

# 2019 POPULAR ANNUAL FINANCIAL REPORT

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SAFE, LOW-COST, ABUNDANT,  
DEPENDABLE, HIGH-QUALITY WATER







## A MESSAGE FROM OUR CHIEF FINANCIAL OFFICER

We are pleased to present Central Arkansas Water's (CAW) 2019 Popular Annual Financial Report (PAFR). This report offers an easy-to-read snapshot of CAW's 2019 activities and is part of our continuous effort to enhance customer confidence, experience and understanding. The PAFR includes an unaudited summary of 2019 financial activities and operational milestones.

The financial information presented in this PAFR is derived from CAW's 2019 Comprehensive Annual Financial Report (CAFR), which was prepared in accordance with generally accepted accounting principles and includes financial statements audited by BKD, LLP. An electronic copy of the CAFR is available on the CAW website at [carkw.com/cafr](http://carkw.com/cafr).

CAW made significant progress on multiple projects and achieved a number of objectives in 2019. In March, CAW met a major objective of securing a future water source for central Arkansas by acquiring 100 million gallons per day water rights from DeGray Lake. The executed agreement with the U.S. Army Corps of Engineers and Southwest Power Administration ended a 20-plus year campaign for this water storage in central Arkansas.

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 her social media in addition to her Distribution department duties.

Thank you for your interest in CAW. Follow our progress in 2020 at [carkw.com](http://carkw.com) and stay connected with us via social media. Find us by searching Central Arkansas Water on Facebook, LinkedIn and on Nextdoor, @CARKW on Twitter and @centralARwater on Instagram.

Sincerely,

Jeff Mascagni, CPA, CGFM  
Chief Financial Officer

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.







CENTRAL ARKANSAS WATER IS

**HIGH-PERFORMING**  
**INNOVATIVE**  
**VALUES-DRIVEN**  
**INFORMED**  
**PASSIONATE**





# WHERE YOUR DOLLAR GOES



In 2019 for every dollar that CAW received, \$0.42 of it was used for everyday business operations, such as labor and benefits, while \$0.50 of it was spent on capital projects, and the remaining \$0.08 was used for debt service.

# CAW OPERATIONS BY THE NUMBERS

CAW'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. Below is a glimpse of what CAW's employees did in 2019 to achieve our mission and contribute to our success as a water utility.

