



# ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEARS ENDED  
DECEMBER 31, 2021 & 2020



**ANNUAL COMPREHENSIVE  
FINANCIAL REPORT**

FOR THE YEARS ENDED  
DECEMBER 31, 2021 & 2020

PREPARED BY THE CENTRAL ARKANSAS WATER FINANCE DEPARTMENT  
221 EAST CAPITOL AVENUE | P. O. BOX 1789 | LITTLE ROCK, AR 72203 | [CARKW.COM](http://CARKW.COM)



# Central Arkansas Water

## TABLE OF CONTENTS

### Introductory Section

Transmittal Letter .....	1
Organizational Chart .....	16
Board of Commissioners .....	17
Management Team .....	18
Certificate of Achievement for Excellence in Financial Reporting .....	19
Glossary of Acronyms and Abbreviations .....	20

### Financial Section

Independent Auditor's Report.....	22
Management's Discussion and Analysis.....	25
<b>Basic Financial Statements</b>	
Statements of Net Position .....	40
Statements of Revenues, Expenses and Changes in Net Position.....	42
Statements of Cash Flows .....	44
Statements of Fiduciary Net Position .....	46
Statements of Changes in Fiduciary Net Position .....	47
Notes to Financial Statements .....	48
<b>Required Supplementary Information</b>	
Ten Year Summary of the Utility's Proportionate Share of Net Pension Liability .....	88
Ten Year Summary of the Utility's Contributions to Arkansas Public Employees Retirement System.....	89
Other Postemployment Benefit Plan (OPEB) – Ten Year Schedule of Changes in Net OPEB Liability and Related Ratios .....	90
Other Postemployment Benefit Plan (OPEB) – Schedule of the Utility's Contributions .....	91
Other Postemployment Benefit Plan (OPEB) – Ten Year Schedule of Investment Returns.....	92

***(This page intentionally left blank)***

**Central Arkansas Water**  
**TABLE OF CONTENTS (Continued)**

**Statistical Section (Unaudited)**

<b>Index</b> .....	93
<b>Financial Trends</b>	
Ten Year Summary of Revenues, Expenses and Rate Increases.....	94
Ten Year Summary of Net Position.....	96
Ten Year Summary of Write-Offs .....	98
<b>Revenue and Debt Capacity</b>	
Ten Year Summary of Revenues, Expenses and Debt Service Coverage.....	99
Ten Year Summary of Outstanding Debt-to-Customer Count .....	101
Ten Year Summary of Ten Largest Water Customers .....	103
<b>Demographic and Economic Information</b>	
Largest Employers within Pulaski County.....	104
Ten Year Summary of Demographic and Economic Statistics within Pulaski County .....	105
<b>Operating Information</b>	
Ten Year Summary of New Connections .....	106
Ten Year Summary of System Highlights.....	107
Ten Year Summary of Capital Assets .....	108
Ten Year Summary of Filled Positions by Department.....	110
Schedule of Water Rates for CAW.....	111
Schedule of Water Rates for POWA .....	112

***(This page intentionally left blank)***



**INTRODUCTORY  
SECTION**







April 15, 2022

To the Board of Commissioners and Our Customers:

We are pleased to present the Annual Comprehensive Financial Report (ACFR) of Central Arkansas Water (CAW or the Utility) for the years ended December 31, 2021 and 2020.

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, 2021 and 2020. See Management's Discussion and Analysis, beginning on page 24. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Utility.

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

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

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

#### **THE REPORTING ENTITY**

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

Central Arkansas Water. On March 1, 2016, Maumelle Water Management (MWM) became part of CAW through a merger that added 7,500 customers in the city of Maumelle. On June 1, 2020, Paron-Owensville Water Authority (POWA) became part of CAW through a merger that added 1,000 customers in eastern Saline County. On October 29, 2021, Wye Mountain became part of CAW through a merger that added 563 customers in Northwestern Pulaski County.

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

The Utility collects, stores, treats, and distributes water for a population of approximately 500,000 in central Arkansas. The major components of the system are two raw water supplies, Lake Winona and Lake Maumelle; a regulating and storage facility, Jackson Reservoir; three treatment facilities, Jack H. Wilson Treatment Plant (Wilson Plant), Ozark Point Treatment Plant (Ozark Point Plant), and Paron Treatment Plant (POWA Plant); approximately 2,672 miles of public pipeline; 35 remote booster pumping stations; and 39 remote storage facilities. As of December 31, 2021, the Utility provides water service to approximately 700 square miles and approximately 141,000 active customer accounts.

#### **MAJOR INITIATIVES AND ACCOMPLISHMENTS IN 2021**

The year 2021 was a momentous year for CAW. The Utility celebrated its 20<sup>th</sup> anniversary since the merger of Little Rock Municipal Water Works and North Little Rock Water Department to create the Central Arkansas Water.

In February of 2021, central Arkansas was impacted by an unprecedented winter storm. This storm brought over 20 inches of snow and record cold temperatures. The extreme cold caused water pipes to freeze and burst. CAW crews worked tirelessly to repair water mains, ensure continued adequate water pressure, and treat additional water needed to ensure customer demands.

During 2021, CAW completed the Pinnacle Project and brought the new Customer Information System (CIS) online. This system not only acts as a warehouse of all customer data for the approximately 141,000 accounts the Utility serves, but also functions as a billing system and integrates with our work order system, CityWorks. In 2021, CAW completed the user acceptance testing, Go-Live, and post stabilization phases of the project with assistance from the Customer Service, Information Services, Finance and Engineering departments. More details on these efforts are contained in each department's initiatives and accomplishments, which begin on the next page.

