



Popular Annual Financial Report 2020

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) 2020 Popular Annual Financial Report (PAFR). This report offers an easy-to-read snapshot of CAW's 2020 activities and is part of our continuous effort to enhance customer confidence, experience and understanding. The PAFR includes an unaudited summary of 2020 financial activities and operational milestones.

The financial information presented in this PAFR is derived from CAW's 2020 Annual Financial Report which was prepared in accordance with generally accepted accounting principles and includes financial statements audited by BKD, LLP. An electronic copy of the Annual Financial Report is available on the CAW website carkw.com/about/departments/finance/.

The year 2020 was an unprecedented year for not only CAW but the world. The coronavirus disease (COVID-19) brought society as we know it to a halt. In March 2020, COVID-19 was declared a pandemic, and the Utility quickly made the decision to suspend customer shutoffs to ensure CAW customers would still be able to receive needed water during the global crisis. In response to this decision, employees from all departments worked to keep CAW focused on its mission of delivering high-quality water and dependable service that exceed customer expectations.

In an effort to expand the reach of CAW's high-quality water, Paron-Owensville Water Authority (POWA) consolidated with CAW in June 2020. This was a sizable undertaking with staff from multiple departments assisting with the consolidation, combining POWA operations with CAW standards and processes, and making needed repairs and improvements to the system.

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

Thank you for your interest in CAW. Follow our progress in 2021 at carkw.com.



Sincerely,

A handwritten signature in black ink that reads "Jeffrey B. Mascagni".

Jeff Mascagni, CPA, CGFM
Chief Financial Officer



Contents

02

Our Leadership
Team

03

CAW Year
in Review

05

HIVIP

06

Government
Finance Officers
Association
Reporting Award

07

High Quality
for Low Cost

08

Sniffing Success:
Meet Vessel!