▶ **45**

Number of leaks Vessel detected within a 10-foot radius

▶ **14.34**

Miles of public water mains installed and/or replaced

▶ **6.67**

Miles of water mains retired

▶ **37,100**

Feet of 2-inch galvanized pipe replaced

▶ **120,400**

Distribution work orders completed

▶ **1,400**

Number of additional GPS meters collecting data

▶ **3,500**

Safety training hours

▶ **100 MGD**

Additional Water Rights from Lake DeGray

▶ **\$37 MILLION**

Water revenue bonds issued

▶ **163**

Acres of conservation lands purchased in the CAW watershed

▶ **1,000**

Acres burned in prescribed burns

▶ **80,000**

Water quality analyses conducted

▶ **90,773**

Customer payments received by CAW cashiers

▶ **30%**

Percentage of payments received online

VISIT [CARKW.COM](http://CARKW.COM) TO VIEW A MAP OF CAW'S FULL SERVICE AREA



# CAW MANAGEMENT TEAM

## BOARD OF COMMISSIONERS

Kandi Hughes, *Chair*

Anthony Kendall, *Vice Chair*

Jim McKenzie, *Secretary/Treasurer*

Jay Barth, Ph.D., *Commissioner*

Jay Hartman, *Commissioner*

Carmen Smith, *Commissioner*

*Commission Position (Vacant)*

## STAFF

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*

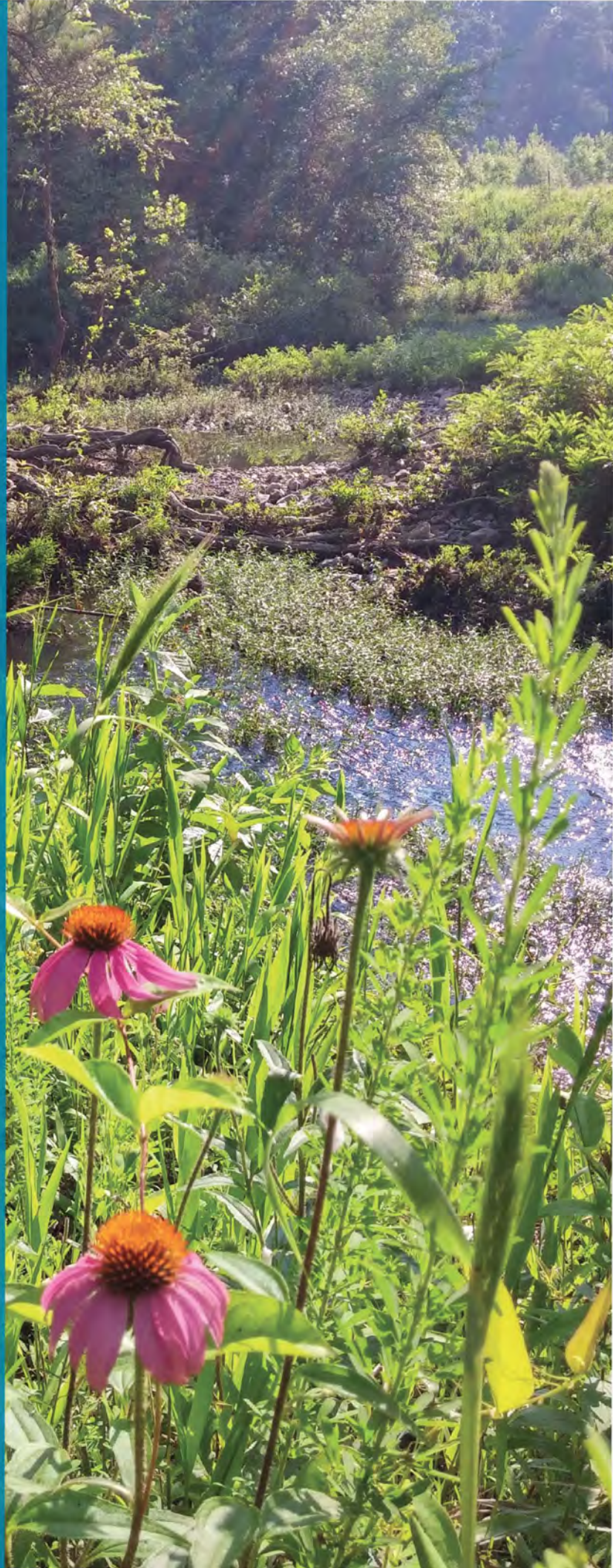
Cynthia Edwards, CPA, *Director of Finance*

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*







Government Finance Officers Association

**Award for  
Outstanding  
Achievement in  
Popular Annual  
Financial Reporting**

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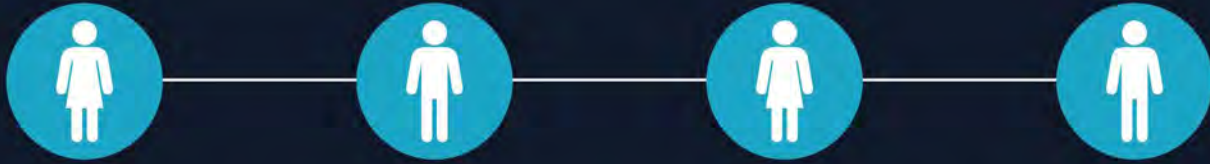
**Central Arkansas Water**

