensive, permanent long-term monitoring plots were established. An annual record of nearly 1,000 acres of prescribed burning took place, and two additional CAW staff members were added to the Fire Support and Safety Team following training at the annual, week-long Prescribed Fire as a Management Tool course at Camp Robinson. Additionally, staff developed a stream monitoring plan and protocol for the tributaries of both watersheds. A total of 54 sampling sites were identified and the first 10 baseline samples for biological communities were collected. Watershed staff also collected over 200 samples between the

two lakes during the summer months, and a 12-acre native plant restoration site was prepped for future seeding.

The Water Quality department teamed up with the University of Central Arkansas Spring Environmental Capstone Course, which had groups monitoring both the physical stream characteristics and the fish populations in Reece Creek. The department also welcomed three STRIVE teacher interns for five weeks in June and July. The user-based portion of the mountain bike study was completed in June 2019.

An additional 163 acres of conservation lands were added in 2019 at an approximate cost of \$870,000, and the board approved the purchase of another 25 acres in December, which closed in January 2020. These additions included purchases in high-priority riparian areas along the Maumelle River and in major tributaries to the lake such as Reece Creek. These purchases are critical to the protection of water quality and the life of the Lake Maumelle reservoir. Water Quality also removed a deteriorating low-water crossing at the Forest Legacy Property (FLP) and began replacement with a bridge for property access. The department also finished renovating the FLP cabin into office and meeting spaces during 2019.

RELEVANT FINANCIAL POLICIES

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
- Non-payment 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.

- 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.

In 2019, CAW implemented GASB Statement No. 84, *Fiduciary Activities*. Details of this statement and the financial impact are discussed in *Note 1* of the Notes to Financial Statements. CAW also implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. New disclosures required by this statement are included in *Note 7* of the Notes to Financial Statements.

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 report has 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 CAFR for the year ended December 31, 2018. 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 CAFR. 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 CAFR continues to meet the Certificate of Achievement 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,

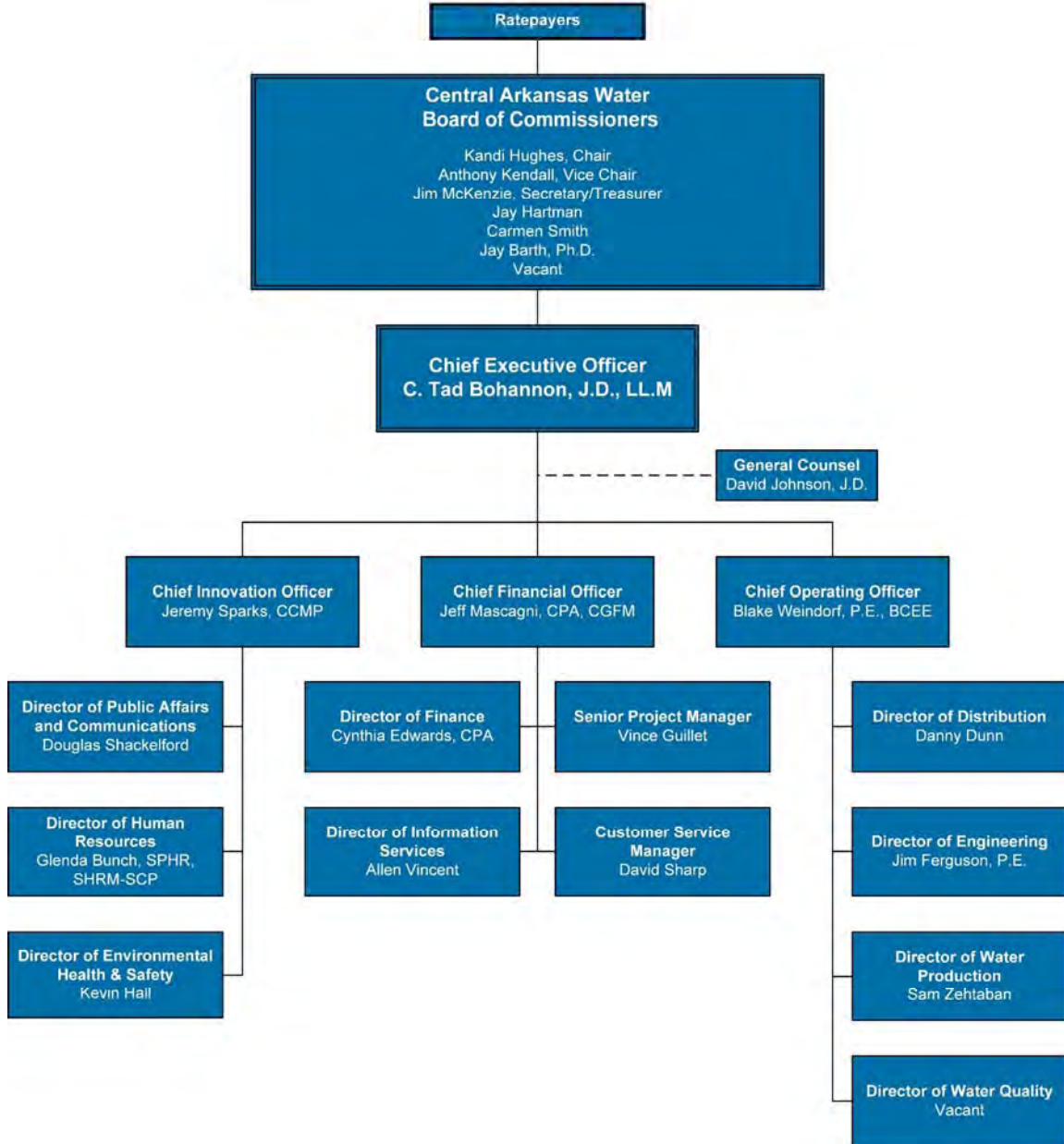
A handwritten signature in blue ink, appearing to read 'Tad Bohannon', with a long horizontal flourish extending to the right.

Tad Bohannon
Chief Executive Officer
CTB/jbm

CENTRAL ARKANSAS WATER

Organizational Chart

Effective: December 31, 2019



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**Kandi Hughes
Chair**



**Board of
Commissioners**



**Anthony Kendall
Vice Chair**



**Jim McKenzie
Secretary/Treasurer**



**Jay Hartman
Member**



**Carmen Smith
Member**



**Jay Barth, PhD
Member**



**Vacant
Member**

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Central Arkansas Water

MANAGEMENT TEAM

C. Tad Bohannon, J.D., LL.M	Chief Executive Officer
Blake Weindorf, P.E., BCEE	Chief Operating Officer
David Johnson, J.D.	General Counsel
Jeff Mascagni, CPA, CGFM	Chief Financial Officer
Jeremy Sparks, CCMP	Chief Innovation Officer
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
Glenda Bunch, SHRM-SCP, SPHR	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, 2018

Christopher P. Morill

Executive Director/CEO

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Central Arkansas Water

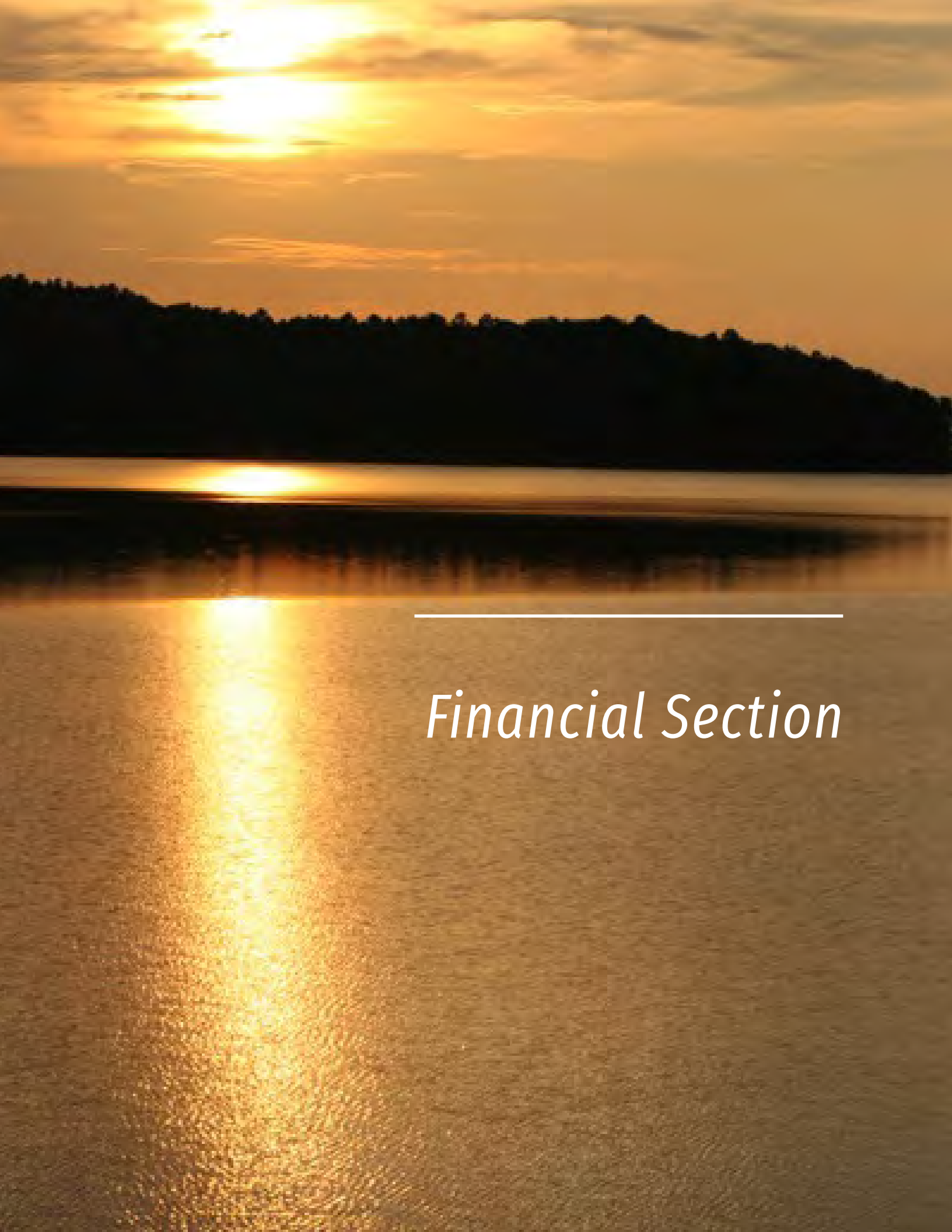
GLOSSARY OF ACRONYMS AND ABBREVIATIONS

ADFA	Arkansas Development Finance Authority
ANRC	Arkansas Natural Resources Commission
APERS	Arkansas Public Employees Retirement System
ARDOT	Arkansas Department of Transportation
BCEE	Board Certified Environmental Engineer
BLS	Bureau of Labor Statistics
CAFR	Comprehensive Annual Financial Report
CAW	Central Arkansas Water
CDs	Certificates of Deposit
CCF	Centum Cubic Feet (Hundred Cubic Feet)
CGFM	Certified Government Financial Manager
CIS	Customer Information System
CM	Call Manager
CPA	Certified Public Accountant
EHS	Environmental Health and Safety
FCS	Field Collection System
FLP	Forest Legacy Property
GASB	Governmental Accounting Standards Board
GFOA	Government Finance Officers Association of the United States and Canada
GIS	Geographic Information System
GPS	Global Positioning System
HDHP	High-Deductible Health Plan
HIVIP	High Performing, Innovative, Values Driven, Informed, Passionate
IS	Information Services
ISGC	Information Services Governance Committee
J.D.	Juris Doctor
JTH	James T. Harvey Administration Building
LIMS	Laboratory Information Management System
MAWA	Mid-Arkansas Water Alliance
MVRS	Multi-Vendor Reading System
MWM	Maumelle Water Management
OPEB	Other Postemployment Benefits

Central Arkansas Water

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

P.E.	Professional Engineer
PER	Preliminary Engineering Report
SCADA	Supervisory Control and Data Acquisition
SDWA	Safe Drinking Water Act
SEC	Securities and Exchange Commission
SHRM	Society for Human Resources Management
SHRM-SCP	SHRM Senior Certified Professional
SOP	Standard Operating Procedure
UAW	Unaccounted For Water
WAN	Wide Area Network
WTP	Water Treatment Plant



Financial Section

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 years ended December 31, 2019 and 2018, 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 audits 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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, in 2019 the Utility adopted Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

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 benefit 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, 2020

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*Management's
Discussion & Analysis*

Central Arkansas Water
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2019 and 2018

This section of the CAFR presents management's analysis of the Utility's financial performance during the fiscal years ended December 31, 2019 and 2018. 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 net position increased by \$6,535,000 in 2019 as compared to a \$10,678,000 increase in 2018. The smaller increase in 2019 was due to decreased consumption, increased expenses, and losses on the disposal of assets. The 2018 increase was due to a rate increase, increased consumption, and increased investment income combined with less workers' compensation costs and controlled operational spending.
- Operating revenues decreased \$487,000, or 0.7 %, in 2019 and increased \$5,086,000 in 2018. A five percent (5%) decrease in consumption from 2018, offset by the billing fee implementation and Watershed Protection fee increase, accounted for the decreased revenues in 2019. The 2018 increase was due to a five percent (5%) increase in consumption from 2017, coupled with the rate increase. Operating expenses increased by \$3,888,000 from 2018 to 2019 and increased by \$865,000 from 2017 to 2018. The 2018 to 2019 increase was primarily due to increased personnel costs. The 2017 to 2018 increase was due to increased personnel costs, offset by decreased workers' compensation costs.
- The Utility's total noncurrent liabilities increased during 2019 by \$3,000,000 and increased by \$14,921,000 in 2018. The 2019 increase is due to financing water storage rights at Lake DeGray. The issuance of three bonds for capital projects was the reason for the increase in 2018.