CAW was appointed receiver of Perla Water Association in December 2021. This was a sizable undertaking with staff from multiple departments assisting with the receivership, combining Perla operations with CAW standards and processes, and making needed repairs and improvements to the system. Departmental efforts are noted in the following pages under the applicable department's initiatives and accomplishments.

The Utility's Board of Commissioners received a 2021 WaterNow Impact Award for their long-term support of watershed protection as green infrastructure as exemplified by their support of issuing the world's first certified green bond for the purchase of forest lands as water infrastructure. CAW also

earned recognition for the second year in a row as a “Utility of the Future Today” by the Water Environment Federation (WEF).

### Administration

Despite continued pandemic-related challenges in 2021, CAW remained adaptable, committed to its workforce, and maintained the highest level of service to its customers.

The Human Resources (HR) section provides services and support for all aspects of the employee life cycle in addition to aligning human capital with the Utility’s strategic initiatives. HR is committed to ensuring that the Utility’s recruitment programs, policies, procedures, compensation, and employee benefits programs continue to attract and retain high-performing, innovative, values-driven, informed, and passionate (HIVIP) employees throughout the organization. This role is in ongoing support of the Utility’s commitment to exceptional water quality and customer service, fiscal responsibility, resource stewardship and sustainability, and legal and ethical accountability.

CAW’s turnover for 2021 was 11.15%, with a five-year average of 8.73%. Both statistics are anticipated to be significantly lower than the national average for state and local government excluding education.

CAW’s 2021 cost of benefits as a percent of total compensation (wages + benefits) was 21%, well below the Bureau of Labor Statistics (BLS) national average of 38% for state and local government workers. CAW’s cost of benefits usually trends closely with the BLS average. However, a significant decrease in the pension expense for 2021 affected this metric.

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

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

The Public Affairs and Communications section reached almost 650,000 online accounts across CAW’s six social media platforms in 2021 – a 9% increase over the prior year – and acquired a collective following of more than 100,000 people, a 5% increase over prior year. The Utility uses multiple social media platforms, including Facebook, Twitter, Instagram, YouTube, LinkedIn and Nextdoor, to help showcase CAW’s workplace culture. CAW increased its industry exposure through feature articles in multiple publications and acquired numerous media mentions throughout the year.

Throughout 2021, Public Affairs and Communications issued more than 25 press releases and gave spokesperson interviews regarding Utility activities for media outlets in central Arkansas. Public Affairs and Communications also continued to support positive internal morale as well as an informed workforce through the REACH video bulletin board system at every CAW facility. These display boards allow the

sharing of real-time information with employees at duty stations to keep them informed, and to celebrate staff and Utility accomplishments.

During 2021, CAW held its first Science, Technology, Engineering, and Mathematics (STEM) education camp, the “H2O Leadership Institute.” Partnering with the University of Arkansas at Little Rock College of Science, Technology, Engineering and Math, the program hosted 20 students from the area for one week. The students were selected through two community programs, 100 Black Men of Greater Little Rock and Ambitious Girls. The focus was STEM education in the water industry, from watershed management to production to distribution. The students were fully involved in the process of treating water from forest to faucet.

CAW also grew its partnership with the Cabot School District, continuing 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. Hurley also hosted several in-person STEM events at the Cabot School District throughout the year and partnered with the Arkansas “Be Pro, Be Proud” traveling vocational program. CAW was also named one of the founding business partners of the Academies of Central Arkansas education program, which is part of the Ford Next Generation Learning program. This program is working to transform the public high schools in Pulaski County into career-themed academies.

During 2021, Public Affairs and Communications continued its highly rated campaign to promote Vessel as the nation’s first water leak detection canine, earning the cover of multiple magazines, including *North America Outlook*.

The Utility continued to have strong stakeholder involvement and heightened consumer interest in public-policy initiatives and the development of strategies to address various issues and challenges. In addition to embracing stakeholder input on various projects related to strategic planning, watershed protection and resource utilization, the Utility took a proactive approach to media relations for several key activities in 2021. The largest event was the celebration of CAW’s 20<sup>th</sup> anniversary on July 1, 2021, which was celebrated at a community event at the Ron Robinson Theater in Little Rock. Commissioners, stakeholders, elected officials, and community leaders attended the event and celebrated 20 years of innovation since the merger of Little Rock Municipal Water Works and the North Little Rock Water Department.

Other stakeholder engagement included the introduction of a new bottle filler program in the community. CAW provided bottle filling stations to the Little Rock School District, Museum of Discovery, North Little Rock Parks Department and the Little Rock Zoo in 2021. These stations promote sustainability by encouraging refilling of reusable bottles versus the continued dependence on one-time use bottles.

CAW was named one of the inaugural recipients of the U.S. Water Alliance “Water, Arts and Culture Accelerator” program, which fosters partnerships between water and wastewater utilities and artists in the community. The program offered a new opportunity for CAW to tell its story through art. CAW partnered with local artist Tanya Hollifield and produced a “Forest to Faucet” mural in downtown Little Rock. The mural includes an integrated bottle filling station so citizens can have access to safe, clean water as they walk through the area.