10

By the Numbers

12

Financial
Statements

14

Financial
Performance

16

CAW Awards
& Recognition

Our Leadership Team

Board of Commissioners

Anthony Kendall *Chair*

Jim McKenzie *Vice Chair*

Kevin Newton *Secretary / Treasurer*

Jay Barth, Ph.D. *Commissioner*

Jay Hartman *Commissioner*

Kandi Hughes *Commissioner*

Carmen Smith *Commissioner*

Management Team

C. Tad Bohannon, J.D., LL.M, MBA *Chief Executive Officer*

Blake Weindorf, P.E., BCEE *Chief Operating Officer*

David Johnson, J.D. *General Counsel*

Jeff Mascagni, CPA, CGFM, CPFO *Chief Financial Officer*

Jeremy Sparks, CCMP *Chief Innovation Officer*

Tamika Edwards, J.D., CGF *Special Advisor to the CEO*

Danny Dunn *Director of Distribution*

Jim Ferguson, P.E. *Director of Engineering*

Kevin Hall *Director of Environmental Health & Safety*

Cynthia Edwards, CPA *Director of Finance*

Tatiana Herrington, PHR, SHRM-CP *Director of Human Resources*

Allen Vincent *Director of Information Services*

Douglas Shackelford *Director of Public Affairs & Communications*

Sam Zehtaban *Director of Water Production*



CAW Year in Review

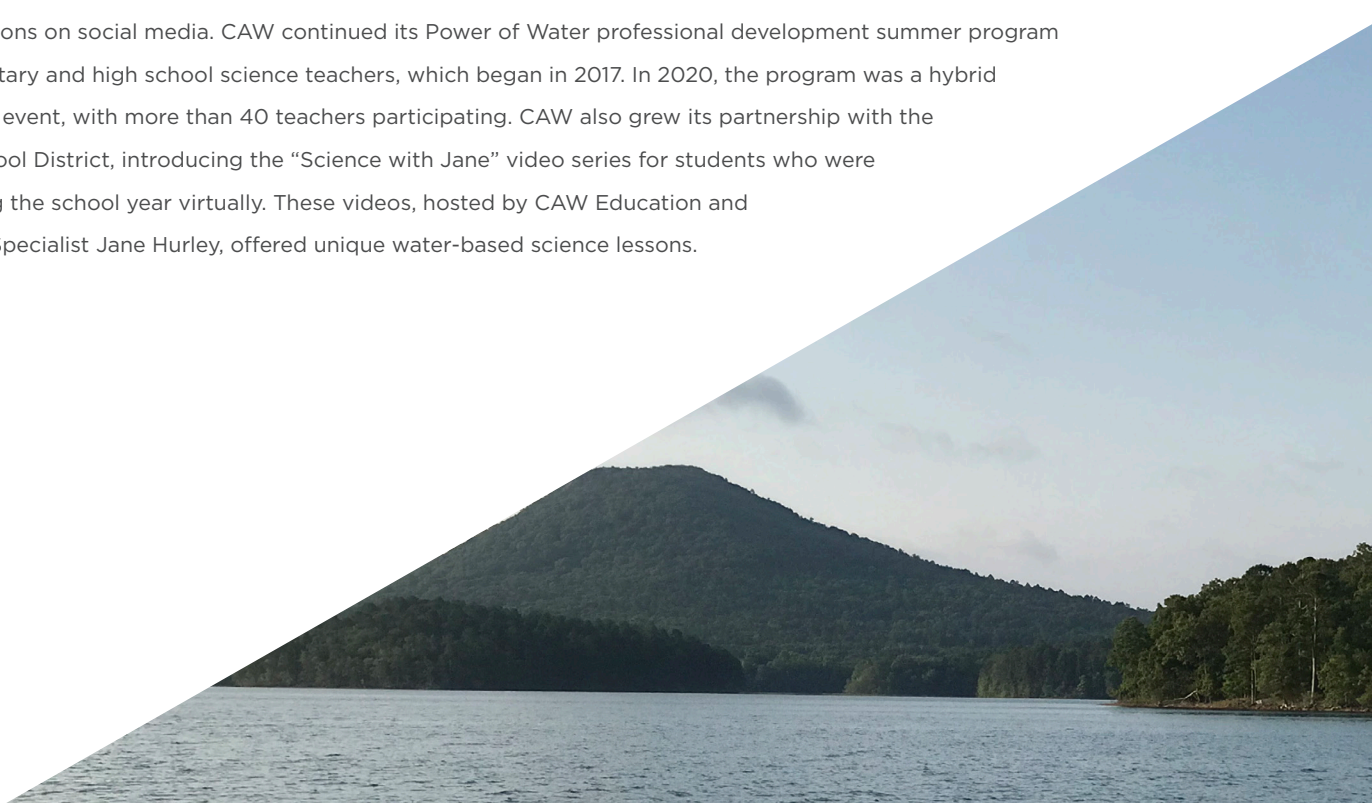
The COVID-19 pandemic created unexpected challenges across all sections of CAW in 2020; however, the Utility remained adaptable, committed to its workforce, and diligent in its mission to deliver high-quality water and dependable service to its customers.

CAW's biggest concern regarding the pandemic was the health and safety of both employees and customers. In response, the Pandemic Response Team was created. This team implemented policies including the ability for employees to telecommute, required health screenings to enter CAW facilities, and mask and social distancing protocols. These policies promoted the safety of all employees within the CAW workforce, while still allowing for operations to continue as needed.

Public health protection coupled with ensuring product quality and public confidence in our product remained one of the principal focuses of the Utility. CAW immediately suspended shutoffs due to nonpayment upon the declaration of the pandemic. This ensured customers in central Arkansas could continue to receive the clean water necessary during a global crisis. CAW also continued to ensure this water met and exceeded all regulatory limits. Facility operators continued to monitor water quality at all phases of the treatment process and perform process control analyses every four hours.

In 2020, CAW made strides to continue investing in water quality of the future. As mentioned in the CFO's message on the inside cover, the Utility issued \$31.8 million in Green Bonds. These Green Bonds were certified under the CBI and are specifically earmarked for infrastructure projects and protection of the CAW watershed.

CAW also held its sixth Citizens Water Academy to educate its 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. Due to the social distancing guidelines, the academy was a virtual event, with more than 1,000 views or impressions on social media. CAW continued its Power of Water professional development summer program for elementary and high school science teachers, which began in 2017. In 2020, the program was a hybrid live/virtual event, with more than 40 teachers participating. CAW also grew its partnership with the Cabot School District, introducing the "Science with Jane" video series for students who were completing the school year virtually. These videos, hosted by CAW Education and Outreach Specialist Jane Hurley, offered unique water-based science lessons.





OUR EMPLOYEES

CENTRAL ARKANSAS WATER EMPLOYEES ARE:

H	HIGH-PERFORMING
I	INNOVATIVE
V	VALUES-DRIVEN
I	INFORMED
P	PASSIONATE

We refer to these traits by the acronym HIVIP.
"EXCELLENCE IS NOT A SKILL, BUT AN ATTITUDE!"