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 and inflows of resources consisted of deferred loss and gain on debt refunding transactions, pension-

Central Arkansas Water
MANAGEMENT'S DISCUSSION AND ANALYSIS (*Continued*)
December 31, 2019 and 2018

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 project and capital 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 and differences between projected and actual investment earnings 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.

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.

Central Arkansas Water
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
December 31, 2019 and 2018

	2019	2018	2017
Assets			
Total current assets	\$ 65,213,000	\$ 62,399,000	\$ 60,048,000
Restricted noncurrent assets	12,357,000	23,251,000	9,453,000
Net capital assets	<u>458,421,000</u>	<u>438,549,000</u>	<u>419,203,000</u>
Total Assets	<u>\$ 535,991,000</u>	<u>\$ 524,199,000</u>	<u>\$ 488,704,000</u>
Deferred Outflows of Resources	<u>\$ 10,815,000</u>	<u>\$ 10,000,000</u>	<u>\$ 13,580,000</u>
Liabilities			
Total current liabilities	\$ 28,404,000	\$ 26,507,000	\$ 23,200,000
Total noncurrent liabilities	<u>143,519,000</u>	<u>140,519,000</u>	<u>125,598,000</u>
Total Liabilities	<u>\$ 171,923,000</u>	<u>\$ 167,026,000</u>	<u>\$ 148,798,000</u>
Deferred Inflows of Resources	<u>\$ 5,316,000</u>	<u>\$ 4,142,000</u>	<u>\$ 1,133,000</u>
Net Position			
Net investment in capital assets	\$ 357,587,000	\$ 348,267,000	\$ 337,465,000
Restricted – expendable	8,806,000	10,518,000	9,094,000
Unrestricted	<u>3,174,000</u>	<u>4,246,000</u>	<u>5,794,000</u>
Total Net Position	<u>\$ 369,567,000</u>	<u>\$ 363,031,000</u>	<u>\$ 352,353,000</u>
Operating Revenues			
Little Rock water sales	\$ 32,376,000	\$ 33,935,000	\$ 30,210,000
North Little Rock water sales	14,181,000	14,969,000	13,461,000
Maumelle water sales	3,433,000	3,601,000	3,771,000
Wholesale	4,649,000	4,759,000	4,206,000
Penalties	1,020,000	991,000	923,000
Turn-on charges	1,403,000	1,335,000	1,343,000
Ancillary charges	8,819,000	6,769,000	7,308,000
Other revenue	<u>552,000</u>	<u>561,000</u>	<u>612,000</u>
Total Operating Revenues	<u>66,433,000</u>	<u>66,920,000</u>	<u>61,834,000</u>
Operating Expenses			
Administration	4,462,000	4,019,000	3,448,000
Distribution	15,583,000	14,981,000	14,257,000
Engineering	2,863,000	2,039,000	2,050,000
Finance	2,865,000	2,895,000	3,079,000
Customer service	3,711,000	3,299,000	3,152,000
Information services	3,528,000	3,302,000	3,329,000
Water production	10,186,000	9,121,000	9,341,000
Water quality	2,466,000	2,268,000	2,135,000
General	2,246,000	2,299,000	2,484,000
Depreciation	<u>12,888,000</u>	<u>12,687,000</u>	<u>12,770,000</u>
Total Operating Expenses	<u>60,798,000</u>	<u>56,910,000</u>	<u>56,045,000</u>
Operating Income	<u>5,635,000</u>	<u>10,010,000</u>	<u>5,789,000</u>

Central Arkansas Water
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
December 31, 2019 and 2018

	2019	2018	2017
Nonoperating Revenues (Expenses)			
Transfers to Cities of LR and NLR	\$ (791,000)	\$ (709,000)	\$ (706,000)
Gain (loss) on disposal of capital assets	(496,000)	(18,000)	70,000
Investment income	1,270,000	847,000	413,000
Bond and other interest expense	(2,162,000)	(2,032,000)	(2,044,000)
Total Nonoperating Expenses	<u>(2,179,000)</u>	<u>(1,912,000)</u>	<u>(2,267,000)</u>
Income Before Contributions	3,456,000	8,098,000	3,522,000
Contributions			
Contributions-in-aid of construction	<u>3,079,000</u>	<u>2,580,000</u>	<u>2,442,000</u>
Change in Net Position	<u>6,535,000</u>	<u>10,678,000</u>	<u>5,964,000</u>
Net Position – Beginning of Year	363,031,000	352,353,000	358,764,000
OPEB Related Restatement of Net Position	<u>-</u>	<u>-</u>	<u>(12,375,000)</u>
Net Position – Beginning of Year, as Restated	<u>363,031,000</u>	<u>352,353,000</u>	<u>346,389,000</u>
Net Position – End of Year	<u>\$ 369,566,000</u>	<u>\$ 363,031,000</u>	<u>\$ 352,353,000</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 2019 and 2018, the Utility's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$369,566,000 and \$363,031,000, respectively. The largest portion of net position, 97% and 96% in 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018.

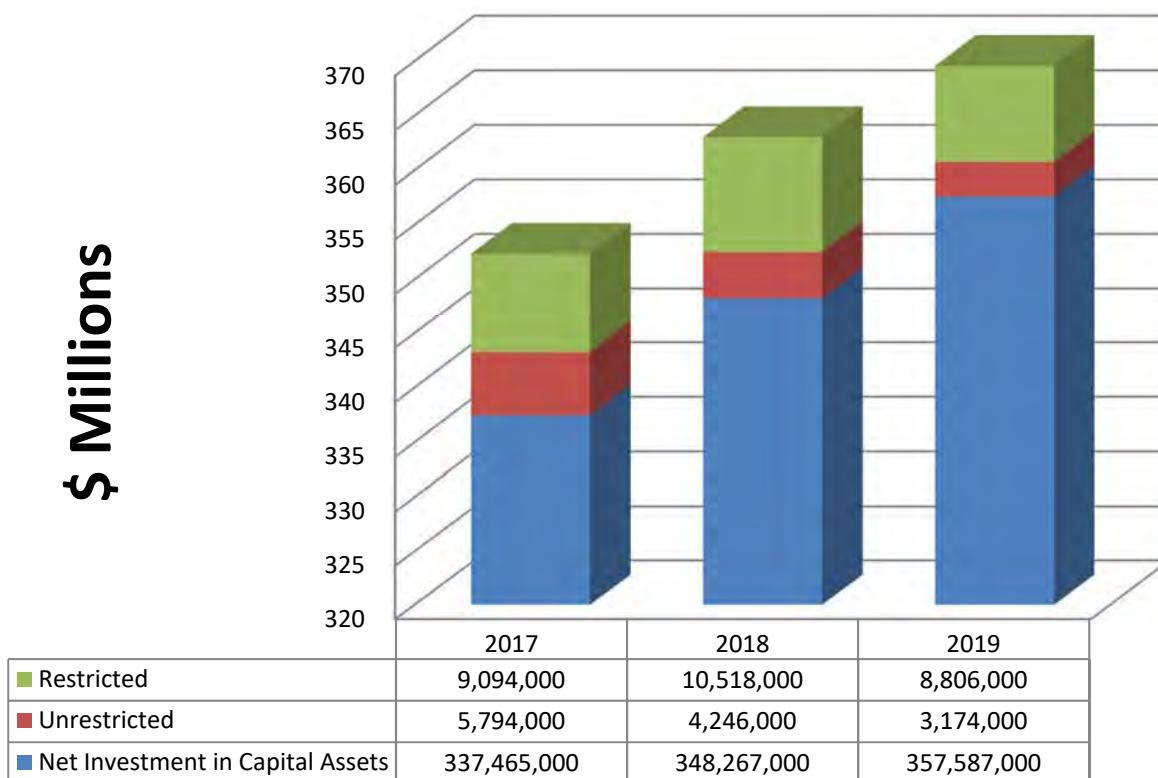
An additional portion of the Utility's net position, 2% and 3% in 2019 and 2018, respectively, is comprised of resources that are subject to external restrictions on how they may be used. In 2019, restricted net position decreased \$1,712,000 and increased \$1,424,000 in 2018. Balances in restricted net position accounts will fluctuate as resources are accumulated to repay outstanding bonds and construction proceeds are spent.

The remaining balance of net position, \$3,174,000 in 2019 and \$4,246,000 in 2018, was unrestricted and was used to meet the Utility's ongoing obligations to customers and creditors. Unrestricted net position decreased \$1,072,000 in 2019 and decreased \$1,548,000 in 2018. The 2019 decrease was due to the

Central Arkansas Water
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
December 31, 2019 and 2018

increase in liabilities related to postemployment benefits, while the 2018 decrease was attributable to the increase in the other two categories.

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, 2019 and 2018, were 2.3 and 2.4, respectively. This ratio means for every \$1.00 in current liabilities as of December 31, 2019, the Utility had \$2.30 in current assets. For the years ended December 31, 2019 and 2018, the quick ratio was 2.2 for both years.

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, 2019 and 2018

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 20 days as of both December 31, 2019 and 2018.

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 2019, 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 32% for both 2019 and 2018. These ratios were both well below 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

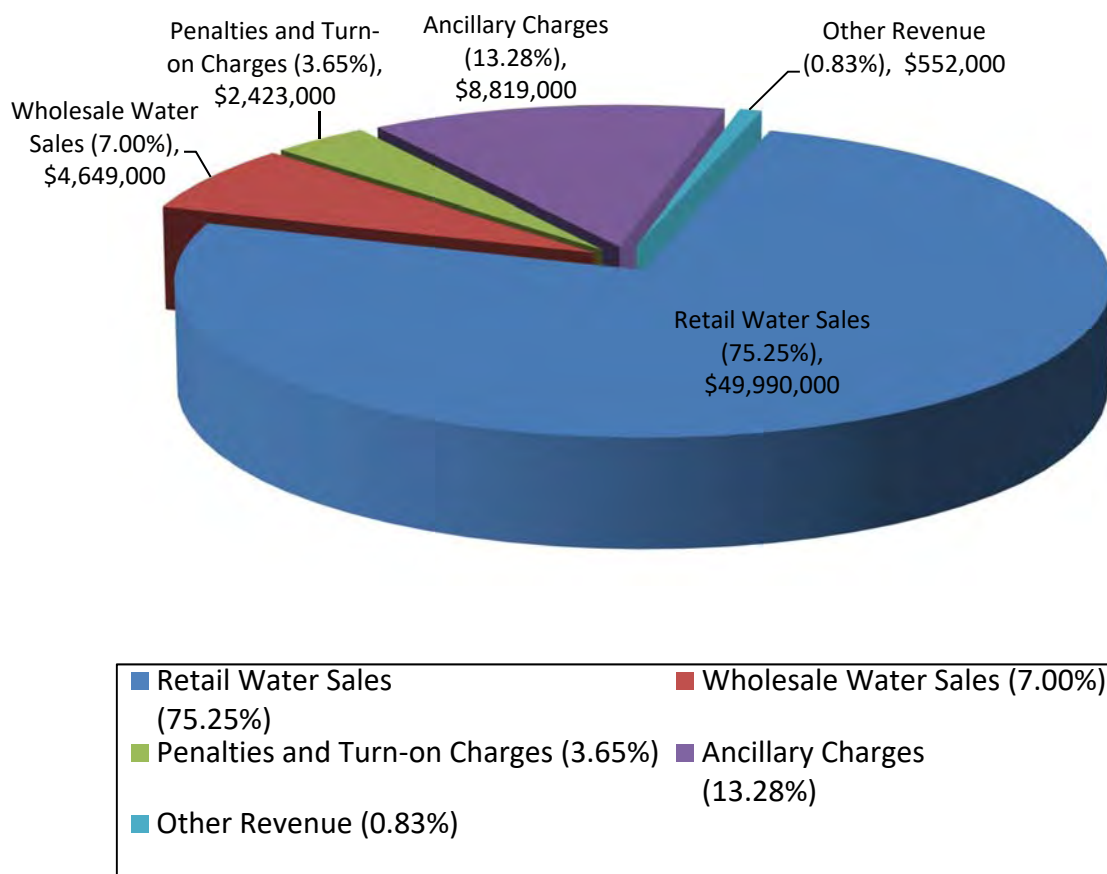
Operating Revenues

No consumption-based retail increases occurred in 2019. 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 2020.