For its Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2018**

*Christopher P. Merrill*

Executive Director/CEO



CAW SERVES A POPULATION  
OF APPROXIMATELY 450,000  
IN SEVEN CENTRAL ARKANSAS COUNTIES

**WORLD  
CLASS  
SERVICE**

**DELIVERED  
EVERY DAY**

CENTRAL ARKANSAS WATER  
**CUSTOMERS**

RESIDENTIAL 118K

COMMERICAL 12K

SPRINKLERS 4K

OTHER 2K

**61 MILLION  
GALLONS OF WATER**

**ARE PRODUCED EVERY DAY**





# ePAYMENT SERVICE OPTIONS AVAILABLE



TEXT



AUTODRAFT



ONLINE



**17.9**  
**THOUSAND**  
**AVERAGE**

CALL VOLUME PER MONTH

## 2019 BUDGET

OPERATIONS & MAINTENANCE  
**\$58.8 MILLION**

CAPITAL IMPROVEMENTS  
**\$55.6 MILLION**

DEBT SERVICE  
**\$10.2 MILLION**

# CONNECT WITH US ELECTRONICALLY







## CENTRAL ARKANSAS WATER INVESTING IN OUR FUTURE

At Central Arkansas Water, high priority is given into investing in the future. This is shown by the utility's planning and managing of assets above and below ground; our environmental stewardship; a focus on educating citizens, educators and our youth; securing future water sources; and the innovative ways we approach solutions to industry problems.

During the beginning of 2019, CAW secured the largest water storage agreement ever approved by the U.S. Army Corps of Engineers Vicksburg District, and now owns up to 100 million gallons a day (MGD) of water rights from DeGray Lake. This water storage agreement equates to a big deal for citizens in central Arkansas and surrounding areas as it will serve as a third viable water source for future generations to benefit from safe, high-quality, abundant drinking water for decades to come.

CAW's Citizens Water Academy, Power of Water professional development, and Forest to Faucet school-age programs continue to thrive. To date, CAW's Citizens Water Academy provided hundreds of citizens and stakeholders with a valuable opportunity to learn more about how we produce high-quality drinking water. CAW's Power of Water professional development program is an intensive approach to help educators to better develop and teach water-related curriculum to grade school students. This program has been well attended and received by educators representing several schools. CAW partnered with several state and local agencies to host the Forests to Faucets Festival which highlights water-focused activities for fifth grade students.

CAW ended 2019 with a bang debuting Vessel, the first water leak detection canine in the United States. Vessel works with our Leak Detection Specialist to find leaks in the approximately 530 square miles of service area. In addition to her leak detection duties, she has made numerous public appearances and has become a social media hit. You can follow her adventures on Facebook, Twitter, and Instagram by searching @CAWdetectedog.





## HIGH QUALITY FOR LOW COST

CAW is proud to offer one of the lowest water rates in the country. According to the 2019 Annual Rate Survey conducted by Memphis Light, Gas, and Water (MLGW), CAW had the fourth lowest water rate of those cities included in the survey. MLGW began collecting rate data in the 1990s, and CAW has participated in this survey since 1991 (as the former Little Rock Municipal Water Works/North Little Rock Water Department). This survey has included cities from all over the United States (U.S.), including those that are geographically close to CAW, such as Oklahoma City, OK; Louisville, KY; and Huntsville, AL, as well as some of the largest metropolitan areas in the U.S.—New York City, Los Angeles, Atlanta and Houston. As seen in the table below, Little Rock provides a great service for its customers: high-quality water for a low cost.

### 2019 UTILITY RATE CAMPARISONS

CITY, STATE	COMPANY	5CCF	10CCF	15CCF
Orlando, FL	Orlando Utilities Commission	\$10.83	\$15.22	\$21.41
Phoenix, AZ	City of Phoenix	\$6.90	\$17.26	\$36.66
Memphis, TN	Memphis, Light, Gas & Water	\$9.28	\$18.55	\$27.83
<b>Little Rock, AR</b>	<b>Central Arkansas Water</b>	<b>\$12.98</b>	<b>\$21.53</b>	<b>\$30.08</b>
Nashville, TN	Metro Water Services	\$10.12	\$21.77	\$33.42
Salt Lake City, UT	Salt Lake City Public Utilities	\$16.64	\$23.39	\$30.14
Huntsville, AL	Huntsville Utilities	\$17.60	\$24.29	\$31.43
Dallas, TX	Dallas Water Utilities	\$12.77	\$24.77	\$43.27
Miami, FL	Miami-Dade Water & Sewer	\$8.05	\$25.29	\$44.57
Jacksonville, FL	JEA	\$17.98	\$25.54	\$36.98

The tables on the two following pages that present the Statement of Net Position and the Statement of Revenue, Expenses, and Changes in Net Position further explain the financial condition of Central Arkansas Water at the end of fiscal year 2018.