Government Finance Officers Association

Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting

Presented to

Central Arkansas Water

For its Annual Financial Report
for the Fiscal Year Ended

December 31, 2019

Christopher P. Morrill

Executive Director/CEO

High Quality for Low Cost

CAW is proud to offer one of the lowest water rates in the country. According to the 2020 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.

City, State	Company	5CCF	10CCF	15CCF
Phoenix, AZ	City of Phoenix	\$7.05	\$18.66	\$38.98
Memphis, TN	Memphis Light, Gas & Water	\$9.57	\$19.13	\$28.70
Orlando, FL	Orlando Utilities Commission	\$13.67	\$21.32	\$30.23
Little Rock, AR	Central Arkansas Water	\$12.98	\$21.53	\$30.08
Nashville, TN	Metro Water Services	\$10.12	\$21.77	\$33.42
Salt Lake City, UT	Salt Lake City Public Utilities	\$16.13	\$22.98	\$19.83
Huntsville, AL	Huntsville Utilities	\$17.60	\$24.29	\$31.43
Dallas, TX	Dallas Water Utilities	\$12.77	\$24.77	\$43.27
Jacksonville, FL	JEA	\$17.99	\$25.54	\$36.98
St. Louis, MO	City of St. Louis Water Division	\$16.80	\$25.65	\$34.50

The tables on page 12 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 2020.





SNIFFING SUCCESS:

A NEW APPROACH TO AN OLD PROBLEM

Hi, I'm Vessel! I'm one of the newest employees at Central Arkansas Water specializing in leak detection. I'm a two-year-old lab mix rescued from Louisiana. I graduated from the Arkansas Paws in Prison program where I learned my special sniffing abilities. Not to brag, but I'm the first leak detection dog in North America!

My purpose is as clear as our water — to help CAW's humans quickly find both surfacing and non-surfacing leaks. These leaks indicate there is treated water not reaching our customers. My CAW teammates work hard to provide high-quality drinking water, and I don't like to see it go to waste.

Right now, CAW's 12-month rolling average for unaccounted-for water is approximately 10%. CAW's Chief Executive Officer, Tad Bohannon, has a lofty goal to cut that in half. The Arkansas Department of Health's water action level is at 15% before a utility must implement boil water notices and other actions to ensure safe drinking water. CAW strives to never reach this level, and that's where my nose comes to the rescue!

"Vessel is a unique asset to improve a challenge most water utilities face. We look forward to more in our industry exploring this solution."





A BACKSTORY WITH BARK

She's always ready for her close-up! Vessel's rescue was filmed by the TV show "Pit Bulls and Parolees" and later aired on network television. Since joining CAW in the fall of 2019, she has appeared on local TV news stations and the covers of statewide and national magazines.



THROW HER A BONE

The first year on the job, Vessel properly alerted on 95% of the orders she worked. Tim Preator, her handler and a CAW Leak Detection Specialist, dotes on her saying: "Her personality is unlike any animal I've ever seen. Her drive to work is unmatched."



VESSEL NOSE WATER LEAKS

With her keen sense of smell, it only takes Vessel a sniff to tell if a puddle is groundwater or chlorine-treated water from CAW's distribution system thus eliminating the need to send samples to the lab. She can even detect non-surfacing water from the chlorine gas it releases. Pretty impressive!



A REWARDING JOB

Treats are lame! Ball's her game! Vessel loves fetch with her favorite ball as a reward for a job well done. She strives to balance work and play!



See Vessel in action by following [@CAWDetectiveDog](#) on Facebook, Twitter, and Instagram. Also, you can learn more about her by visiting [carkw.com](#).

2020 BY THE

Award-Winning Financial Practices



Our employees completed 2,150 hours worth of safety training.



CAW currently has 218 water quality sample sites.



We issued \$58 Million in Water Revenue Bonds, including \$31.8 Million in Green Bonds.