Operating revenue for 2019 decreased \$487,000 from 2018 levels and increased \$5,086,000 in 2018 over 2017 levels. Water consumption totaled 17.4, 18.0, and 17.2 billion gallons in 2019, 2018, and 2017, respectively. The 2019 decrease in operating revenue was mainly due to the decreased consumption from 2018, while the operating revenue increase in 2018 was primarily due to the rate increase and increase in consumption from 2017. 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, 2019 and 2018

The following graph illustrates sources of revenue during the year ended December 31, 2019.



Operating Expenses

- Administration – Administration costs included commissioner, management, human resources, public affairs and communications, environmental health and safety, and special project team expenses. During 2019, total Administrative costs increased \$443,000. The driving force behind this increase was an increase in payroll and related benefits of \$392,000, an increase of \$39,000 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. The \$571,000 increase in 2018 was due primarily the addition of a Chief Innovation Officer and the creation of the Pinnacle Project team, which involved the transfer of five staff members into Administration.
- Distribution – The Distribution department included expenses for maintaining water mains, booster pumping stations, water storage tanks, vehicles, treatment plants, and other facilities. The 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, 2019 and 2018

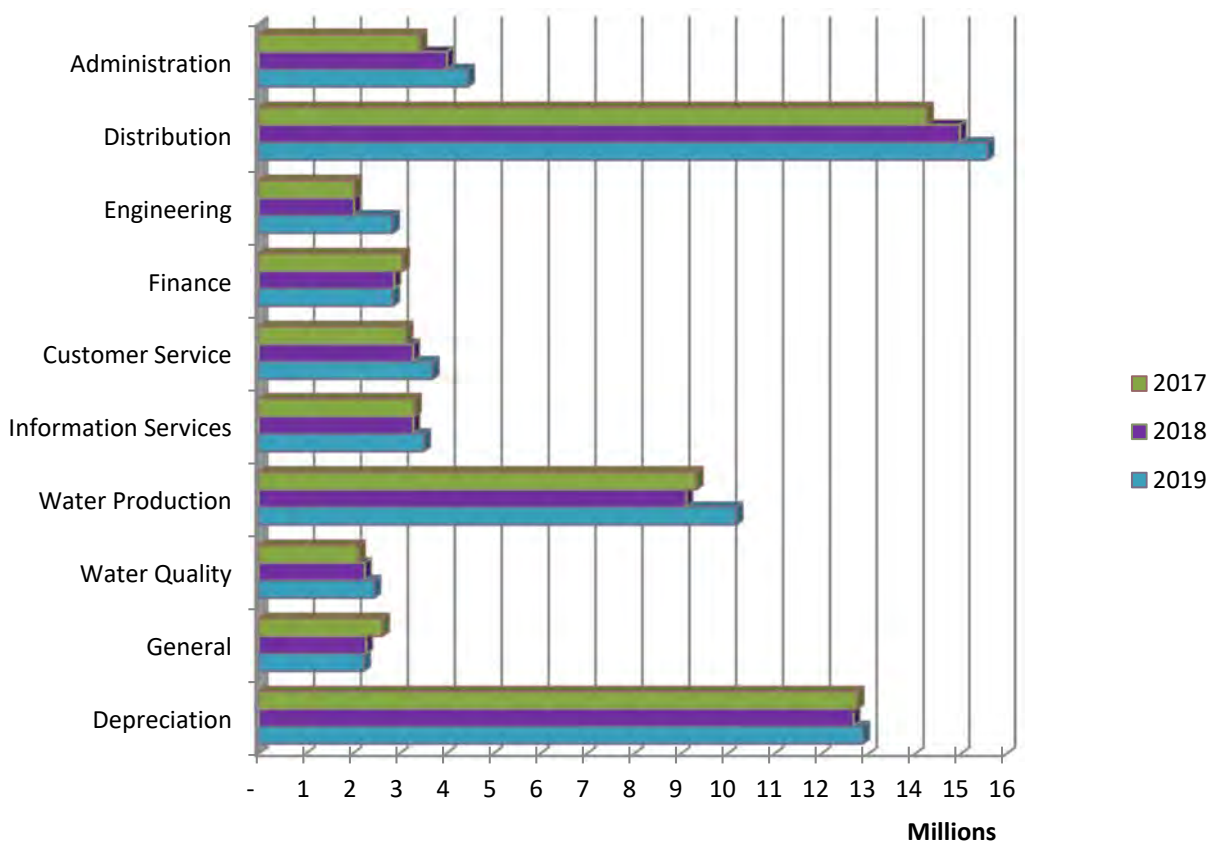
In 2018, normal annual payroll increases and increases in distribution mains and services material and equipment job costs attributed to the increased expense.

- 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 2019, total Engineering costs increased by \$824,000. From 2018 to 2019, CAW decommissioned assets obtained from the MWM merger resulting in \$735,000 in additional transition costs and the normal cost of living adjustment resulting in \$88,000 in additional payroll and related benefits cost. The 2018 Engineering costs decreased \$11,000 due to decreased new services costs and increased capitalized labor costs offset by increased administrative, cross connection and regionalism costs.
- Finance – The Finance department included costs related to finance and budgeting, purchasing, and billing. From 2018 to 2019, total department costs decreased by \$30,000. This was primarily due to 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. Increased capitalized labor related to the Pinnacle Project of \$12,000 and realized process efficiencies from the MWM merger, resulting in less payroll and benefits of \$171,000 accounted for the decreased costs of \$184,000 during 2018.
- Customer Service – Customer Service included costs related to customer service-office and meter reading. Costs increased \$412,000 from 2018 to 2019. Additional call center representative positions and fewer meter reader vacancies accounted for this increase. Costs increased \$147,000 from 2017 to 2018. Additional call center representative positions accounted for this 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 2019, total department costs increased by \$226,000. Increases in payroll and related expenses of \$25,000 and telephone, network, and software expenses of \$200,000 accounted for the increase. Department costs decreased by \$27,000 in 2018 compared to 2017, primarily attributable to a decrease in payroll and related expenses resulting from two staff transitioning to the Pinnacle Project team, offset by increases in telephone and PC hardware costs.
- Water Production – Expenses for Water Production included treatment and maintenance of the lakes. Department costs increased by \$1,065,000 during 2019. This increase is due to two positions transferring from Distribution and 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. During 2018, total department costs decreased by \$220,000. This decrease is due to realized process efficiencies from the MWM merger, resulting in less payroll and benefits, chemical, and electric utility costs of \$16,000, \$38,000, and \$156,000, respectively.
- Water Quality – The Water Quality department expenses included monitoring water-quality and watershed land-use activities, building support for watershed protection, and providing the Board of Commissioners with water quality recommendations. The 2019 expenses increased by \$198,000 primarily due to an increase in payroll and benefits of \$146,000 and special projects of \$22,000.

Central Arkansas Water
MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)
December 31, 2019 and 2018

Water Quality expenses increased by \$133,000 in 2018 compared to 2017. This increase was due to an increase in administrative payroll and benefits of \$115,000 and administrative special projects of \$23,000.

- General – General expenses included costs for insurance and building maintenance at the James T. Harvey (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 decreased by \$53,000 from 2018 to 2019. 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 accounted for the overall decrease. The 2018 general expenses decreased \$185,000 from 2017 due to a decrease in workers’ compensation costs of \$273,000 and professional services of \$26,000, offset by an increase in retiree insurance of \$146,000.



Central Arkansas Water
MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)
December 31, 2019 and 2018

Nonoperating Revenues (Expenses)

- Investment Income – 2019 investment income increased by \$423,000 from 2018 and by \$434,000 from 2017. The increase for both years was due to interest rate increases, an additional bond fund, and favorable market conditions.
- Bond Interest Expense – Net bond interest expense for 2019 was \$2,162,000, compared to \$2,032,000 for 2018. Additional debt issuance and bond issuance costs in 2019 accounted for the increase from 2018 to 2019, while increased capitalized interest kept the 2018 interest expense close to the 2017 amount despite additional debt issuance and bond issuance costs in 2018.
- 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 \$2,442,000 in 2017, increased in 2018 to \$2,580,000, and increased in 2019 to \$3,079,000. These fluctuating amounts show the variability of contributions from year to year as a result of new construction.

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 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
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

Central Arkansas Water
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
December 31, 2019 and 2018

Project Description	Total Cost
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
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

Central Arkansas Water
MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)
December 31, 2019 and 2018

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” 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 #8 in the Wilson water treatment plant (WTP) high service pump station No. 1B	\$ 483,000

Central Arkansas Water
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
December 31, 2019 and 2018

Major capital projects completed during 2017 include the following:

Project Description	Total Cost
Completed construction project to relocate 551 feet of 8-inch water pipe along Geyer Springs Road in Little Rock for the pending construction of a railroad overpass	\$ 110,000
Completed construction project to relocate 2,674 feet of 12-inch and 8-inch water pipe along the first phase of the pending Kanis Road improvements in Little Rock	\$ 483,000
Completed construction project to relocate 2,861 feet of 8-inch water pipe along North Chicot Road and Mabelvale Pike in Little Rock for pending street and drainage improvements	\$ 239,000
Completed the installation/replacement of 1,265 feet of 20-inch water transmission pipe on the new Broadway Bridge crossing of the Arkansas River	\$ 1,319,000
Completed construction project to replace 3,682 feet of 2-inch galvanized water pipe in various locations within Little Rock, North Little Rock, and Pulaski County	\$ 231,000
Completed construction project to replace 4,824 feet of 2-inch galvanized water pipe in various locations within Sherwood and Gravel Ridge	\$ 587,000
Completed construction project to replace 7,104 feet of 2-inch galvanized water pipe in various locations within Little Rock, North Little Rock, and Pulaski County	\$ 667,000
Completed construction project to replace 1,061 feet of 2-inch galvanized water pipe in the Heights area of Little Rock	\$ 287,000
Completed an 18-month project to prepare preliminary engineering report (PER) for \$36,000,000 worth of recommended improvements to the Ozark Point WTP	\$ 427,000
Completed PER investigating the best alternative for the re-installation of the 24-inch water transmission main currently attached to the Interstate 30 Arkansas River Bridge	\$ 61,000

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

Central Arkansas Water
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
December 31, 2019 and 2018

Debt Administration

At the end of 2019, the Utility had total outstanding debt of \$111,108,000. Total debt increased by \$2,297,000, or 2.11%, in 2019, after increasing \$21,482,000, or 24.6%, in 2018. The 2019 increase was attributed to the Lake DeGray water rights agreement. The 2018 increase was due to three new bond issues.

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 2018. 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 ten area employers). Government and medical facilities employers have kept the local economy relatively stable as it has come out of the 2008 recession. Both the cities of Little Rock and North Little Rock have revitalized their respective downtown areas, which have in turn attracted major corporations in a variety of industries.

The local economy has slowly recovered from the 2008 recession and compares favorably to national figures in many categories. Unemployment in Pulaski County for 2019 was 3.3%, which is considerably less than the 4.1% experienced in 2007 prior to the 2008 recession. Unemployment was favorable compared to the national rate of 3.5%; however, with the recent COVID-19 pandemic and the resulting economic uncertainties unemployment may increase.

Net accounts receivable write-offs remained constant at 0.6% of total operating revenue for both 2018 and 2019.

The Utility had no consumption-based retail rate increase in 2019. However, a monthly billing fee of \$1.92 per customer was implemented in June 2019. 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 2020 Financial Plan.