The Utility continued to market and promote enrollment in paperless billing and use of improved online account management features. CAW introduced the “Skip the Trip” campaign, which educated customers on different ways to pay away from the traditional paper billing or drive-thru payment approach. Future engagement will include the rollout of chat functionality through our website and text messaging for billing messages and outage notification.

The Environmental Health and Safety (EHS) section works to create and maintain a safe workplace environment, both in the field and in the office, by preventing accidents and occupational illnesses. EHS staff conduct intense employee training, perform routine health and safety inspections throughout the Utility, and eliminate unsafe acts and conditions. Due to on-going COVID-19 and social distancing guidelines, in-person safety training was greatly impacted at CAW. EHS continued to train mainly new employees regarding Utility safety policies and procedures but placed a greater emphasis on field activities. EHS provided 99 training sessions that equaled 2,489 training hours for employees in 2021. In addition, the EHS section emphasized personal safety outside the classroom by conducting 17 facility inspections and 559 jobsite inspections.

The Watershed Protection section continued its mission of protecting, restoring, and enhancing the natural watershed environment of the Utility’s two water sources. In 2021, staff planted an additional 12,000 trees to reforest approximately 40 acres of the Forest Legacy Property and purchased another 22,000 trees which will reforest another 60 acres in the spring of 2022. With this planting and the restoration of a recently acquired clear-cut property, CAW is projected to surpass more than 100,000 replanted trees in early 2022. Additionally, with partner assistance, a 12-acre native plant restoration field was planted with locally collected, local-genotype, native flowering plants and grasses. This restoration will add a more robust root-system to a lowland field adjacent to the Maumelle River and tributary, thus increasing source water protection, as well as providing critical habitat to local wildlife including quail and pollinators.

In 2021, CAW received certification of 2,509 acres of Lake Maumelle watershed forest lands under Sustainable Forest Initiative, becoming the first water utility in the world to achieve this certification. The Lake Maumelle watershed was also recognized by the American Tree Farm System as a Forest of Recognized Importance (FORI), one of only two non-federally owned FORIs in the state of Arkansas.

#### *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 replacement of the CIS was the top priority for IS in 2021. It was all hands-on deck for the IS staff when it came to developing, testing, implementing, and post Go-Live of Cayenta Utilities (CU). The Geographic Information System (GIS) section implemented an integration piece between Cityworks and Cayenta that passes work orders and information back and forth between the two systems. This integration is mission critical as it allows for near real time work order communication between office and field staffs.

During 2021, IS upgraded the memory for ESXI – VM Host Server. This hardware increased the capacity of CAW VM Ware Host server environment and gave us an additional 15 terabytes (TB) of storage on top of the 40 TB we previously had, bringing total storage to 55 TB. This upgrade is used to support the Cayenta environment.

CAW was using an inefficient process involving paper forms and manual data entry into an access database to record and analyze water loss incidents. Cityworks was already the system of record for field work, so GIS determined it would be best to create water loss reports entirely within Cityworks. This resulted in the creation of a Crystal Report that uses custom fields within the workorder templates to categorize, calculate, and summarize water loss based on several variables. This new workflow has improved the process several ways: reduced the manhours required to track water loss, increased accuracy of reporting of water loss incidents as there are no lost paper reports, and increased ease of both tracking and reviewing reported water loss.

### Customer Service

The Customer Service department has historically been the first point of contact for our customers. The Customer Service department gathers data and provides information to customers about everything from meter installation to their monthly billing statement and everything in between. Additionally, customers contact Customer Service for general information and utility-specific guidelines and procedures. The Customer Service department consists of CAW's Meter Reading team, the CAW Contact Center, and the Cash Processing team.

As in other departments and sections, the conversion of customer accounts to the CU platform was a major accomplishment for Customer Service. This project has been a primary goal of CAW for the last three years, and thousands of hours of work went into bringing this to fruition. As the principal set of end users, Customer Service staff assisted in implementing, testing, and training to ensure the CU conversion was a success.

Customer Service, Billing, and Distribution partnered together with Henard Utilities from Searcy, Arkansas, to convert all wholesale meter customers to new advanced metering infrastructure (AMI) technology. New meters were installed in those locations, and all customers were upgraded to cellular registers and endpoints. This allowed the Utility to view daily data to ensure customers meet their contractual obligations while also assisting in the monthly wholesale billing process.

In anticipation of the CU software conversion, we brought all customer service team members back into the office for training, beginning in March 2021. CAW made significant adjustments to our workspace to maintain social distancing. We also implemented building health measures to ensure that all employees were sufficiently masked and that willing employees were allowed time to schedule vaccinations. Partitions were installed to decrease air flow between workstations. After conversion and while national infection numbers were escalating in August 2021, a portion of CAW employees moved back to working from home.

### Finance

The Finance department is the Utility's business operations center. The department includes multi-disciplined and cross-functional teams of professionals involved in accounting, finance, billing, and purchasing. The department's responsibilities cover a broad range of functions that include financial

planning and reporting, fiscal control, interdepartmental budgeting, billing, utility-wide purchasing, remittance processing, credit and collections, rate-making, investments, bond-issue preparation, banking relationships, business insurance coverage, merger accounting, and risk management.

The Finance department received the Certificate of Achievement for Excellence in Financial Reporting from the GFOA for the Annual Comprehensive Financial Report for the year ending December 31, 2019. This is the eleventh consecutive year the department has received this distinction. Additionally, for the twelfth consecutive year, the Finance department received the Distinguished Budget Presentation Award. The Finance department also received the Popular Annual Financial Reporting Award from the GFOA for the third time.