2,663
Total Miles
of Pipe in the
CAW System



116000

DISTRIBUTION WORK ORDERS COMPLETED

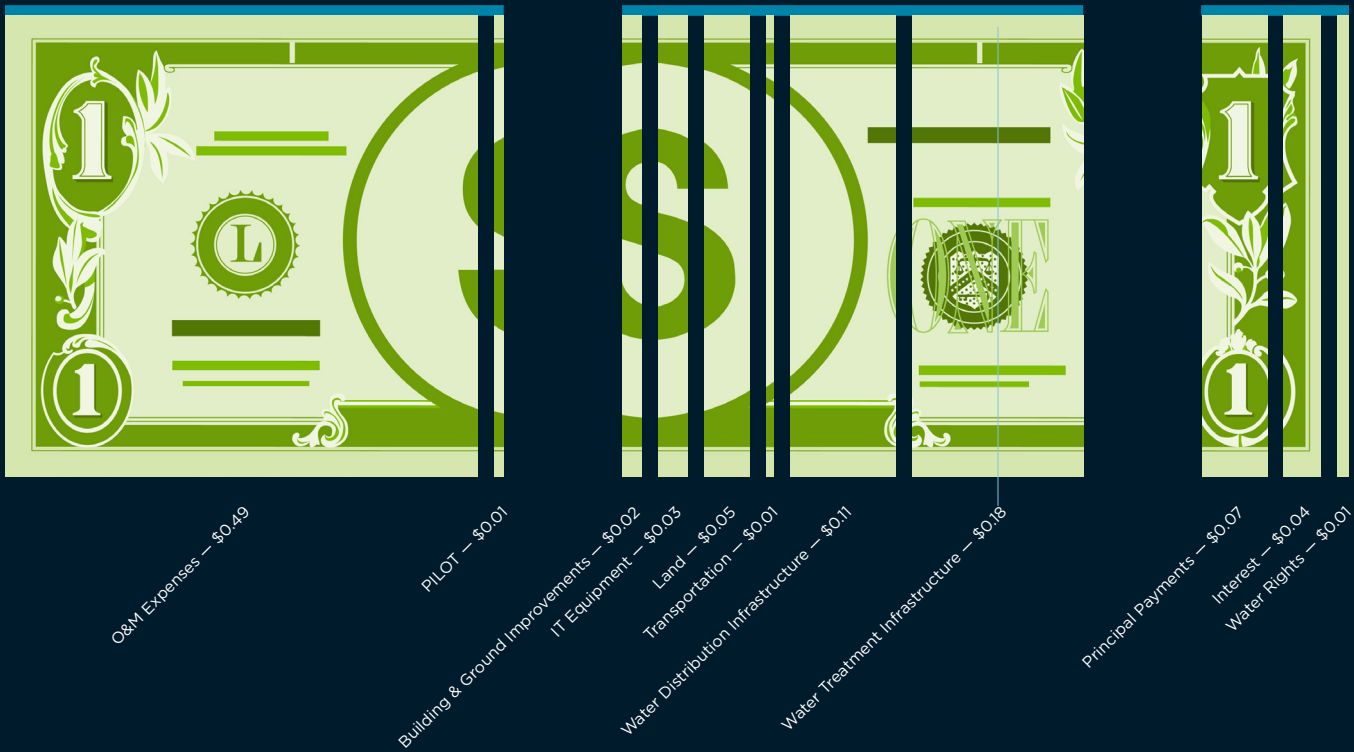
E NUMBERS


WHERE YOUR DOLLAR GOES

Operations & Maintenance
\$0.50

Capital Improvements
\$0.40


Debt Service
\$0.12



 **331** Acres Purchased/Under Conservation Easement

 **22** Acres Reforested

 **282** Acres Burned

 **141,290** Total Customer Accounts

17,000 Customers Enrolled in Paperless 

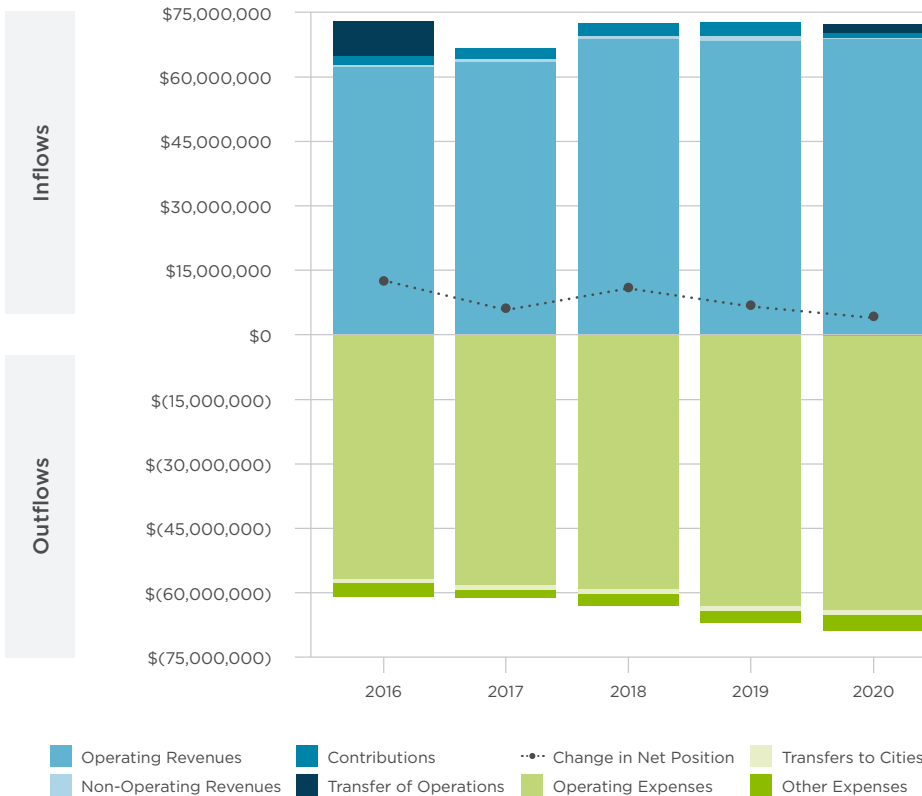
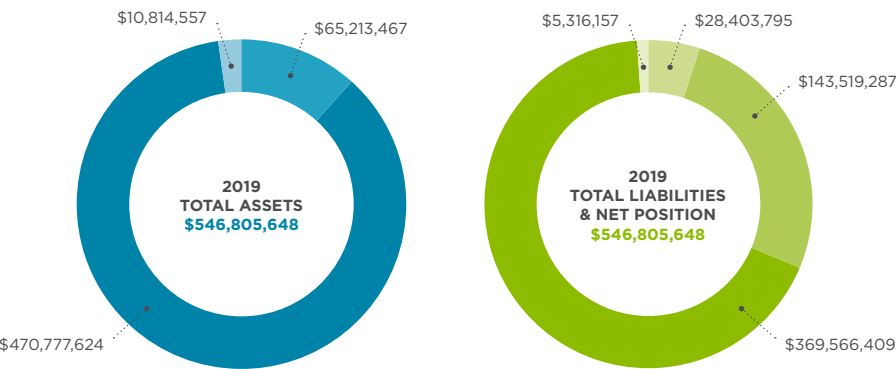
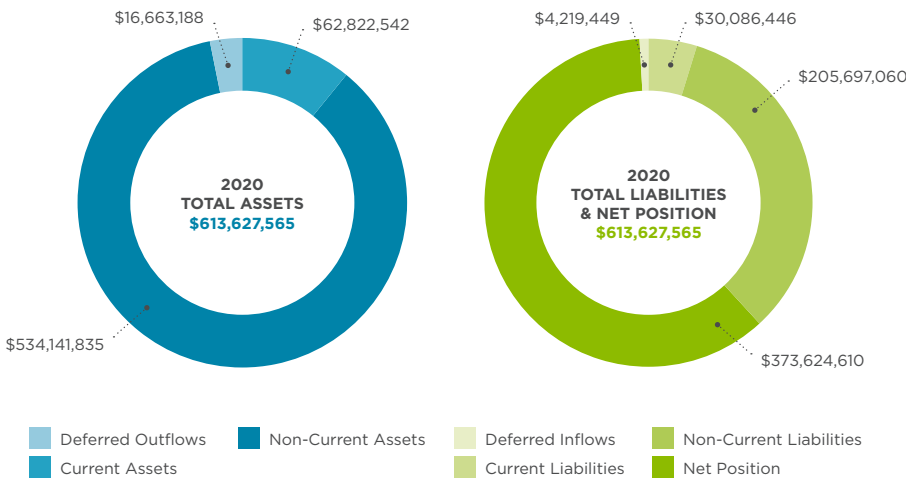
Financial Statements

Statement of Net Position (14)