## STATEMENT OF NET POSITION • DECEMBER 31, 2019 & 2018

ASSETS	FY 2019	FY 2018
Current Unrestricted Assets	52,893,412	50,565,033
Current Restricted Assets	12,320,055	11,611,545
Noncurrent Assets	470,777,624	462,022,759
<b>Total Assets</b>	<b>535,991,091</b>	<b>524,199,337</b>

### DEFERRED OUTFLOWS OF RESOURCES

Total Deferred Outflows Of Resources	10,814,557	10,000,052
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### LIABILITIES

Current Unrestricted Liabilities	16,083,740	14,895,171
Current Restricted Liabilities	12,320,055	11,611,545
Noncurrent Liabilities	143,519,287	140,519,552
<b>Total Liabilities</b>	<b>171,923,082</b>	<b>167,026,268</b>

### DEFERRED INFLOWS OF RESOURCES

Total Deferred Inflows Of Resources	5,316,157	4,141,882
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### NET POSITION

Net Investment in Capital Assets	357,586,670	348,267,555
Restricted	8,806,305	10,517,702
Unrestricted	3,173,434	4,245,982
<b>Total Net Position</b>	<b>369,566,409</b>	<b>363,031,239</b>

### To help you better understand these terms, we've provided the following definitions:

**Assets** are resources with present service capacity that CAW currently controls.

**Change in Net Position** is the difference between revenues and expenses, which is similar to Net Income in a for-profit business.

**Current Assets** are assets that can be converted to cash, sold, or consumed within one year of the financial statement date.

**Current Liabilities** are debts that are due within one year of the financial statement date.

**Deferred Inflows of Resources** are an acquisition of net position by CAW that is applicable to a reporting period later than 2019.

**Deferred Outflows of Resources** are consumptions of net assets by CAW that are applicable to a reporting period later than 2019.

**Gain on Disposal of Capital Assets** is the excess amount received over the current cost of an asset.

**Liabilities** are debt of CAW to sacrifice resources that it has little or no discretion to avoid.



## STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION • DECEMBER 31, 2019 & 2018

OPERATING INCOME	FY 2019	FY 2018
Operating Revenues	66,433,920	66,920,407
Operating Expenses	60,798,967	56,910,538
<b>Operating Income</b>	<b>5,634,953</b>	<b>10,009,869</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Transfers to Cities of Little Rock / North Little Rock	(791,064)	(709,068)
Gain on Disposal of Capital Assets	(496,099)	(17,965)
Investment Income, Net	1,269,965	846,878
Bond and Other Interest Expense, Net	(2,162,183)	(2,031,574)
<b>Income Before Contributions and Special Items</b>	<b>3,455,572</b>	<b>8,098,140</b>
<b>CONTRIBUTIONS</b>		
<b>Contributions</b>	<b>3,079,598</b>	<b>2,580,491</b>
<b>NET POSITION</b>		
Change in Net Position	6,535,170	10,678,631
Total Net Position, Beginning	363,031,239	352,352,608
<b>Total Net Position, Ending</b>	<b>369,566,409</b>	<b>363,031,239</b>

**Net Investment in Capital Assets** consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt that was used to purchase, construct, or improve those assets.

**Net Position** is the residual of all other elements presented in a Statement of Net Position. This is similar to Equity in a for-profit business.

**Operating Expenses** are costs that occur as a result of the day-to-day operations. These expenses include payroll, materials, and repairs.

**Operating Revenues** are revenues that occur due to normal operations. This included water sales, fees, and billing service fees.

**Restricted Net Position** consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

**Restricted Resources** are those resources that can be used only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

**Statement of Net Position** is a statement of the financial position of a governmental entity. It is similar to a Balance Sheet in a for-profit business.

**Transfers to Cities of Little Rock and North Little Rock** are payments made to the cities in lieu of property taxes.

**Unrestricted Net Position** is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources not included in the Net Investment of Capital Assets or Restricted Net Position.