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

The GFOA 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 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.

Finance aided in the conversion of the CIS with both staffing resources and business process knowledge as the team worked through the user acceptance testing, Go-Live, and post stabilization phases of the project.

Finance assisted in the issuance of \$2 million in water revenue bonds. Series 2021A Water Revenue Bond was issued in September 2021 for \$200 thousand to refinance the Frazier Pike Public Facilities System bond. Additionally, Series 2021B Bond was issued for \$1.8 million to fund the acquisition of the Wye Mountain Water Facilities System.

### Engineering

The Engineering department oversees the engineering, development, review and management of all treatment, pumping, storage and distribution improvements and the approval of residential, commercial, and large volume requests for services. The department also maintains vigilance within the service area to protect the system from contamination from backflow or cross-connections. The Engineering department consists of three sections: Engineering and Planning, Cross Connection Control Program (CCCP) and New Construction/New Service.

The Engineering department, through capital improvement projects and private developer construction, managed and oversaw the installation and/or replacement of approximately 12.21 miles of public water mains in 2021. Also, in 2021, approximately 3.74 miles of old, high maintenance, public water mains were retired.

In 2021, the Engineering department designed and managed through contract construction, the installation of approximately 17,500 feet (3.3 miles) of galvanized, PVC, and asbestos-cement pipe replacement. The Engineering department also designed for installation approximately 14,000 feet (2.7 miles) of galvanized pipe replacement that was performed in-house by the CAW Distribution department.

During 2021, Engineering completed numerous major and minor relocation projects for street, road, and drainage improvements initiated by the Arkansas Department of Transportation (ARDOT) and the cities of Little Rock, North Little Rock, Sherwood, and Maumelle. Major relocation projects included Janmar Drive, Chicot Road, and North Rodney Parham Road in Little Rock, and Country Club Road in Sherwood.

After completion of a 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 million of improvements was completed in the first quarter of 2019. Based on this design work, the improvement work was divided into two phases. The first project phase, which included the water plant physical improvements, was bid in mid-2019 and construction began in the third quarter of 2019. The Engineering department managed and oversaw construction inspection of the water treatment plant work since its start in 2019 and through its completion in December 2021. The second phase of work consists of painting and other improvements to two large-capacity water storage tanks located at the plant. This work was bid in mid-2021 and construction commenced soon thereafter. Engineering again has managed and overseen construction inspection of this work. This phase of work is expected to be completed by mid-2022.

The Engineering department continued consultation with ARDOT for water line relocations along the 30 Crossing Project, which will include the installation of a replacement 24-inch transmission main on the 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. Installation of the pipe on the new bridge structure commenced in 2021 and is expected to be completed in 2022. In addition to the transmission main at the bridge crossing, Engineering designed, bid, and managed two large water main relocation projects along Interstate 30 on either side of the river necessary for the Interstate 30 improvements. The first project was completed in early 2021, while the second was completed in December 2021.

Engineering also continued work with ARDOT for water line relocations along the Highway 10 (Cantrell Road) improvements west of Interstate 430. Water line relocation design was completed in early 2020, and a \$2.4 million contract was executed with ARDOT for ARDOT to have the relocation work performed by its road contractor. Engineering has supervised and inspected the work since its start in mid-2020. The project was completed mid-2021.

While POWA merged with CAW in 2020, Engineering continued to assist the operation and maintenance work necessary to return the POWA water treatment plant to proper production. Engineering bid and inspected a project to remove solids from the treatment plant settling basin. By the end of 2021, Engineering had prepared plans and specifications for the painting of all five of the water storage tanks in the Paron system. This work will be bid and completed in 2022.

In 2021, Engineering designed, bid, and managed replacement and rerouting of 73 private domestic service lines and 62 private irrigation service lines in the Pulaski Heights area of Little Rock. These involved relocating the customer meter from rear alleys to new mains installed along the front street of the

properties so that the old, high maintenance, and difficult to access galvanized alley mains could be abandoned.

CAW began an engineering study at the Jack H. Wilson Water Treatment Plant that examined and evaluated the physical condition and operation of the water treatment plant. This study commenced in September 2020 and was mostly complete by December 2021. Issuance of the final report is expected in early 2022.

During 2021, Engineering also completed a project to repair leaks and clean water storage Tanks #26A and #26B.

In 2021, the Engineering department also started other engineering designs for new projects scheduled for construction in 2022 and beyond, including water main relocations due to new street/highway improvements, replacement of troublesome galvanized, PVC, and asbestos-cement water mains, and engineering management of consultant design for approximately \$18 million of new water main installation in west Pulaski County.

### Water Production

The Water Production department monitors and operates, on a day-to-day basis, the source water facilities; the Wilson, Ozark, and Paron treatment plants; high-service pumping stations; the distribution system booster pumping stations; storage tanks; intersystem valves; and the supervisory control and data acquisition (SCADA) system. Staff maintain awareness of water quality information, regulations, and operational technology development.

Water Production's responsibilities include ensuring compliance with the Safe Drinking Water Act (SDWA); and the monitoring and treatment of National Pollutant Discharge Elimination System (NPDES) permitted waste discharges. The department also coordinates all water quality sampling and laboratory activities, including operating one of the few microbiological laboratories certified by the Arkansas Department of Health (ADH).