The 2020 Financial Plan outlines the Utility's plans to continue to provide high-quality, cost-effective service to its customers. The 2020 Financial Plan includes \$49,257,000 in total capital costs, which will be funded with the following sources: \$32,234,000 from bond issues; \$450,000 from capital improvement charges; \$2,500,000 from developer funds; and \$1,151,000 from watershed protection fees. The remaining \$12,922,000 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, 2019 and 2018

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, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Unrestricted cash and cash equivalents	\$ 23,291,126	\$ 23,545,622
Unrestricted investments	10,022,506	8,499,035
Accounts receivable – customers, net	13,349,810	14,112,353
Other receivables	1,543,010	550,103
Inventory	3,196,325	3,006,515
Other current assets	1,490,635	851,405
Total unrestricted current assets	52,893,412	50,565,033
Restricted cash and cash equivalents	12,320,055	11,834,669
Total restricted current assets	12,320,055	11,834,669
Total current assets	65,213,467	62,399,702
Noncurrent Assets		
Restricted cash and cash equivalents	8,044,554	19,675,123
Restricted investments	4,263,810	3,501,377
Restricted accrued interest receivable	48,706	74,254
Total restricted noncurrent assets	12,357,070	23,250,754
Capital assets, net of accumulated depreciation	458,420,554	438,548,881
Total noncurrent assets	470,777,624	461,799,635
Total assets	535,991,091	524,199,337
Deferred Outflows of Resources		
Deferred outflows related to pensions	4,770,511	5,370,889
Deferred outflows related to OPEB	5,576,254	4,100,027
Deferred amounts from refunding bonds payable	467,792	529,136
Total deferred outflows of resources	10,814,557	10,000,052
Total assets and deferred outflows of resources	\$ 546,805,648	\$ 534,199,389

See accompanying notes to financial statements.

Central Arkansas Water
STATEMENTS OF NET POSITION (Continued)
December 31, 2019 and 2018

	2019	2018
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 4,290,214	\$ 3,666,849
Payroll and related liabilities	3,960,965	3,713,819
Water rights payable – current portion	1,109,993	7,316
Due to other agencies	6,722,568	7,284,063
Total current liabilities payable from unrestricted assets	16,083,740	14,672,047
Consumer deposits	4,481,411	4,309,263
Long-term obligations – current portion	6,723,395	6,624,975
Accrued interest payable	729,739	677,307
Retentions payable	385,510	223,124
Total current liabilities payable from restricted assets	12,320,055	11,834,669
Total current liabilities	28,403,795	26,506,716
Noncurrent Liabilities		
Unearned revenue	951,740	961,841
Long-term obligations, net	103,274,656	102,179,176
Net pension liability	25,504,253	22,682,488
Net OPEB liability	13,788,638	14,696,047
Total noncurrent liabilities	143,519,287	140,519,552
Total liabilities	171,923,082	167,026,268
Deferred Inflows of Resources		
Deferred Inflows related to pensions	1,213,486	2,219,485
Deferred Inflows related to OPEB	3,994,203	1,790,264
Deferred amounts from refunding bonds payable	108,468	132,133
Total deferred outflows of resources	5,316,157	4,141,882
Total liabilities and deferred inflows of resources	177,239,239	171,168,150
Net Position		
Net investment in capital assets	357,586,670	348,267,555
Restricted – expendable:		
Bond requirements	5,691,659	5,557,195
Future capital spending	3,114,646	4,960,507
Unrestricted	3,173,434	4,245,982
Total net position	369,566,409	363,031,239
Total liabilities, deferred inflows, and net position	\$ 546,805,648	\$ 534,199,389

See accompanying notes to financial statements.

Central Arkansas Water

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years Ended December 31, 2019 and 2018

	2019	2018
Operating Revenues		
Little Rock Water Sales	\$ 32,376,253	\$ 33,935,165
North Little Rock Water Sales	14,180,954	14,968,588
Maumelle Water Sales	3,433,183	3,601,153
Wholesale	4,649,110	4,759,177
Penalties	1,019,732	991,571
Turn-on charges	1,403,494	1,335,236
Ancillary charges	8,818,905	6,768,786
Other revenue	552,289	560,731
Total operating revenues	66,433,920	66,920,407
Operating Expenses		
Administrative	4,462,396	4,019,183
Distribution	15,583,222	14,980,984
Engineering	2,862,634	2,038,602
Finance	2,864,906	2,895,514
Customer service	3,710,651	3,298,739
Information services	3,527,672	3,302,483
Water production	10,186,502	9,120,982
Water quality	2,466,084	2,267,752
General	2,246,364	2,298,966
Depreciation	12,888,536	12,687,333
Total operating expenses	60,798,967	56,910,538
Operating Income	5,634,953	10,009,869

See accompanying notes to financial statements.

Central Arkansas Water

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

Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Nonoperating Revenues (Expenses)		
Transfers to Cities of Little Rock and North Little Rock	\$ (791,064)	\$ (709,068)
Gain (loss) on disposal of capital assets	(496,099)	(17,965)
Investment income	1,269,965	846,878
Bond and other interest expense, net	(2,162,183)	(2,031,574)
Net nonoperating expenses	<u>(2,179,381)</u>	<u>(1,911,729)</u>
Income Before Contributions	3,455,572	8,098,140
Contributions-in-aid of construction	3,079,598	2,580,491
Change in Net Position	6,535,170	10,678,631
Net position – beginning of year	<u>363,031,239</u>	<u>352,352,608</u>
Net position – end of year	<u>\$ 369,566,409</u>	<u>\$ 363,031,239</u>

See accompanying notes to financial statements.

Central Arkansas Water
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Cash receipts from customers	\$ 65,811,320	\$ 65,100,105
Cash payments to suppliers for goods and services	(16,017,755)	(14,244,466)
Cash payments to employees for services	(25,166,670)	(26,063,989)
Cash payments for employees' post-employment benefits	(5,817,288)	(2,988,952)
Cash receipts from other sources	552,289	560,731
Net cash provided by operating activities	<u>19,361,896</u>	<u>22,363,429</u>
Cash Flows from Noncapital Financing Activities		
Transfers to Cities of Little Rock and North Little Rock	(791,064)	(709,068)
Net cash used in noncapital financing activities	<u>(791,064)</u>	<u>(709,068)</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(15,783,815)	(19,387,784)
Proceeds from issuance of bonds	-	20,699,348
Principal paid on long-term obligations	(10,239,620)	(6,169,236)
Interest paid on long-term obligations	(3,100,345)	(3,077,075)
Proceeds from sale of capital assets	131,565	74,887
Net cash used in capital and related financing activities	<u>(28,992,215)</u>	<u>(7,859,860)</u>
Cash Flows from Investing Activities		
Proceeds from maturities of investment securities	7,250,000	25,748,903
Purchases of investment securities	(9,500,000)	(11,971,698)
Interest and dividends on investment securities	1,271,704	435,672
Net cash provided by (used in) investing activities	<u>(978,296)</u>	<u>14,212,877</u>
Net increase (decrease) in cash and cash equivalents	(11,399,679)	28,007,378
Cash and cash equivalents – beginning of year	<u>55,055,414</u>	<u>27,048,036</u>
Cash and cash equivalents – end of year	<u>\$ 43,655,735</u>	<u>\$ 55,055,414</u>
Reconciliation to Cash and Cash Equivalents – End of Year		
Current assets		
Unrestricted cash and cash equivalents	\$ 23,291,126	\$ 23,545,622
Restricted cash and cash equivalents	<u>12,320,055</u>	<u>11,611,545</u>
Total current cash and cash equivalents	35,611,181	35,157,167
Noncurrent assets		
Restricted cash and cash equivalents	<u>8,044,554</u>	<u>19,898,247</u>
Cash and cash equivalents – end of year	<u>\$ 43,655,735</u>	<u>\$ 55,055,414</u>

See accompanying notes to financial statements.

Central Arkansas Water
STATEMENTS OF CASH FLOWS (Continued)
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating income	\$ 5,634,953	\$ 10,009,869
Adjustment to reconcile operating income to net cash provided by operating activities		
Depreciation	12,888,536	12,687,333
Change in operating assets and liabilities		
Accounts receivable – customers, net	(242,459)	(1,173,089)
Inventory	(189,810)	(296,364)
Other current assets	(639,230)	(38,688)
Accounts payable and accrued expenses	(184,340)	(930,141)
Payroll and related liabilities	247,146	779,715
Due to other agencies	(561,495)	438,209
Consumer deposits	172,148	(86,482)
Net OPEB liability	(907,409)	(1,774,979)
Deferred outflows of resources on OPEB liability	(1,476,227)	322,963
Deferred inflows of resources on OPEB liability	2,203,939	1,341,509
Net pension liability	2,821,765	(3,802,924)
Deferred outflows of resources on pension liability	600,378	3,195,809
Deferred inflows of resources on pension liability	(1,005,999)	1,690,689
	<u>\$ 19,361,896</u>	<u>\$ 22,363,429</u>
Supplemental Disclosure of Noncash Transactions		
Loss on disposal of capital assets	\$ (496,099)	\$ (17,965)
Contributions-in-aid of construction	3,079,598	2,580,491
Inventory capitalized	1,820,516	1,860,927
Capital asset acquisitions in accounts payable	797,604	1,868,905
Capital asset acquisitions financed with notes payable	12,958,151	7,342,559
Amortization	384,275	352,222
Supplemental Disclosure of Cash Transactions		
Interest expense incurred	\$ 2,768,502	\$ 2,732,016
Interest capitalized	606,319	700,442

See accompanying notes to financial statements.

Central Arkansas Water
STATEMENTS OF FIDUCIARY NET POSITION
Years Ended December 31, 2019 and 2018

	2019		2018	
	Pension (and Other Employee Benefit) Trust Funds	Private-purpose trust funds – Brushy Island Trust Funds	Pension (and Other Employee Benefit) Trust Funds (Restated – Note 1)	Private-purpose trust funds – Brushy Island Trust Funds
Assets				
Cash and cash equivalents	\$ 38,848	\$ 117,903	\$ 299,653	\$ 105,744
Restricted cash and cash equivalents	-	9,414	-	8,944
U.S. Treasury obligations	3,450,420	-	2,198,391	-
Certificates of deposit	2,177,092	-	491,158	-
Exchange-traded funds	257,161	-	2,148,330	-
Mutual funds	12,300,117	-	9,813,089	-
Investment contract, at contract value	1,849,452	-	1,211,748	-
Notes receivable to participants	13,292	-	39,089	-
Accounts receivable	-	9,229	-	8,852
Employer contribution receivable	8,082	-	7,478	-
Participant contribution receivable	12,910	-	11,644	-
Accrued interest receivable	11,697	57	31,100	19
Capital assets, net	-	1,586,681	-	1,619,993
Total assets	\$ 20,119,071	\$ 1,723,284	\$ 16,251,680	\$ 1,743,552
Liabilities				
Accounts payable	\$ 7,400	\$ -	\$ 5,630	\$ -
Long-term obligations	-	354,148	-	425,729
Accrued interest payable	-	1,463	-	2,186
Consumer deposits	-	4,675	-	4,775
Total liabilities	7,400	360,286	5,630	432,690
Net Position				
Restricted for:				
Pensions	10,504,804	-	8,260,994	-
Employee benefits other than pensions	9,606,867	-	7,985,056	-
Held in receivership	-	1,362,998	-	1,310,862
Total net position	20,111,671	1,362,998	16,246,050	1,310,862
Total liabilities and net position	\$ 20,119,071	\$ 1,723,284	\$ 16,251,680	\$ 1,743,552

See accompanying notes to financial statements.

Central Arkansas Water
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
Years Ended December 31, 2019 and 2018

	2019		2018	
	Pension (and Other Employee Benefit) Trust Funds	Private-purpose trust funds – Brushy Island Trust Funds	Pension (and Other Employee Benefit) Trust Funds (Restated – Note 1)	Private-purpose trust funds – Brushy Island Trust Funds
Additions				
Employer contributions	\$ 1,384,528	\$ -	\$ 1,380,933	\$ -
Participant contributions	323,260	-	297,416	-
Rollover contributions	299,945	-	45,569	-
Water sales	-	92,076	-	108,827
Debt service fees	-	108,977	-	106,962
Net investment income (loss)	2,749,245	(702)	(500,174)	859
Total additions	4,756,978	200,351	1,223,744	216,648
Deductions				
Benefits paid	851,703	-	1,402,025	-
Transfers to Central Arkansas Water	-	91,976	-	108,327
Administrative expenses	39,654	826	33,391	945
Depreciation	-	33,312	-	33,312
Interest	-	22,101	-	26,233
Total deductions	891,357	148,215	1,435,416	168,817
Change in Fiduciary Net Position	3,865,621	52,136	(211,672)	47,831
Beginning of year, as previously reported	16,246,050	1,310,862	4,388,044	1,263,031
Adjustment for adoption of GASB 84	-	-	12,069,678	-
Beginning of year, as restated	16,246,050	1,310,862	16,457,722	1,263,031
End of year	\$ 20,111,671	\$ 1,362,998	\$ 16,246,050	\$ 1,310,862

See accompanying notes to financial statements.

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Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

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 450,000 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 2019 and 2018. 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 \$3,663,797 and \$3,658,426 for the years ended December 31, 2019 and 2018, 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 \$791,000 and \$709,000 for the years ended December 31, 2019 and 2018, respectively.