December 31, 2020 & 2019	FY 2020	FY 2019
Assets (1)		
Current Unrestricted Assets (3)	50,839,969	52,893,412
Current Restricted Assets (3)	11,982,573	12,320,055
Noncurrent Assets	534,141,835	470,777,624
Total Assets	596,964,377	535,991,091
Deferred Outflows Of Resources (6)		
Total Deferred Outflows of Resources	16,663,188	10,814,557
Liabilities (8)		
Current Unrestricted Liabilities (4)	18,103,873	16,083,740
Current Restricted Liabilities (4)	11,982,573	12,320,055
Noncurrent Liabilities	205,697,060	143,519,287
Total Liabilities	235,783,506	171,923,082
Deferred Inflows Of Resources (5)		
Total Deferred Inflows of Resources	4,219,449	5,316,157
Net Position (10)		
Net Investment In Capital Assets (9)	367,648,777	357,586,670
Restricted Net Position (13)	8,851,333	8,806,305
Unrestricted Net Position (16)	(2,875,500)	3,173,434
Total Net Position	373,624,610	369,566,409

Statement of Revenues, Expenses and Changes in Net Position

December 31, 2020 & 2019	FY 2020	FY 2019
Operating Revenues (12)	66,925,527	66,433,920
Operating Expenses (11)	61,563,495	60,798,967
Operating Income	5,362,032	5,634,953
Transfers to Cities of North Little Rock and Little Rock (15)	(802,260)	(791,064)
Gain on Disposal of Capital Assets (7)	80,724	(496,099)
Investment Income, Net	255,819	1,269,965
Bond & Other Interest Expense, Net	(3,707,779)	(2,162,183)
Income Before Contributions & Special Items	1,188,536	3,455,572
Contributions	1,090,750	3,079,598
Special Item: Transfer of Operations from POWA	1,778,915	—
Change in Net Position (2)	4,058,201	6,535,170
Total Net Position, Beginning	369,566,409	363,031,239
Total Net Position, Ending	373,624,610	369,566,409



- Assets** Resources with present service capacity that CAW currently controls.
- Change in Net Position** Difference between revenues and expenses, which is similar to Net Income in a for-profit business.
- Current Assets** Assets that can be converted to cash, sold, or consumed within one year of the financial statement date.
- Current Liabilities** Debts that are due within one year of the financial statement date.
- Deferred Inflows of Resources** Acquisition of net position by CAW that is applicable to a reporting period later than 2019.
- Deferred Outflows of Resources** Consumptions of net assets by CAW that are applicable to a reporting period later than 2019.
- Gain on Disposal of Capital Assets** Excess amount received over the current cost of an asset.
- Liabilities** Debts of CAW to sacrifice resources that it has little or no discretion to avoid.
- Net Investment in Capital Assets** 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** Residual of all other elements presented in a Statement of Net Position. This is similar to Equity in a for-profit business.
- Operating Expenses** Costs that occur as a result of the day-to-day operations. These expenses include payroll, materials, and repairs.
- Operating Revenues** Revenues that occur due to normal operations. This includes water sales, fees, and billing service fees.
- Restricted Net Position** Restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- Statement of Net Position** 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** Payments made to the cities in lieu of property taxes.
- Unrestricted Net Position** 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.