The treatment plants produced an average of 63 million gallons of potable water per day in 2021. To ensure accountability to all water users and uphold our commitment to public health protection, all operating staff members must obtain both Water Treatment and Water Distribution Operator's Licenses issued by the ADH. Supervisory and some additional operating staff also hold wastewater licenses from the Arkansas Department of Environmental Quality (ADEQ) for discharging water through regulated discharge sites with NPDES permits. Continuing education is required, biannually, to maintain licensing.

Looking toward the future and recognizing our commitment to provide water exceeding all regulatory requirements, the department staff and partner consulting engineering firms embarked on a comprehensive study of the Wilson Plant during 2021. This study evaluated the Plant's structures, filters, and basins; the water treatment processes; and proposed federal/state regulatory impacts. Study components included federal/state regulatory assessment, treatment process assessment and optimization, facility/structure condition assessment, hydraulic modeling of the treatment process through the plant, and preparation of an engineering report. The resulting engineering report detailed conditions found and made recommendations for rehabilitation and improvements to structures and optimization of the treatment processes. The design phase is scheduled to begin late 2022 with equipment selection prior to design.

Staff also upgraded the POWA SCADA system by changing the human to machine interface (HMI) software to ignition enhancing standardization and reliability.

Water Production staff were heavily involved in the Perla receivership beginning December 2021 and continued into 2022. Contractors cleaned collection system lines along with CAW personnel. CAW also repaired control system at stations as well as rehabilitated homeowner and system grinder stations and lift stations.

At the Lake Maumelle Pump Station, a new line supplying the facility with potable water off of Highway 300 was run in order to shut down the onsite treatment system.

The Water Production department continued its proactive work of enhancing operations through optimization of treatment processes and operational practices, including personnel training and use of appropriate technology. New turbidimeters were installed at the Paron treatment plant as well as variable frequency drives at all pump stations in the Paron system. Steps taken toward meeting optimization goals outlined in the Partnership for Safe Water's (PSW) Distribution Optimization Program include the installation of mixers in two more distribution tanks and the installation of two additional chlorine residual probes to provide real-time water quality data. Staff continued making progress under the PSW's Treatment Optimization Program and submitted the baseline report to the American Water Works Association's Partnership team. The Treatment Optimization Team will begin the PSW Ozark assessment in 2022.

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

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

Distribution

The Distribution department ensures that the infrastructure used to transport water to customers is maintained to current standards and is quickly repaired when necessary. Although CAW's distribution system is highly technical, the Distribution department's goal is simple--to provide dependable water service and high quality water to CAW customers. To meet this overarching goal, the department undertakes a wide variety of initiatives to improve the distribution system's stability, reliability, resiliency, and sustainability.

In 2021, the Distribution department completed over 105,000 work orders on CAW assets, including water mains, services, meters, valves, and hydrants. All work in the department is captured and tracked through Cityworks, CAW's work management system.

The Distribution department continues to devote resources to reducing unaccounted-for water (UAW). Our Distribution Leak Detection Specialist/Handler, Tim Preator, along with CAW's Detective Dog, Vessel, and the applicable Troubleshooter investigate possible leaks throughout the system. Late in 2021, Tim and Vessel started looking and listening for leaks on our pre-60's Cast Iron mains. Their efforts will continue until all mains are checked. Distribution also purchased new leak detection loggers to assist in finding leaks. For December 2021, the 12-month average was 11.02%, below the ADH's UAW action level of 15%. However, we strive to be below the American Water Works Association (AWWA) Standard, which is at 9.5%.

In November of 2020, CAW hired Utilis to perform a satellite survey on 1000 miles of pipe in the Maumelle Area and Gravity System to help CAW find undetectable leaks. Their survey provided us with 304 point of interest (POI) locations to investigate. Staff completed investigating all POI in June. Crews were able to locate 75 leaks surveying the POI's Asterra provided to CAW. 46 of the leaks were found to be non-surfacing leaks. This survey not only helped CAW find leaks in the system but helped with customer leaks. Once these leaks were confirmed, the homeowner was notified.

The department strives to maintain outstanding levels of service for customers. In 2021, the system had 560 spontaneous main breaks; however, only 44 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 56,400 feet of aging infrastructure in 2021. Distribution's proactive approach in replacing troublesome mains has paid significant dividends, with the continued reduction of galvanized main breaks. The department enacted the two-inch galvanized pipe replacement program in 2010, leading to a decrease in the number of spontaneous breaks from 234 breaks per 100 miles of galvanized pipe in 2010 to 151 breaks per 100 miles galvanized pipe in 2021. We saw a slight increase in galvanized main breaks per 100 miles in 2021 from 2020, partially due to the extreme weather event that occurred in February.

In 2019, Distribution and Engineering staff inspected all the raw waterline creek crossings and found several areas needing repairs. The team prioritized each crossing needing repairs. Since 2019, Staff has restored six creek crossings—two crossings in 2021. As workload permits, Distribution staff will continue to repair these creek crossings.

Along with the GIS section's help, Distribution staff continued its efforts in mapping all meters within the system, collecting global positioning system (GPS) points on an additional 1,216 meters in 2021. Staff continues to run reports every quarter for any new meters installed. The initiative to capture customer meter locations is twofold. One reason is to quickly locate a meter that may be covered by leaves or snow, and the second is that mapping meters are the first step in moving forward with a 'Smart Outage' type software. The 'Smart Outage' would allow field personnel to identify all valves needed for emergency shutdowns, the number of customers affected, and each customer's names and addresses attached to the account in one click. Future features would include phone/text/email notification of emergency shutdowns in affected areas. In 2022, 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 8,057 water meters through its meter change-out program. Per our meter replacement program, 5/8-inch meters are changed every 16 years, or sooner for larger meters.