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

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
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(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.

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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. Detailed

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
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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. 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
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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, 2019 and 2018.

(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
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(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 \$339,000 and \$322,000 for the years ended December 31, 2019 and 2018, respectively, and net of allowance for uncollectible accounts totaling approximately \$397,000 and \$387,000 for the years ended December 31, 2019 and 2018, 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 deposits which are reported at cost.

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
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(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) Revisions

Certain immaterial revisions have been made to the 2018 financial statements to reflect the restricted nature of retentions payable from restricted funds. These revisions did not have a significant impact on the financial statement line items impacted.

(t) Recently Adopted Accounting Standards

GASB Statement No. 83, *Certain Asset Retirement Obligations*, establishes requirements to recognize a liability and corresponding deferred outflows by a government that has legal obligations to perform future asset retirement activities related to its tangible capital assets.

The statement identifies the circumstances that trigger the recognition of these transactions. The statement also requires the measurement of an asset retirement obligation to be based on the best estimate of the current value of outlays expected to be incurred while the deferred outflow of resources associated with the asset retirement obligation will be measured at the amount of the corresponding liability upon initial measurement and generally recognized as an expense during the reporting periods that the asset provides service. The statement requires disclosures including a general description of the asset retirement obligation and associated tangible capital assets; the source of the obligation to retire the assets; the methods and assumptions used to measure the liability; and other relevant information. The standard became effective for the Utility in fiscal year 2019. There was no impact due to the adoption of this statement on the Utility's financial statements or related disclosures.

GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities. It presents separate criteria for evaluating component units, pension and OPEB arrangements, and other fiduciary activities.

The focus is on a government controlling the assets of the fiduciary activity and identification of the beneficiaries of those assets. Fiduciary activities are reported in one of four types of funds: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, or custodial funds. Custodial funds are used to report fiduciary activities that are not held in a trust. The agency fund designation will no longer be used. GASB 84 also provides guidance on fiduciary fund statements and timing of recognition of a liability to beneficiaries.

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This standard became effective for the Utility in fiscal year 2019. This standard was adopted retrospectively. The financial statements for 2018 have been retroactively restated for the change, which resulted in an increase in beginning fiduciary net position for 2018 of \$12,069,678 and a decrease in change in fiduciary net position of \$986,630. The expanded disclosures implemented as a result of this standard are included in *Note 12*.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, provides a definition of “debt” for the purposes of note disclosures and adds disclosures to the financial statements related to borrowings other than public debt, such as direct bank loans. This standard becomes effective for the Utility in fiscal year 2019. The expanded disclosures implemented as a result of this standard are included in *Note 7*.

(u) 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.

This standard becomes effective for the Utility in fiscal year 2020. 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.

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. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This standard becomes effective for the Utility in fiscal year 2020. 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.

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
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Note 2: DEPOSITS AND INVESTMENTS

Investments at December 31 for the Utility include the following:

The Utility

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>

Type	2018				
	Fair Value	Maturities in Years			More than 10
		Less than 1	1-5	6-10	
Unrestricted:					
U.S. Treasury obligations	\$ 1,998,428	\$ 1,998,428	\$ -	\$ -	\$ -
U.S. agency obligations	6,500,607	3,495,888	3,004,719	-	-
Money market mutual funds	13,807,396	13,807,396	-	-	-
Restricted:					
U.S. Treasury obligations	1,748,625	1,748,625	-	-	-
U.S. agency obligations	1,752,753	-	1,752,753	-	-
Money market mutual funds	29,259,891	29,259,891	-	-	-
	<u>\$ 55,067,700</u>	<u>\$ 50,310,228</u>	<u>\$ 4,757,472</u>	<u>\$ -</u>	<u>\$ -</u>

The Utility's investment in U.S. agency obligations at December 31, 2019, consisted of investments in Federal Farm Credit Bank bonds, which have a Standard and Poor's credit rating of AA+, and investments in Federal Home Loan Mortgage Corporation bonds, which also have a Standard and Poor's credit rating of AA+. In addition, 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, 2019 and 2018, the Utility's restricted investment in this fund totaled \$17,081,069 and \$24,987,766, respectively.

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.

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
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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

The following tables present the fair value measurement of assets and liabilities 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 and 2018:

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>

Type	2018			
	Fair Value	Level 1	Level 2	Level 3
Classified as Investments				
Unrestricted:				
U.S. Treasury obligations	\$ 1,998,428	\$ -	\$ 1,998,428	\$ -
U.S. agency obligations	6,500,607	-	6,500,607	-
Restricted:				
U.S. Treasury obligations	1,748,625	-	1,748,625	-
U.S. agency obligations	1,752,753	-	1,752,753	-
	<u>\$ 12,000,413</u>	<u>\$ -</u>	<u>\$ 12,000,413</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
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(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
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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:

	2019	2018
Bond requirements	\$ 6,968,434	\$ 7,796,628
Future capital costs	13,204,997	22,842,361
Consumer deposits	4,503,694	4,446,434
Total restricted assets	\$ 24,677,125	\$ 35,085,423

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
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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:

	2019	2018
Water sales and services	\$ 5,863,239	\$ 6,295,218
Billed for other agencies	7,757,841	8,049,615
Less allowance for doubtful accounts	(271,270)	(232,480)
Total accounts receivable – consumers, net	\$ 13,349,810	\$ 14,112,353

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.

Balances in these accounts are as follows at December 31:

	2019	2018
Rate stabilization	\$ 10,510,420	\$ 8,286,990
Watershed protection	513,136	555,289
Total board-designated assets	\$ 11,023,556	\$ 8,842,279

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

	2019	2018
Cash and cash equivalents	\$ 6,015,587	\$ 5,843,056
Investments	5,007,969	2,999,223
Total board-designated assets	\$ 11,023,556	\$ 8,842,279

Note 6: CAPITAL ASSETS

A summary of changes in capital asset balances that occurred during the years ended December 31, 2019 and 2018, follows:

	Balance	Additions	Disposals	Transfers, Net	Balance
	12/31/2018				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

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
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	Balance 12/31/2017	Additions	Disposals	Transfers, Net	Balance 12/31/2018
Capital Assets,					
Nondepreciable					
Land and land use rights	\$ 48,977,583	\$ 9,442,964	\$ (87,941)	\$ 471,996	\$ 58,804,602
Construction in progress	21,632,039	21,291,335	-	(23,903,764)	19,019,610
Total capital assets, nondepreciable	70,609,622	30,734,299	(87,941)	(23,431,768)	77,824,212
Capital Assets, Depreciable					
Building and improvements	62,767,364	-	-	527,009	63,294,373
Land improvements	2,831,335	-	-	64,572	2,895,907
Water source	33,419,723	-	-	-	33,419,723
Purification	45,527,264	-	-	144,460	45,671,724
Pumping	27,257,926	25,510	-	988,762	28,272,198
Distribution	368,412,055	8,067	(213,815)	20,545,662	388,751,969
Other equipment	31,715,183	1,361,637	(453,344)	1,161,303	33,784,779
Total capital assets, depreciable	571,930,850	1,395,214	(667,159)	23,431,768	596,090,673
Less Accumulated					
Depreciation					
Building and improvements	28,483,881	1,585,828	-	-	30,069,709
Land improvements	867,124	143,479	-	-	1,010,603
Water source	15,290,371	547,162	-	-	15,837,533
Purification	23,844,586	1,795,340	-	-	25,639,926
Pumping	17,558,165	761,168	-	-	18,319,333
Distribution	109,755,650	6,482,206	(213,815)	-	116,024,041
Other equipment	27,538,096	1,372,150	(445,387)	-	28,464,859
Total accumulated depreciation	223,337,873	12,687,333	(659,202)	-	235,366,004
Total Capital Assets, Net	\$ 419,202,599	\$ 19,442,180	\$ (95,898)	\$ -	\$ 438,548,881

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

Note 7: LONG-TERM DEBT

The following is a summary of long-term obligation transactions for the Utility for the years ended December 31, 2019 and 2018:

	Balance December 31, 2018	Additions	Deductions	Balance December 31, 2019	Amounts Due Within One Year	Amounts Due Greater Than One Year
Long-term debt						
Revenue bonds	\$ 83,335,000	\$ -	\$ (8,235,000)	\$ 75,100,000	\$ 5,905,000	\$ 69,195,000
Notes from direct placements	18,809,491	9,026,947	(799,978)	27,036,460	818,395	26,218,065
Issuance premiums	3,775,958	-	(421,954)	3,354,004	-	3,354,004
Total long-term debt	<u>105,920,449</u>	<u>9,026,947</u>	<u>(9,456,932)</u>	<u>105,490,464</u>	<u>6,723,395</u>	<u>98,767,069</u>
Other long-term liabilities	<u>2,891,018</u>	<u>4,598,638</u>	<u>(1,872,076)</u>	<u>5,617,580</u>	<u>1,109,993</u>	<u>4,507,587</u>
Total other noncurrent liabilities	<u>2,891,018</u>	<u>4,598,638</u>	<u>(1,872,076)</u>	<u>5,617,580</u>	<u>1,109,993</u>	<u>4,507,587</u>
Total long-term liabilities	<u>\$ 108,811,467</u>	<u>\$ 13,625,585</u>	<u>\$ (11,329,008)</u>	<u>\$ 111,108,044</u>	<u>\$ 7,833,388</u>	<u>\$ 103,274,656</u>

	Balance December 31, 2017	Additions	Deductions	Balance December 31, 2018	Amounts Due Within One Year	Amounts Due Greater Than One Year
Long-term debt						
Revenue bonds	\$ 68,715,000	\$ 20,000,000	\$ (5,380,000)	\$ 83,335,000	\$ 5,825,000	\$ 77,510,000
Notes from direct placements	14,918,663	4,672,821	(781,993)	18,809,491	799,975	18,009,516
Issuance premiums	3,466,511	699,348	(389,901)	3,775,958	-	3,775,958
Total long-term debt	<u>87,100,174</u>	<u>25,372,169</u>	<u>(6,551,894)</u>	<u>105,920,449</u>	<u>6,624,975</u>	<u>99,295,474</u>
Other long-term liabilities	<u>228,522</u>	<u>2,669,738</u>	<u>(7,242)</u>	<u>2,891,018</u>	<u>7,316</u>	<u>2,883,702</u>
Total other noncurrent liabilities	<u>228,522</u>	<u>2,669,738</u>	<u>(7,242)</u>	<u>2,891,018</u>	<u>7,316</u>	<u>2,883,702</u>
Total long-term liabilities	<u>\$ 87,328,696</u>	<u>\$ 28,041,907</u>	<u>\$ (6,559,136)</u>	<u>\$ 108,811,467</u>	<u>\$ 6,632,291</u>	<u>\$ 102,179,176</u>

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
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Revenue bonds and notes from direct placements at December 31, 2019 include the outstanding principal balance of the following issues:

	Interest Rates	Final Maturity	Original Issue	Total Outstanding
Revenue bonds				
2010C Water Revenue Bonds	2.0% – 4.0%	2023	\$ 8,830,000	\$ 1,470,000
2012A Water Revenue Bonds	2.0% – 4.0%	2032	17,515,000	12,395,000
2014 Refunding Water Revenue Bonds	2.0% – 5.0%	2024	10,850,000	6,080,000
2015 Refunding Water Revenue Bonds	2.0% – 3.0%	2030	7,445,000	5,680,000
2016 Refunding Water Revenue Bonds	2.0% – 5.0%	2027	17,860,000	12,590,000
2016 Construction and Acquisition Water Revenue Bonds	2.0% – 3.5%	2046	22,750,000	17,660,000
2018B Water Revenue Bonds	3.25% – 5.0%	2038	<u>20,000,000</u>	<u>19,225,000</u>
Total revenue bonds			<u>105,250,000</u>	<u>75,100,000</u>
Notes from direct placements				
2010A Water Revenue Bond	1.00% ⁽¹⁾	2032	13,400,000	9,302,830
2011A Water Revenue Bond	2.25% ⁽¹⁾	2034	4,000,000	3,143,042
Frazier Pike/ANRC Bond	3.90%	2033	257,500	223,322
2017A Water Revenue Bond	1.50% ⁽¹⁾	2041	5,000,000	4,491,473
2018A Water Revenue Bond	2.63%	2023	3,495,192	1,492,889
2019 Water Revenue Bond	1.50% ⁽¹⁾	2043	<u>37,000,000</u>	<u>8,382,904</u>
Total notes from direct placements			<u>\$ 63,152,692</u>	<u>\$ 27,036,460</u>

⁽¹⁾ In addition to interest, the Utility is required to pay a 1.00% 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 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.

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
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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.