## REVENUES & EXPENSES

### WHERE THE MONEY COMES FROM

Total operating revenues for 2019 were \$66,434,000. A billing fee of \$1.92 per bill implemented in July 2019 created an increase in Other Revenue over 2018. This increase was offset by a five percent (5%) decrease in consumption resulting in an overall decrease in operating revenue in 2019. As evidenced in the following graph, Little Rock water sales accounted for just under half of the operating revenue for 2019 at 48.4%. North Little Rock water sales and ancillary charges, with 21.2% and 13.2%, respectively, were the next largest segments of operating revenue.

### WHERE THE MONEY GOES

CAW had operating expenses of \$60,799,000 during 2019. Operating expenses were \$3,888,000 higher than in 2018. Increased personnel costs were the main causes of the increase. The Distribution department amassed the largest percentage of expenses for the year with 25.6%, with depreciation expense being a close second with 21.2% of total operating cost.

## CAPITAL ASSETS & DEBT

### WHAT WE OWN

Capital assets comprise the largest percent of CAW's assets 85.5% of total assets. The amount of capital assets grew over \$19.8 million dollars from 2018 to 2019. Renovations to both the Ozark Point and Wilson treatment plants contributed to \$10.5 million dollars, while the bulk of the remaining \$9.3 million dollars was spent on the installation and/or replacement of 14.34 miles of public water mains.

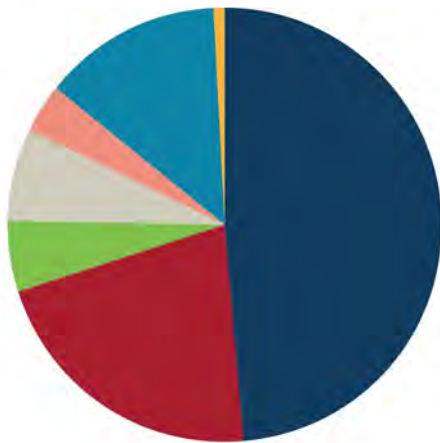
### WHAT WE OWE

CAW began 2019 with an outstanding debt balance (excluding the 2016 Construction and Acquisition Water Revenue bonds) of \$88,337,000. In 2019, outstanding debt remained relatively flat as CAW made principal payments on previously outstanding debt offset by acquisition of DeGray Lake water rights and a new bond issuance for an ending balance of \$88,089,000. A slight increase in number of customers in 2019 coupled with the slight decrease in outstanding debt led to the decrease in outstanding debt amount per customer from \$649 in 2018 to \$643 in 2019.

The amount  
of capital  
assets grew  
over \$19.8  
million  
dollars  
from 2018  
to 2019.