Due to unsatisfactory service conditions, Distribution continued to focus on service line replacements in Maumelle. Distribution has replaced 993 service lines since the merger in 2016. Crews replaced 123 service lines in 2021. Service line replacements will continue to be highly important in 2022 for the Maumelle area. At the end of 2021, there were less than 100 services to be replaced in that area.

Inspectors focused on inspecting 12-inch and smaller valves throughout the system in 2019. In 2021 CAW inspectors checked 9,099 valves. Since 2019, inspectors have inspected 23,904 valves throughout the system. With over 35,000 valves, inspections are projected to be completed by the end of 2023. Along with checking 12-inch and smaller valves, staff inspected all 14" and larger valves. These larger valves are inspected annually.

In August 2021, inspectors shifted their efforts to inspecting all the fire hydrants south of the Arkansas river. Inspectors were able to check 6,889 fire hydrants by the end of 2021. We will continue to focus on getting all the fire hydrants south of the river inspected in early 2022 and then begin to check all the fire hydrants on the north side of the river.

In 2021, staff installed three sample stations to monitor water quality in the Paron service area. CAW staff relocated several sections of water mains due to a highway widening project.

As part of the Parla system rehabilitation, staff collected GPS points on hydrants, hydrant valves, system valves, meters, sewer manholes, and other sewer facilities. We repaired water mains that were leaking for several years. In addition, plant maintenance personnel restored three sewer pump stations that were not working properly.

In December of 2020, Distribution created an Easement/Paron Crew. This crew focused its efforts on clearing overgrown easements throughout the system. Along with clearing easements, this crew tackles any emergencies or work orders created for the Paron service area. In 2021, the easement crew cleared three percent of the easements in the CAW's system before reassignment. This crew was moved to the Maumelle service area, replacing services. It is anticipated that this crew will return to clearing easements in 2022.

## RELEVANT FINANCIAL POLICIES

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

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

- Principal and interest payment delinquencies
- Nonpayment-related defaults
- Unscheduled draws on debt service reserves
- Unscheduled draws on credit enhancements
- Substitution of credit or liquidity providers
- Adverse tax opinions
- Modifications to rights of security holders
- Bond calls, tender offers and defeasances
- Release, substitution, or sale of property securing repayment
- Rating changes
- Bankruptcy, insolvency, or receivership
- Merger, consolidation, or acquisition
- Appointment of a successor or additional trustee
- Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.
- Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any which reflect financial difficulties.

## OTHER INFORMATION

### Independent Audit

An independent audit by certified public accountants is important in determining the reliability of the Utility's financial statements. The importance of such verification has been recognized by the federal and state governments, the Utility's bondholders, and the general public. The Utility contracted with the accounting firm **BKD, LLP** for this audit. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The auditor's reports have been included in the Financial Section of this report.

### Award

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

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

A Certificate of Achievement is valid for a period of one year only. The Utility has received a Certificate of Achievement for eleven years. We are waiting for the Certification for the December 31, 2020 ACFR, which was previously submitted to GFOA. However, we believe that our December 31, 2020 ACFR, as well as our current ACFR, continue to meet the COA program's requirements. We are submitting the December 31, 2021 report 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.
- Supply chain shortages stemming from the COVID-19 pandemic and continuing into the foreseeable future, could hinder 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". The signature is stylized and fluid, with a long horizontal line extending to the right.