2015 Refunding Water Revenue Bonds

The Series 2015 Bonds were issued to refund the then outstanding Series 2010B Bonds. The difference between the reacquisition price and the net carrying amount of the refunded bonds of \$30,177 is reported as a deferred inflow of resources in the statements of net position and is being amortized through the year 2030 using the straight-line method. The Series 2015 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 beginning in 2015, with the final payment scheduled in 2030.

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.

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

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.

(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 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.

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

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.

2018A Water Revenue Bond

The Series 2018A Bond was issued to finance the cost of a land purchase. The Series 2018A 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. Interest is due annually on September 3, with the final payment of principal and interest scheduled in 2023.

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 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.

The following schedule shows the annual debt service of the revenue bonds and notes from direct placements outstanding at December 31, 2019:

Year Ending December 31,	Total to be Paid	Revenue Bonds		Direct Placements	
		Principal	Interest	Principal	Interest
2020	\$ 9,753,974	\$ 5,905,000	\$ 2,698,944	\$ 818,395	\$ 331,635
2021	10,761,907	6,135,000	2,444,369	1,755,286	427,252
2022	10,937,022	6,395,000	2,182,531	1,887,742	471,749
2023	12,362,050	5,390,000	1,920,050	4,136,550	915,450
2024	10,920,287	5,425,000	1,703,119	2,568,883	1,223,285
2025 – 2029	39,230,785	19,430,000	6,481,719	9,626,577	3,692,489
2030 – 2034	22,443,230	13,200,000	3,883,519	4,847,412	512,299
2035 – 2039	13,000,674	9,515,000	1,931,034	1,395,615	159,025
2040 – 2044	4,344,122	3,705,000	639,122	-	-
	<u>\$ 133,754,051</u>	<u>\$ 75,100,000</u>	<u>\$ 23,884,407</u>	<u>\$ 27,036,460</u>	<u>\$ 7,733,184</u>

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
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(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 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, 2019 and 2018.

(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, 2019 and 2018). The amortization period of the debt depends upon actual repayments of all parties to the agreement and may vary; however, at December 31, 2019, there were 14 payments remaining, resulting in a final payment due in 2033.

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
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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, 2019). 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, 2019 and 2018 are as follows:

	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

	Balance December 31, 2017	Additions	Deductions	Balance December 31, 2018	Amounts Due Within One Year	Amounts Due Greater Than One Year
Long-term debt						
Note from direct placement	\$ 493,902	\$ -	\$ (68,173)	\$ 425,729	\$ 40,815	\$ 384,914

Central Arkansas Water
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The following schedule shows the annual debt service of the note from direct placement outstanding at December 31, 2019:

Year Ending December 31,	Total to be Paid	Direct Placement	
		Principal	Interest
2020	\$ 63,640	\$ 44,394	\$ 19,246
2021	63,640	48,152	15,488
2022	63,640	50,560	13,080
2023	63,640	53,088	10,552
2024	63,640	55,742	7,898
2025 – 2026	109,507	102,212	7,295
	<u>\$ 427,707</u>	<u>\$ 354,148</u>	<u>\$ 73,559</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 \$28,993,725 and \$7,582,517 at December 31, 2019 and 2018, 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 \$493,000 and \$268,000 at December 31, 2019 and 2018, 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 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.

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
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(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 14.75% (July 1, 2017 to June 30, 2018) and 15.32% (July 1, 2018 to December 31, 2019). 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, 2019 and 2018, were \$3,191,138 and \$2,988,952, 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, 2019 and 2018, the Utility reported a liability of \$25,504,253 and \$22,682,488, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, 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, 2019 and 2018, the Utility's proportion was 1.05715841% and 1.02824824%, respectively.

Contributions payable to APERS at December 31, 2019 and 2018, totaled approximately \$149,000 and \$124,000, respectively, and are included in payroll and related liabilities in the statements of net position.

Central Arkansas Water
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For the years ended December 31, 2019 and 2018, the Utility recognized the actuarially determined pension expense of approximately \$5,732,000 and \$4,057,000, 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, 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>

December 31, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 2,580,797	\$ 1,402,736
Changes in proportion and differences between employer contributions and proportionate share of contributions	901,994	4,667
Differences between expected and actual experience	360,734	238,110
Net difference between projected and actual investment earnings on pension plan investments	-	573,972
Utility contributions subsequent to the measurement date	<u>1,527,364</u>	<u>-</u>
Total	<u>\$ 5,370,889</u>	<u>\$ 2,219,485</u>

Deferred outflows of resources resulting from the Utility's contributions subsequent to the measurement date totaling approximately \$1,744,000 at December 31, 2019, 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 ended December 31, 2020. 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,	
2020	\$ 1,723,447
2021	(405,833)
2022	121,110
2023	374,745
2024	<u>-</u>
Total	<u>\$ 1,813,469</u>

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
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Actuarial Assumptions. The total pension liability in the June 30, 2019, 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-2000 Combined Healthy mortality table, projected to 2020 using Projection Scale BB, set forward two years for males and one year for females.

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, 2019, 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%	6.20%
International Equity	24%	6.33%
Real Assets	16%	3.32%
Absolute Return	5%	3.56%
Domestic Fixed	18%	1.54%
Total	<u>100%</u>	

The target allocation for the June 30, 2018, measurement date was as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad Domestic Equity	37%	5.97%
International Equity	24%	6.07%
Real Assets	16%	4.59%
Absolute Return	5%	3.15%
Domestic Fixed	18%	0.83%
Total	<u>100%</u>	

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Discount Rate. The discount rate used to measure the total pension liability at June 30, 2019 and 2018, 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, 2019, 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%	\$ 40,876,949
Current discount rate	7.15%	\$ 25,504,253
1% increase	8.15%	\$ 12,821,073

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.

(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, 2019, there were 329 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 \$210,000 and \$200,000 for the years ended December 31, 2019 and 2018, respectively.

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(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.

Plan membership as of December 31, 2019 and 2018, is as follows:

Membership	2019	2018
Active members	158	166
Inactive members receiving benefits	81	82
Total members	239	248

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.

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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. For fiscal year 2018, the Utility contributed a total of \$1,181,000 to the plan for current premiums. Of the \$1,181,000, \$725,500 was contributed to the OPEB Trust and approximately \$455,500 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.

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, 2019, was based on a valuation date and measurement date of December 31, 2017. The net OPEB liability at December 31, 2018, is based on the valuation performed at December 31, 2017, with update procedures used to roll forward the total OPEB liability to the measurement date of December 31, 2018. A single discount rate of 3.26% and 3.64% was used to measure the total OPEB liability as of December 31, 2019 and 2018, 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 100% in cash with a long-term expected rate of return of 0.76% and 0.64% for December 31, 2019 and 2018, respectively. The long-term rate of return also included an expected 2.50% inflation for 2019 and 3.00% for 2018. This single

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discount rate was based on an expected rate of return on OPEB plan investments of 3.26% and 3.64% at December 31, 2019 and 2018, respectively.

The significant assumptions used to actuarially determine the OPEB plan's total OPEB liability at December 31, 2019 and 2018, 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:	3.16 percent at 12/31/2017; 3.64 percent at 12/31/2018; 3.26 percent at 12/31/2019
Mortality:	Pub-G 2010 Mortality Table (headcount basis), projected generationally with Scale MP 2019

Changes in Net OPEB Liability

	<u>Increases (Decreases)</u>		
	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (a) – (b)</u>
Balance at December 31, 2018	<u>\$ 19,859,049</u>	<u>\$ 5,163,002</u>	<u>\$ 14,696,047</u>
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	<u>(142,593)</u>	<u>764,816</u>	<u>(907,409)</u>
Balance at December 31, 2019	<u><u>\$ 19,716,456</u></u>	<u><u>\$ 5,927,818</u></u>	<u><u>\$ 13,788,638</u></u>

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NOTES TO FINANCIAL STATEMENTS
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	Increases (Decreases)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
	(a)	(b)	(a) – (b)
Balance at December 31, 2017	<u>\$ 20,859,070</u>	<u>\$ 4,388,044</u>	<u>\$ 16,471,026</u>
Changes for the year:			
Service cost	319,030	-	319,030
Interest	656,990	-	656,990
Contributions – employer	-	1,181,000	(1,181,000)
Changes in assumptions	(1,520,535)	-	(1,520,535)
Net investment income	-	49,464	(49,464)
Benefit payments	<u>(455,506)</u>	<u>(455,506)</u>	<u>-</u>
Net changes	<u>(1,000,021)</u>	<u>774,958</u>	<u>(1,774,979)</u>
Balance at December 31, 2018	<u>\$ 19,859,049</u>	<u>\$ 5,163,002</u>	<u>\$ 14,696,047</u>

Below is a table providing the sensitivity of the net OPEB liability to changes in the discount rate as of December 31, 2019 and 2018. 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
2019	3.26%	\$ 17,421,483	\$ 13,788,638	\$ 10,903,721
2018	3.64%	\$ 18,057,573	\$ 14,696,047	\$ 11,993,727

Below is a table providing the sensitivity of the net OPEB liability to changes in the health care trend rate as of December 31, 2019 and 2018. 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,	Health Care Cost Trend Rates		
	1% Decrease (7% decreasing to 4%)	(8% decreasing to 5%)	1% Increase (9% decreasing to 6%)
2019	\$ 10,482,095	\$ 13,788,638	\$ 18,081,313
2018	\$ 11,087,609	\$ 14,696,047	\$ 18,584,306

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

The Utility recognized OPEB expense of \$995,303 and \$1,070,493 for the years ended December 31, 2019 and 2018, 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, 2019 and 2018:

<u>December 31, 2019</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
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>

<u>December 31, 2018</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,252,869	\$ -
Changes of assumptions	1,637,388	1,790,264
Net difference between projected and actual earnings on OPEB plan investments	<u>209,770</u>	<u>-</u>
Total	<u>\$ 4,100,027</u>	<u>\$ 1,790,264</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,

2020	\$ 201,081
2021	180,823
2022	151,249
2023	131,118
2024	112,823
Thereafter	<u>804,957</u>
Total	<u>\$ 1,582,051</u>

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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, 2019	
Investment	Fair Value
U.S. Treasury Obligations	\$ 3,450,420
December 31, 2018	
Investment	Fair Value
Federated Treasury Obligations FD 68	\$ 1,945,579
Insured Certificate of Deposit – Goldman Sachs Bank	247,639
Synchrony Bank Death PUT FDIC Certificate	243,592
Insured Certificate of Deposit – Inland Northwest Bank	243,520

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NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

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, 2019 and 2018:

	2019			Total Pension (and Other Employee Benefit) Trust Funds
	Employee Savings Plan	Deferred Compensation Plan	OPEB Trust Fund	
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
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
Capital assets, net	-	-	-	-
Total assets	<u>\$ 10,504,804</u>	<u>\$ 3,679,049</u>	<u>\$ 5,935,218</u>	<u>\$ 20,119,071</u>
Accounts payable	\$ -	\$ -	\$ 7,400	\$ 7,400
Long-term obligations	-	-	-	-
Accrued interest payable	-	-	-	-
Consumer deposits	-	-	-	-
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
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	2018 (Restated – Note 1)			Total Pension (and Other Employee Benefit) Trust Funds
	Employee Savings Plan	Deferred Compensation Plan	OPEB Trust Fund	
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ 299,653	\$ 299,653
U.S. Treasury obligations	-	-	2,198,391	2,198,391
Certificates of deposit	-	-	491,158	491,158
Mutual funds	7,876,960	1,936,129	-	9,813,089
Employer contribution receivable	7,478	-	-	7,478
Participant contribution receivable	7,478	4,166	-	11,644
Accrued interest receivable	-	-	31,100	31,100
Total assets	<u>\$ 8,260,994</u>	<u>\$ 2,822,054</u>	<u>\$ 5,168,632</u>	<u>\$ 16,251,680</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ 5,630	\$ 5,630
Total liabilities	<u>-</u>	<u>-</u>	<u>5,630</u>	<u>5,630</u>
Net Position				
Restricted for:				
Pensions	8,260,994	-	-	8,260,994
Employee benefits other than pensions	<u>-</u>	<u>2,822,054</u>	<u>5,163,002</u>	<u>7,985,056</u>
Total net position	<u>8,260,994</u>	<u>2,822,054</u>	<u>5,163,002</u>	<u>16,246,050</u>
Total liabilities and net position	<u>\$ 8,260,994</u>	<u>\$ 2,822,054</u>	<u>\$ 5,168,632</u>	<u>\$ 16,251,680</u>