Financial Performance

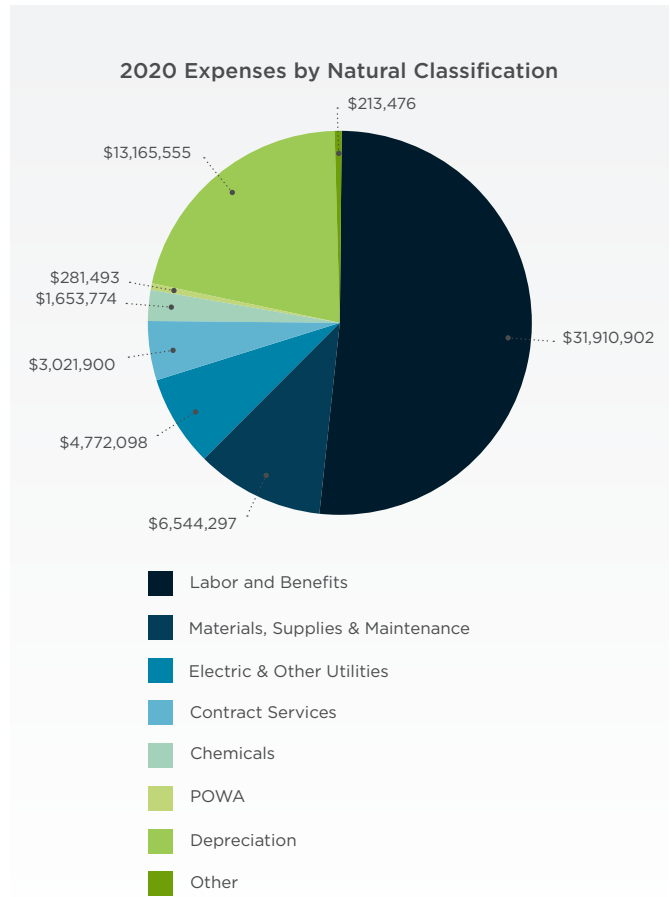
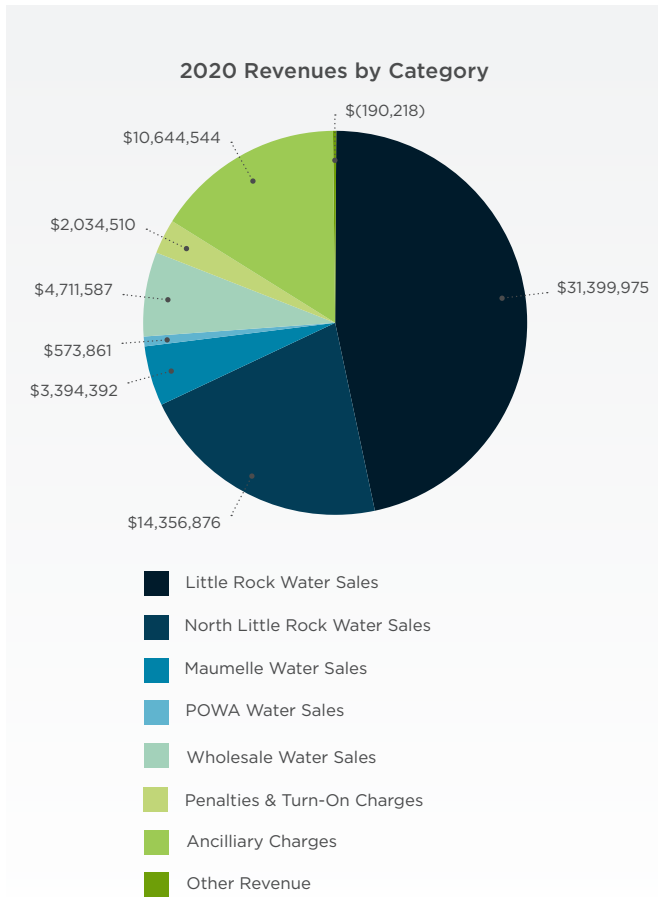
Revenues & Expenses

Where the money comes from

Total operating revenues for 2020 were \$66,926,000. A billing fee of \$1.92 per bill was implemented in July 2019. The additional six months of this fee in 2020 created an increase in Ancillary Charges over 2019. This increase was offset by an increase in bad debt contra-revenue as a result of COVID-19. As evidenced in the following graph, Little Rock water sales accounted for just under half of the operating revenue for 2020 at 46.9%. North Little Rock water sales and ancillary charges, with 21.5% and 15.9%, respectively, were the next largest segments of operating revenue.

Where the money goes

CAW had operating expenses of \$61,563,000 during 2020. Operating expenses were \$765,000 higher than in 2019. Increased personnel costs offset by decreased electric utilities and chemical costs were the main causes of the increase. The Distribution department amassed the largest percentage of expenses for the year with 25.4%, with depreciation expense being a close second with 21.4% of total operating cost.