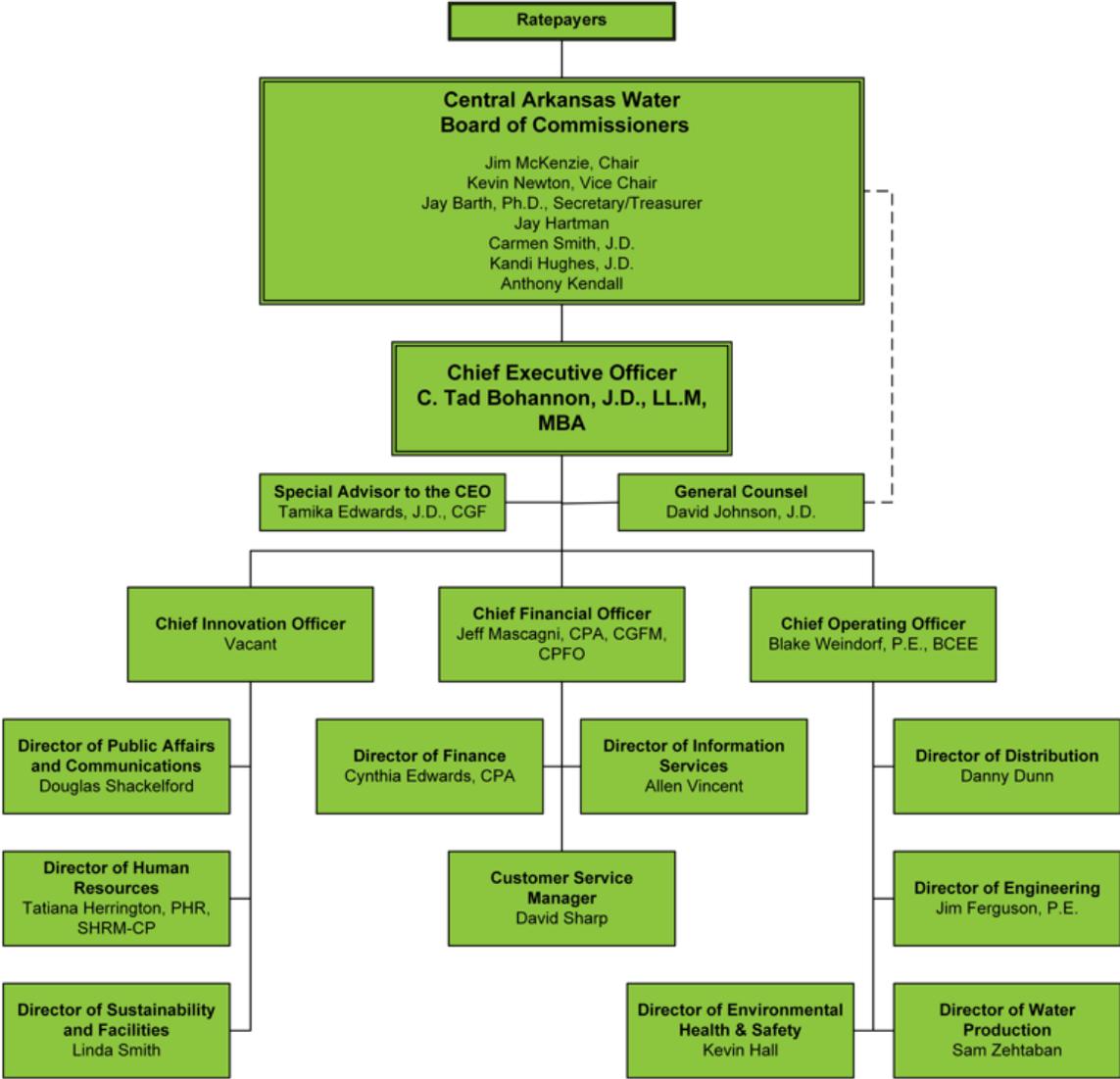
Tad Bohannon  
Chief Executive Officer  
CTB/jbm

*(This page intentionally left blank)*

# CENTRAL ARKANSAS WATER

## Organizational Chart

Effective: December 31, 2021



***(This page intentionally left blank)***



**Jim McKenzie  
Chair**



**Board of  
Commissioners**



**Kevin Newton  
Vice Chair**



**Jay Barth, PhD  
Secretary / Treasurer**



**Jay Hartman  
Member**



**Carmen Smith  
Member**



**Kandi Hughes  
Member**



**Anthony Kendall  
Member**

***(This page intentionally left blank)***

**Central Arkansas Water**  
**MANAGEMENT TEAM**

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

*(This page intentionally left blank)*



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Central Arkansas Water**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

December 31, 2019

*Christopher P. Merrill*

Executive Director/CEO

*(This page intentionally left blank)*

## **Central Arkansas Water**

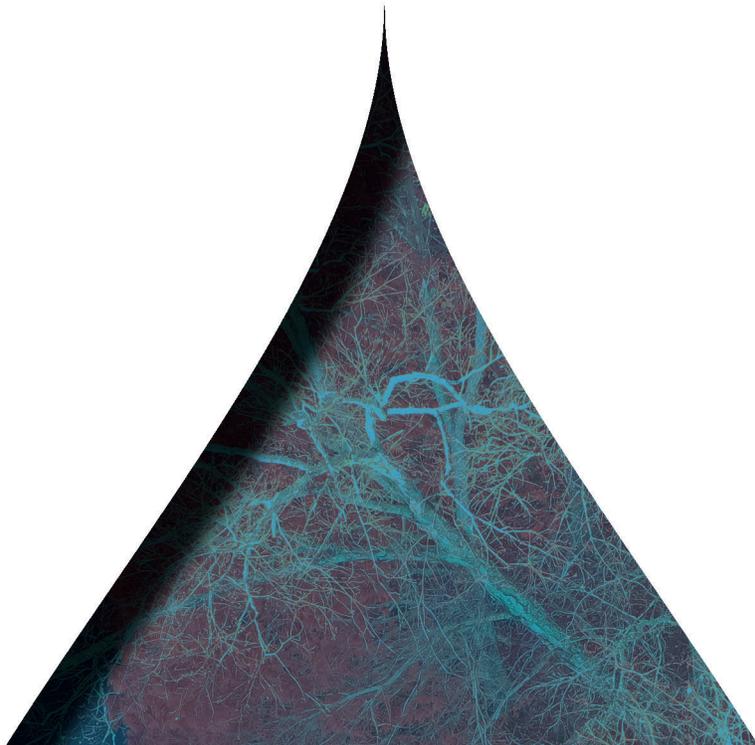
### **GLOSSARY OF ACRONYMS AND ABBREVIATIONS**