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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
Additions				
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
Deductions				
Benefits paid	268,456	64,650	518,597	851,703
Administrative expenses	10,503	2,272	26,879	39,654
Total deductions	278,959	66,922	545,476	891,357
Change in Fiduciary Net Position	2,243,810	856,995	764,816	3,865,621
Beginning of year	8,260,994	2,822,054	5,163,002	16,246,050
End of year	\$ 10,504,804	\$ 3,679,049	\$ 5,927,818	\$ 20,111,671
2018 (Restated – Note 1)				
	Employee Savings Plan	Deferred Compensation Plan	OPEB Trust Fund	Total Pension (and Other Employee Benefit) Trust Funds
Additions				
Employer contributions	\$ 199,933	\$ -	\$ 1,181,000	\$ 1,380,933
Participant contributions	199,933	97,483	-	297,416
Rollover contributions	39,240	6,329	-	45,569
Water sales	-	-	-	-
Debt service fees	-	-	-	-
Net investment income (loss)	(453,632)	(118,027)	71,485	(500,174)
Total additions	(14,526)	(14,215)	1,252,485	1,223,744
Benefits paid	610,830	335,689	455,506	1,402,025
Administrative expenses	10,049	1,321	22,021	33,391
Total deductions	620,879	337,010	477,527	1,435,416
Change in Fiduciary Net Position	(635,405)	(351,225)	774,958	(211,672)
Beginning of year, as previously reported	-	-	4,388,044	4,388,044
Adjustments for adoption of GASB 84	8,896,399	3,173,279	-	12,069,678
Beginning of year, as restated	8,896,399	3,173,279	4,388,044	16,457,722
End of year	\$ 8,260,994	\$ 2,822,054	\$ 5,163,002	\$ 16,246,050

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

Note 12: FIDUCIARY FUNDS

The Brushy Island Trust Fund did not hold investment securities for the years ended December 31, 2019 and 2018. Investments at December 31 for the Pension (and Other Employee Benefit) Trust Funds (the Trust Funds), which were all level 1 investments, include the following:

Type	2019				
	Fair Value	Maturities in Years			More than 10
		Less than 1	1-5	6-10	
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	<u>12,300,117</u>				
	<u>\$ 18,223,638</u>				
Type	2018				
	Fair Value	Maturities in Years			More than 10
		Less than 1	1-5	6-10	
Classified as Investments					
Restricted:					
U.S. Treasury obligations	\$ 2,198,391	\$ 2,198,391	\$ -	\$ -	\$ -
Certificate of deposit	2,639,488	2,148,330	491,158	-	-
Money market fund	299,653	299,653	-	-	-
		<u>\$ 4,646,374</u>	<u>\$ 491,158</u>	<u>\$ -</u>	<u>\$ -</u>
Mutual funds	<u>11,961,419</u>				
	<u>\$ 17,098,951</u>				

At December 31, 2019 and 2018, 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, 2019 and 2018, the Trust Funds' restricted investment in this fund totaled \$38,848 and \$299,653, respectively.

(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

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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, 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.

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Note 13: SUBSEQUENT EVENTS

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Utility. Clean water is essential, especially to decrease the spread of the virus. As such, the Utility has suspended shut-offs during the course of the ongoing health crisis and has restored water to accounts recently shut off without charging a standard turn-on fee. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Subsequent events have been evaluated through April 23, 2020, the date at which the financial statements were available to issued.

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*Required Supplementary
Statements*

Central Arkansas Water
REQUIRED SUPPLEMENTARY INFORMATION
TEN YEAR SUMMARY OF UTILITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
2010 – 2019 (Unaudited)

	2019	2018	2017	2016	2015
Utility's proportion of the net pension liability	1.06%	1.03%	1.02%	0.95%	0.94%
Utility's proportionate share of the net pension liability	\$ 25,504,253	\$ 22,682,488	\$ 26,485,412	\$ 22,821,130	\$ 17,301,107
Utility's covered payroll	\$ 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	121.33%	114.73%	143.38%	131.99%	103.60%
Plan fiduciary net position as a percentage of the total pension liability	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 five 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
2010 – 2019 (Unaudited)

Measurement Date June 30:	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 3,099,272	\$ 2,840,869	\$ 2,751,581	\$ 2,521,470	\$ 2,479,699
Contributions in relation to the contractually required contribution	<u>3,099,272</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>
Utility's covered payroll	\$ 21,020,523	\$ 19,249,638	\$ 18,812,453	\$ 18,791,818	\$ 16,881,194
Contributions as a percentage of covered payroll	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 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
CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
Year Ended December 31, 2019

	2019	2018	2017	2016
Total OPEB liability				
Service cost	\$ 275,654	\$ 319,030	\$ 266,786	\$ 284,194
Interest	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	2,029,641	(1,520,535)	1,935,094	(530,347)
Benefit payments	(518,597)	(455,506)	(440,889)	(390,661)
Net change in total OPEB liability	(142,593)	(1,000,021)	5,018,938	(70,698)
Total OPEB liability – beginning	<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>\$ 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	\$ 1,175,000	\$ 1,181,000	\$ 927,000	\$ 844,935
Net investment income	108,413	49,464	8,485	28,577
Benefit payments	(518,597)	(455,506)	(440,889)	(390,661)
Net change in fiduciary net position	764,816	774,958	494,596	482,851
Plan fiduciary net position – beginning	<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>\$ 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)	\$ 13,788,638	\$ 14,696,047	\$ 16,471,026	\$ 11,946,684
Plan fiduciary net position as a percentage of the total OPEB liability	30.07%	26.00%	21.04%	24.58%
Covered-employee payroll	\$ 20,474,476	\$ 19,131,804	\$ 18,221,916	\$ 17,104,744
Utility's net OPEB liability as a percentage of covered-employee payroll	67.35%	76.81%	90.39%	69.84%

Notes to the Schedule

Changes of assumptions. 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 four 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, 2019

Plan Years Ending December 31:	2019	2018	2017	2016
Actuarially determined contribution	\$ 1,106,524	\$ 1,181,365	\$ 1,068,588	\$ 699,905
Contributions in relation to the actuarially determined contribution	1,175,000	1,181,000	927,000	844,935
Contribution deficiency (excess)	(68,476)	365	141,588	(145,030)
Covered employee payroll	20,474,476	19,131,804	18,221,916	17,104,744
Contributions as a percentage of covered employee payroll	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
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 four 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, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Annual money-weighted rate of return, net of investment expense	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 four years of information are shown, and additional years' information will be added as it becomes available.

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Statistical Section
(UNAUDITED)

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 92

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 97

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 102

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

Operating Information 104

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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Financial Trends

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Central Arkansas Water

TEN YEAR SUMMARY OF REVENUES, EXPENSES AND RATE INCREASES 2010–2019 (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 Operating Revenues	<u>54,272,180</u>	<u>56,270,232</u>	<u>54,045,933</u>	<u>51,598,144</u>
Operating Expenses				
Administrative	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
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	-	-	-	-
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 and Customer Service 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) 2010–2019 (Unaudited)

2015	2016	2017	2018	2019
\$ 47,459,563	\$ 51,325,094	\$ 51,648,173	\$ 57,264,083	\$ 54,639,500
878,500	885,551	922,616	991,571	1,019,732
989,227	1,091,867	1,342,974	1,335,236	1,403,494
3,005,354	5,549,781	6,188,546	5,667,721	7,495,745
1,017,055	1,025,064	1,120,097	1,101,065	1,323,160
731,607	818,766	611,842	560,731	552,289
<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>
2,598,576	2,668,488	3,447,845	4,019,183	4,462,396
10,256,858	13,313,139	14,256,900	14,980,984	15,583,222
1,694,457	1,803,704	2,049,525	2,038,602	2,862,634
-	-	-	-	-
2,582,474	3,103,823	3,078,676	2,895,514	2,864,906
4,436,408	4,954,842	3,151,815	3,298,739	3,710,651
3,050,213	3,186,317	3,328,787	3,302,483	3,527,672
8,011,935	8,239,835	9,341,319	9,120,982	10,186,502
-	-	-	-	-
2,024,136	2,050,733	2,134,930	2,267,752	2,466,084
2,112,725	3,057,387	2,484,482	2,298,966	2,246,364
<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>48,014,408</u>	<u>54,528,012</u>	<u>56,044,649</u>	<u>56,910,538</u>	<u>60,798,967</u>
(659,088)	(676,408)	(706,716)	(709,068)	(791,064)
76,092	76,664	70,231	(17,965)	(496,099)
194,795	237,700	413,111	846,878	1,269,965
<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>(2,796,355)</u>	<u>(3,646,989)</u>	<u>(2,267,115)</u>	<u>(1,911,729)</u>	<u>(2,179,381)</u>
3,021,520	2,148,229	2,442,052	2,580,491	3,079,598
127,396	26,112	-	-	-
-	7,745,408	-	-	-
<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>\$ 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>0.0%</u>	<u>0.0%</u>	<u>8.9%</u>	<u>8.9%</u>	<u>0.0%</u>

Central Arkansas Water
TEN YEAR SUMMARY OF NET POSITION
2010–2019 (Unaudited)

Net Position	2010	2011	2012	2013
Net investment in capital assets	\$ 284,393,022	\$ 299,621,462	\$ 302,315,617	\$ 309,457,263
Restricted – expendable	9,038,701	6,466,360	7,988,462	7,121,040
Unrestricted	<u>21,437,276</u>	<u>29,622,305</u>	<u>36,080,587</u>	<u>34,961,050</u>
Total Net Position	<u>\$ 314,868,999</u>	<u>\$ 335,710,127</u>	<u>\$ 346,384,666</u>	<u>\$ 351,539,353</u>

Source: Central Arkansas Water Finance and Customer 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)
2010–2019 (Unaudited)

2014	2015 ⁽¹⁾	2016	2017 ⁽²⁾	2018	2019
\$ 312,635,439	\$ 320,025,891	\$ 329,906,226	\$ 337,464,888	\$ 348,267,555	\$ 357,586,670
6,059,324	7,188,147	7,683,719	9,093,839	10,517,702	8,806,305
<u>36,464,333</u>	<u>19,108,904</u>	<u>21,173,868</u>	<u>5,793,875</u>	<u>4,245,982</u>	<u>3,173,434</u>
<u>\$ 355,159,096</u>	<u>\$ 346,322,942</u>	<u>\$ 358,763,813</u>	<u>\$ 352,352,602</u>	<u>\$ 363,031,239</u>	<u>\$ 369,566,409</u>

Central Arkansas Water
TEN YEAR SUMMARY OF WRITE-OFFS
2010–2019 (Unaudited)

Year	Water Sales	Write-Offs	Write-Offs/ Water Sales
2010	\$ 44,734,656	\$ 249,268	0.56%
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	57,264,083	344,203	0.60%
2019	54,639,500	305,497	0.56%

Source: Central Arkansas Water Finance and Customer Service Department



*Revenue &
Debt Capacity*

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Central Arkansas Water
TEN YEAR SUMMARY OF REVENUES, EXPENSES AND DEBT SERVICE COVERAGE
2010–2019 (Unaudited)

	2010	2011	2012	2013
Revenues				
Water sales	\$ 44,734,656	\$ 47,899,601	\$ 49,448,601	\$ 45,998,541
Penalties	888,654	915,430	891,014	859,938
Turn-on charges	1,057,057	1,019,839	1,195,622	1,101,038
Ancillary charges	2,631,082	2,841,724	3,014,509	3,083,148
Watershed protection fees	982,812	999,083	1,003,492	1,012,991
Proceeds from sale of capital assets	1,154,252	1,378,313	1,270,452	1,259,097
Investment income	56,820	118,372	76,650	111,482
Other revenue	636,345	596,503	716,994	1,990,277
Total Revenues	<u>52,141,678</u>	<u>55,768,865</u>	<u>57,617,334</u>	<u>55,416,512</u>
Expenses				
Administrative	2,766,339	2,842,433	2,252,142	2,364,744
Distribution	9,915,785	9,994,051	9,817,795	10,495,249
Engineering	1,758,261	1,779,691	1,768,725	1,773,172
Finance and customer service	5,992,816	6,186,750	-	-
Finance	-	-	2,605,926	2,585,870
Customer service	-	-	-	-
Customer relations and public affairs	-	-	4,055,518	4,176,286
Information services	2,818,444	3,005,343	3,013,314	2,902,303
Water production	8,181,092	8,556,749	9,423,762	7,889,209
Watershed protection	1,032,201	1,158,939	1,062,484	-
Water quality	-	-	-	1,936,431
General	2,549,123	2,048,645	2,345,009	2,017,004
Transfers to Cities of LR and NLR	551,290	584,388	602,832	608,436
Total Expenses	<u>35,565,351</u>	<u>36,156,989</u>	<u>36,947,507</u>	<u>36,748,704</u>
Transfers to Rate Stabilization Account ⁽²⁾	<u>(2,100,000)</u>	<u>(2,600,000)</u>	<u>(3,300,000)</u>	<u>-</u>
Net Revenues	<u>\$ 14,476,327</u>	<u>\$ 17,011,876</u>	<u>\$ 17,369,827</u>	<u>\$ 18,667,808</u>
Maximum Annual Debt Service on Revenue Bonds	<u>\$ 6,799,714</u>	<u>\$ 6,884,537</u>	<u>\$ 8,061,331</u>	<u>\$ 7,909,925</u>
Ratio of Net Revenues to Maximum Annual Debt Service on Revenue Bonds ⁽¹⁾	<u>2.13</u>	<u>2.47</u>	<u>2.15</u>	<u>2.36</u>