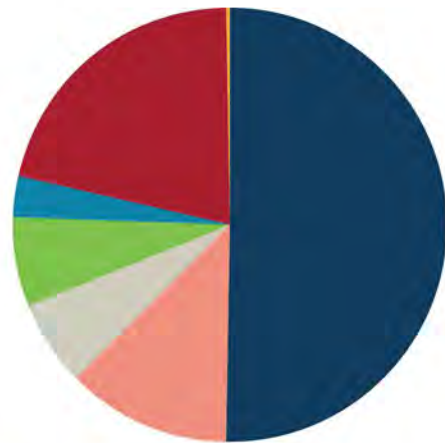


### 2019 REVENUES BY CATEGORY



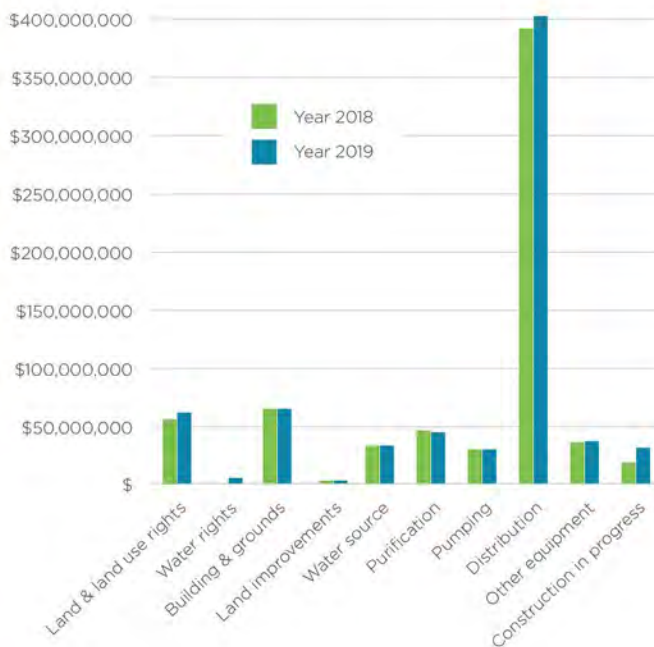
- Little Rock Water Sales
- Penalties and Turn-On Charges
- North Little Rock Water Sales
- Ancilliary Charges
- Maumelle Water Sales
- Other Revenue
- Wholesale Water Sales

### 2019 EXPENSES BY NATURAL CLASSIFICATION



- Labor and Benefits
- Contract Services
- Materials, Supplies and Maintenance
- Chemicals
- Depreciation
- Other
- Electric and Other Utilities

### SUMMARY OF CAPITAL ASSETS (2018 - 2019)



### TOTAL OUTSTANDING DEBT PER CUSTOMER (2015 - 2019)







## CAW AWARDS 2001 – 2019

- Gold Award for Exceptional Utility Performance, AMWA, 2001
- America's Crown Communities Award, National League of Cities, 2001
- Big Heart Award, Watershed Human and Community Development Agency, 2005
- Public Agency of the Year, Sierra Club of Arkansas, 2006
- The International Davey Award, 2012
- Platinum Award for Utility Excellence, AMWA, 2012
- Jack Evans Regional Leadership Award, Metroplan, 2012
- Diversity Award, AWWA, 2013
- Leadership in Fitness Award, AR Governor's Council on Fitness and Baptist Health, 2013
- Best Tasting Drinking Water, Central District AWW&WEA, 2014 – 2015
- Government Recycler of the Year Award, Arkansas Recycling Coalition, 2015
- Sustainable Water Utility Management Award, AMWA, 2015
- Best Tasting Drinking Water in Arkansas AWW&WEA, 2018
- GFOA Certificate of Achievement for Excellence in Financial Reporting, 10 years
- GFOA Distinguished Budget Presentation Award, 10 years
- GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting, 2 years
- Outstanding Performance Award, Arkansas Workers' Compensation Commission, 16 years
- Patriot Award, Employer Support of the Guard and Reserve, 2019
- Best Places to Work in Arkansas, Arkansas Business, 2019
- Best Tasting Drinking Water, Southwest Section AWWA, 2019

## CAW STAFF AWARDS 2001 – 2019

### GLEN T. KELLOGG LEADERSHIP AWARD RECIPIENTS

- |                         |                      |
|-------------------------|----------------------|
| Fred Glover, 2001       | Marie Crawford, 2007 |
| Steve Morgan, 2002      | Robert Hart, 2012    |
| Bruno Kirsch, Jr., 2006 | Dale Kimbrow, 2014   |
| Ron Brown, 2006         | Blake Weindorf, 2016 |

### WATER MANAGER OF THE YEAR, AWW&WEA, 2017

Terry Bice

### PURCHASING MANAGER OF THE YEAR, NIGP, 2016

Elizabeth Tuck-Rowan

### SAFETY PROFESSIONAL OF THE YEAR, AWEA, 2014

Robert Martin

### STEM PROFESSIONAL EDUCATOR OF THE YEAR, UALR, 2018

Jane Hurley

### EDWARD J. ERXLEBEN AWARD, NIGP, 2018

Elizabeth Tuck-Rowan

### GEORGE WARREN FULLER AWARD, SOUTHWEST SECTION AWWA, 2019

Blake Weindorf

### HYDRANT HYSTERIA TEAM – FIRST PLACE, SOUTHWEST SECTION AWWA, 2019

Kim Hamby and Angela Rice