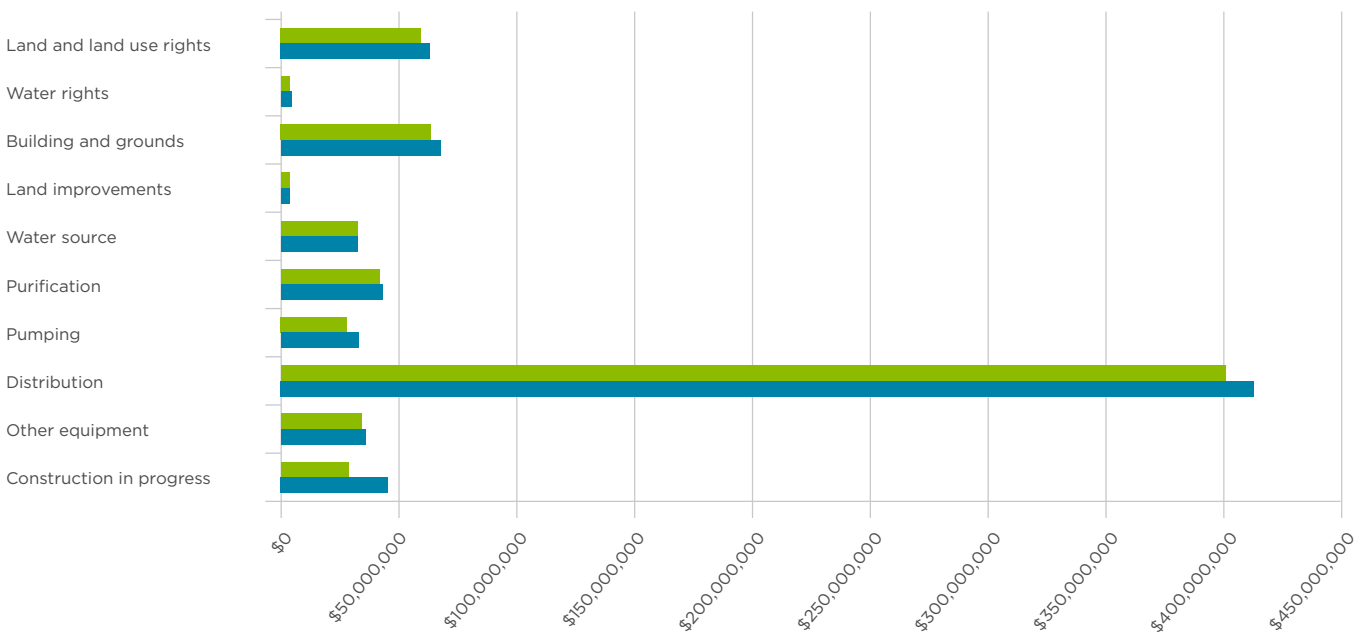


Capital Assets & Debt

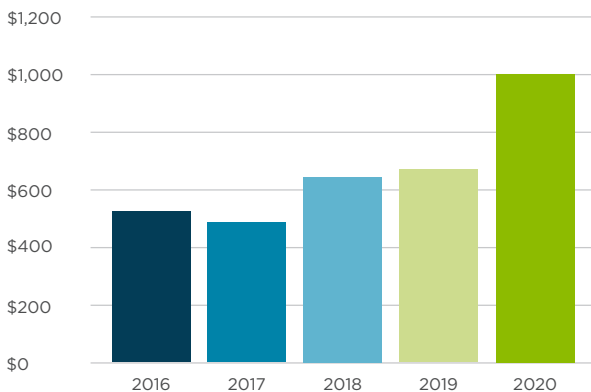
What we own

Capital assets comprise the largest percent of CAW’s assets at 79.6% of total assets. The amount of capital assets grew over \$30.2 million dollars from 2019 to 2020. Renovations to both the Wilson and Ozark Point treatment plants contributed to \$19.4 million dollars, while the bulk of the remaining \$10.8 million dollars was spent on the installation and/or replacement of 11.9 miles of public water mains.

Summary of Capital Assets (2019 - 2020)



Total Outstanding Debt Per Customer (2016 - 2020)



What we owe

CAW began 2020 with an outstanding debt balance (excluding the 2016 Construction and Acquisition Water Revenue bonds) of \$88,089,000. Issuance of four new water revenue bonds offset by defeasance of a portion of outstanding bonds led to the increase of outstanding debt to \$141,460,000 at the end of 2020. This increase in outstanding debt in 2020 slightly offset by an increase in the number of customers led to the increase in outstanding debt amount per customer from \$674 in 2019 to \$1,001 in 2020.

CAW AWARDS 2001 - 2020

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, 11 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
Partnership for Safe Water Director's Award, Industry Collaboration, 2020
Utility of the Future Today Award, Water Environment Federation, 2020
Large Business of the Year, North Little Rock Chamber, 2020

CAW STAFF AWARDS 2001 - 2020

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





Stay Connected
WITH US VIA SOCIAL MEDIA

Find us by searching Central Arkansas Water
on Facebook and LinkedIn, @CARKW on
Twitter and @centralARwater on Instagram.





221 East Capitol Avenue
P. O. Box 1789
Little Rock, AR 72203

carkw.com