Source: Central Arkansas Water Finance and Customer Service Department

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

⁽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 revenue, 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)* 2010–2019 (Unaudited)

	2014	2015	2016	2017	2018	2019
\$	45,070,592	\$ 47,459,563	\$ 51,325,094	\$ 51,648,173	\$ 57,264,083	\$ 54,639,500
	916,613	878,500	885,551	922,616	991,571	1,019,732
	1,010,229	989,227	1,091,867	1,342,974	1,335,236	1,403,494
	2,917,964	3,005,354	5,549,781	6,188,546	5,667,721	7,495,745
	1,012,005	1,017,055	1,025,064	1,120,097	1,101,065	1,323,160
	62,548	93,675	87,285	70,231	74,887	131,565
	199,334	194,795	237,700	413,111	846,878	1,269,965
	670,741	731,607	818,766	898,993	560,731	552,289
	<u>51,860,026</u>	<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>
	2,471,360	2,598,576	2,668,488	3,447,845	4,019,183	4,462,396
	10,659,085	10,256,858	13,313,139	14,256,900	14,980,984	15,583,222
	1,821,276	1,694,457	1,803,704	2,049,525	2,038,602	2,862,634
	-	-	-	-	-	-
	2,548,209	2,582,474	3,103,823	3,078,676	2,895,514	2,864,906
	-	-	-	3,151,815	3,298,739	3,710,651
	4,458,680	4,436,408	4,954,842	-	-	-
	3,133,821	3,050,213	3,186,317	3,328,787	3,302,483	3,527,672
	7,717,004	8,011,935	8,239,835	9,341,319	9,120,982	10,186,502
	-	-	-	-	-	-
	1,911,167	2,024,136	2,050,733	2,134,930	2,267,752	2,466,084
	1,971,006	2,112,725	3,057,387	2,650,583	2,298,966	2,246,364
	658,776	659,088	676,408	706,716	709,068	791,064
	<u>37,350,384</u>	<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>14,509,642</u>	<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>7,645,191</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>1.90</u>	<u>2.23</u>	<u>2.52</u>	<u>2.59</u>	<u>3.22</u>	<u>1.86</u>

Central Arkansas Water
TEN YEAR SUMMARY OF OUTSTANDING DEBT-TO-CUSTOMER COUNT
2010–2019 (Unaudited)

Year	Residential	Commercial	Large Volume	Wholesale
2010	106,235	11,041	63	8
2011	106,556	11,160	63	9
2012	106,961	11,243	64	9
2013	108,116	11,297	57	9
2014	108,426	11,411	56	9
2015	109,007	11,419	50	9
2016	116,601	11,592	48	9
2017	117,015	11,824	52	9
2018	117,637	12,145	45	9
2019	118,354	12,249	48	9

Source: Central Arkansas Water Finance and Customer Service 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. A debt surcharge levied on the Maumelle service area customers is pledged to repay this debt. Amount includes amount payable for Lake DeGray water rights.

Central Arkansas Water

TEN YEAR SUMMARY OF OUTSTANDING DEBT-TO-CUSTOMER COUNT *(Continued)*

2010–2019 (Unaudited)

Sprinkler	Private Fire Service	Total Customers	Total Outstanding Debt	Total Outstanding Debt-to- Customer Count
3,758	1,686	122,791	\$ 72,891,876	\$ 594
3,497	1,723	123,008	\$ 75,463,932	\$ 613
3,554	1,772	123,603	\$ 92,506,391	\$ 748
3,748	1,821	125,048	\$ 85,442,806	\$ 683
3,782	1,850	125,534	\$ 80,966,271	\$ 645
3,955	1,880	126,320	\$ 76,734,499	\$ 607
4,083	2,104	134,437	\$ 71,076,875 *	\$ 529
4,082	2,145	135,127	\$ 65,799,015 *	\$ 487
4,037	2,194	136,067	\$ 88,337,149 *	\$ 649
3,976	2,295	136,931	\$ 88,089,685 **	\$ 643

Central Arkansas Water
TEN YEAR SUMMARY OF TEN LARGEST WATER CUSTOMERS
2010–2019 (Unaudited)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Jacksonville Water Works	1	1	1	1	1	1	1	1	2	1
Bryant Water and Sewer	3	2	2	2	2	2	3	2	3	2
Salem Water Alliance	4	4	3	3	3	3	2	3	1	3
Mid-Arkansas Utilities	2	3	4	4	4	5	-	-	-	-
University of Arkansas for Medical Sciences	5	6	5	5	5	6	5	4	7	5
Arkansas Department of Corrections	10	9	10	9	6	7	6	6	8	6
Sage V Foods	-	-	-	-	7	10	-	8	-	-
Cabot WaterWorks	-	-	9	10	8	8	7	5	6	4
Shannon Hills Water Department	-	-	-	-	9	4	9	-	9	10
Baptist Health System	8	7	7	7	10	9	10	10	10	9
Veterans Administration Hospitals	7	-	8	8	-	-	-	-	-	-
3-M Company	6	8	-	-	-	-	4	9	-	7
Arkansas Electric Cooperative	9	5	6	6	-	-	-	-	4	-
North Little Rock Burns Park	-	-	-	-	-	-	8	-	-	-
Arkansas Military Department	-	10	-	-	-	-	-	-	-	-
Kimberly-Clark	-	-	-	-	-	-	-	7	5	8

Source: Central Arkansas Water Finance and Customer Service Department



*Demographic &
Economic Information*

Central Arkansas Water
LARGEST EMPLOYERS WITHIN PULASKI COUNTY
2019 vs. 2010 (Unaudited)

Employer	Type of Business	2019			2010	
		Rank	Employees	Percentage of Total Employment	Rank	Employees
State of Arkansas	Government	1	35,800	19%	1	32,900
Local Government	Government	2	26,200	14%	2	28,800
Federal Government	Government	3	9,900	5%	3	9,500
University of Arkansas for Medical Sciences	Medical Services	4	9,700	5%	4	8,500
Baptist Health	Medical Services	5	7,340	4%	6	6,160
Little Rock Air Force Base	Government	6	4,500	2%	7	4,500
Arkansas Children's Hospital	Medical Services	7	4,370	2%	10	2,830
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	7,400
Axiom	Data Processing	-	-	0%	8	4,380
Total			108,780	57%		108,470
Total Employment			188,340			

Source: Central Arkansas Water Finance and Customer Service Department

Central Arkansas Water
TEN YEAR SUMMARY OF
DEMOGRAPHIC AND ECONOMIC STATISTICS WITHIN PULASKI COUNTY
2010–2019 (Unaudited)

Year	Population	Households	Median Household Income	Per Capita Personal Income	Total Personal Income (000s)	Unemployment Rate
2010	382,748	175,555	\$ 44,482	\$ 42,438	\$ 16,278,265	6.9%
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	\$ 51,185	\$ 20,099,504	3.4%
2019	(1)	(1)	(1)	(1)	(1)	3.3%

Source: U.S. Census Bureau and www.discoverarkansas.net

⁽¹⁾ Information is not available.



*Operating
Information*

Central Arkansas Water
TEN YEAR SUMMARY OF NEW CONNECTIONS
2010–2019 (Unaudited)

Year	Meters	Fire Hydrants	New Pipe (in Miles)
2010	1,144	160	19.70
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

Source: Central Arkansas Water Engineering Department

Central Arkansas Water
TEN YEAR SUMMARY OF SYSTEM HIGHLIGHTS
2010–2019 (Unaudited)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Miles of public water distribution pipe	2,276	2,280	2,295	2,358	2,366	2,372	2,497	2,506	2,518	2,527
Number of treatment plants	2	2	2	2	2	2	3	3	2	2
Maximum treatment capacity (MGD)	157.0	157.0	157.0	157.0	157.0	157.0	163.7	163.7	157.0	157.0
Maximum day consumption (MG)	108.4	119.4	126.0	106.0	88.3	98.9	98.1	92.0	101.0	88.7
Percentage of maximum capacity utilized	69%	76%	80%	68%	56%	63%	60%	56%	64%	56%

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
2010–2019 (Unaudited)

	2010	2011	2012	2013
Land and land use rights	\$ 40,544,764	\$ 43,779,013	\$ 45,521,648	\$ 46,032,162
Water rights	-	-	-	-
Building and grounds	40,917,775	41,954,807	44,160,573	49,154,620
Land improvements	-	-	-	1,478,894
Water source	32,778,582	32,778,582	32,920,887	32,927,318
Purification	29,512,295	36,299,049	37,261,755	37,518,831
Pumping	22,254,975	22,323,783	25,740,465	25,796,891
Distribution	272,131,704	279,106,680	318,974,140	323,590,447
Other equipment	26,463,728	27,362,197	27,875,369	27,139,956
Construction in progress	34,450,027	42,187,758	11,868,158	21,527,876
	<u>499,053,850</u>	<u>525,791,869</u>	<u>544,322,995</u>	<u>565,166,995</u>
Less accumulated depreciation	<u>145,172,084</u>	<u>153,522,735</u>	<u>163,299,356</u>	<u>173,414,469</u>
Net Capital Assets	<u>\$ 353,881,766</u>	<u>\$ 372,269,134</u>	<u>\$ 381,023,639</u>	<u>\$ 391,752,526</u>

Source: Central Arkansas Water Finance and Customer Service Department

Central Arkansas Water
TEN YEAR SUMMARY OF CAPITAL ASSETS (Continued)
2010–2019 (Unaudited)

	2014	2015	2016	2017	2018	2019
\$	46,192,915	\$ 47,488,299	\$ 47,892,367	\$ 48,977,583	\$ 58,804,602	\$ 60,324,790
	-	-	-	-	-	4,598,638
	60,806,083	60,916,771	62,556,517	62,767,365	63,294,373	63,505,997
	2,253,459	2,259,083	2,702,932	2,831,335	2,895,907	2,974,389
	33,211,941	33,211,941	33,419,723	33,419,723	33,419,723	33,419,723
	42,180,124	42,449,597	45,268,031	45,527,263	45,671,724	42,984,525
	26,233,796	26,410,016	27,159,362	27,257,925	28,272,196	28,569,649
	335,078,600	339,621,061	363,365,749	368,386,584	388,726,499	401,665,841
	28,573,745	29,123,839	31,027,067	31,740,663	33,810,257	34,899,020
	<u>2,150,054</u>	<u>8,880,044</u>	<u>8,044,217</u>	<u>21,632,031</u>	<u>19,019,605</u>	<u>29,549,784</u>
	576,680,717	590,360,651	621,435,965	642,540,472	673,914,886	702,492,356
	<u>183,412,270</u>	<u>193,915,770</u>	<u>211,426,836</u>	<u>223,337,873</u>	<u>235,366,005</u>	<u>244,071,802</u>
\$	<u>393,268,447</u>	\$ <u>396,444,881</u>	\$ <u>410,009,129</u>	\$ <u>419,202,599</u>	\$ <u>438,548,881</u>	\$ <u>458,420,554</u>

Central Arkansas Water
TEN YEAR SUMMARY OF FILLED POSITIONS BY DEPARTMENT
2010–2019 (Unaudited)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Administration	14	14	11	11	12	11	14	15	24	31
Customer relations and public affairs	-	-	-	-	61	63	-	-	-	-
Customer service	-	-	-	-	-	-	-	-	45	45
Distribution	102	104	106	109	108	110	135	141	139	146
Engineering	23	22	23	23	22	21	22	24	24	22
Finance and customer service	78	75	79	79	-	-	69	64	-	-
Finance	-	-	-	-	17	20	-	-	21	21
Information services	17	17	17	17	17	17	16	16	14	16
Source and treatment	37	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
Total	271	272	278	279	277	283	300	307	319	325

Source: Central Arkansas Water Administration Department

Central Arkansas Water
SCHEDULE OF WATER RATES FOR CAW
2019 (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 (CCF) 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	\$ 0.62	\$ 0.62

Watershed Protection Fee (all CAW customers):

Meter Size	City
5/8"	\$ 0.60
3/4"	\$ 0.60
1"	\$ 0.90
1 1/2"	\$ 1.50
2"	\$ 3.00
3"	\$ 4.80
4"	\$ 9.00
6"	\$ 15.00
8"	\$ 30.00
10"	\$ 48.00

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 and Customer Service Department