ACFR	Annual Comprehensive Financial Report
ADEQ	Arkansas Department of Environmental Quality
ADFA	Arkansas Development Finance Authority
ADH	Arkansas Department of Health
AMI	Advanced Metering Infrastructure
ANRC	Arkansas Department of Agriculture, Natural Resources Division
APERS	Arkansas Public Employees Retirement System
ARDOT	Arkansas Department of Transportation
AWWA	American Water Works Association
BCEE	Board Certified Environmental Engineer
BLS	Bureau of Labor Statistics
CAW	Central Arkansas Water
CCCP	Cross Connection Control Program
CCF	Centum Cubic Feet (Hundred Cubic Feet)
CCMP	Certified Change Management Professional
CDs	Certificates of Deposit
CGF	Certified Group Facilitator
CGFM	Certified Government Financial Manager
CIS	Customer Information System
CPFO	Certified Public Finance Officer
CPA	Certified Public Accountant
CU	Cayenta Utilities
EHS	Environmental Health and Safety
FORI	Forest of Recognized Importance
GASB	Governmental Accounting Standards Board
GFOA	Government Finance Officers Association of the United States and Canada
GIS	Geographic Information System
GPS	Global Positioning System
HIVIP	High Performing, Innovative, Values-Drive, Informed, Passionate
HMI	Human to Machine Interface
HR	Human Resources
IS	Information Services
J.D.	Juris Doctor
JTH	James T. Harvey Administration Building

## **Central Arkansas Water**

### **GLOSSARY OF ACRONYMS AND ABBREVIATIONS**

LL.M	Master of Laws
MAWA	Mid-Arkansas Water Alliance
MBA	Master of Business Administration
MWM	Maumelle Water Management
NPDES	National Pollutant Discharge Elimination System
OPEB	Other Postemployment Benefits
PAFR	Popular Annual Financial Report
P.E.	Professional Engineer
PFAS	Per- and polyfluoroalkyl Substances
PHR	Professional in Human Resources
POWA	Paron-Owensville Water Authority
PSW	Partnership for Sale Water
SCADA	Supervisory Control and Data Acquisition
SDWA	Safe Drinking Water Act
SEC	Securities and Exchange Commission
SHRM	Society for Human Resources Management
SHRM-CP	SHRM Certified Professional
STEM	Science, Technology, Engineering, and Mathematics
TB	Terabyte
UAW	Unaccounted for Water
WEF	Water Environment Federation



**FINANCIAL  
SECTION**





## Independent Auditor's Report

Board of Commissioners  
Central Arkansas Water  
Little Rock, Arkansas

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the 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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of Central Arkansas Water and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Emphasis of Matters***

As discussed in *Note 11* to the financial statements, in 2021, the Utility eliminated two fiduciary funds. Our opinions are not modified with respect to this matter.

As discussed in *Note 13* to the financial statements, in 2021 and 2020, the Utility merged entities into its organization. Our opinions are not modified with respect to this matter.

### ***Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Utility's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utility's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Utility's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***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 is the responsibility of management and, 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 audit 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***

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*BKD, LLP*

Little Rock, Arkansas  
April 15, 2022

*(This page intentionally left blank)*

A large graphic of a water drop, filled with a purple and blue gradient, containing a close-up image of a purple flower. The drop is centered on the page. A horizontal green bar is overlaid across the middle of the drop.

# MANAGEMENT'S DISCUSSION & ANALYSIS





**Central Arkansas Water**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2021 and 2020**

This section of the ACFR presents management's analysis of the Utility's financial performance during the fiscal years ended December 31, 2021 and 2020. 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**

- Operations increased the Utility's net position by \$15,570,000 in 2021 as compared to a \$2,279,000 increase in 2020. Increased consumption, less pension expense, and increased contributions-in-aid of construction drove the 2021 increase. The increase in 2020 was due to increased billing fee charges and gain on sale of assets, which were offset by decreased retail water consumption coupled with decreased turn-on charges, decreased investment income, and increased expenses all related to the COVID-19 pandemic.
- Operating revenues increased \$8,647,000, or 12.9%, in 2021 and increased \$493,000 in 2020. Increased consumption, additional ancillary charges, and additional watershed protection fees drove the 2021 increase. Operating expenses decreased by \$1,954,000 from 2020 to 2021 and increased by \$766,000 from 2019 to 2020. The 2020 to 2021 decrease was primarily due to a reduction in labor and benefit expense for the year. This decrease also stemmed from an increased return on investment in pension funds, which lowered pension expense for the year. The 2019 to 2020 increase was primarily due to increased personnel costs offset by declining electric utility and chemical costs as a result of decreased consumption.
- The Utility's total noncurrent liabilities decreased during 2021 by \$27,324,000 and increased by 62,000,000 in 2020. The 2021 decrease was due to reduction in net pension liability, while the 2020 increase was due to issuance of four new bonds to fund the POWA Consolidation, capital costs, and watershed land acquisitions, as well as refunding existing debt.

**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

**Central Arkansas Water**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**December 31, 2021 and 2020**

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

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

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

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

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

The *statements of fiduciary net position and statements of changes in fiduciary net position* provide information about resources accumulated in the OPEB Trust to fund the costs of postemployment health care benefits for eligible employees, as well as the assets and liabilities of Brushy Island Public Water Authority (Brushy Island) and Perla Water and Sewer Association (Perla), both 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, Brushy Island debt service, or Perla Water's operations.

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, 2021 and 2020**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Assets</b>			
Total current assets	\$ 69,559,000	\$ 62,823,000	\$ 65,213,000
Restricted noncurrent assets	34,631,000	45,540,000	12,357,000
Net capital assets	507,748,000	488,602,000	458,420,000
Total Assets	<u>\$ 611,938,000</u>	<u>\$ 596,965,000</u>	<u>\$ 535,990,000</u>
Deferred Outflows of Resources	<u>\$ 11,023,000</u>	<u>\$ 16,663,000</u>	<u>\$ 10,815,000</u>
<b>Liabilities</b>			
Total current liabilities	\$ 31,155,000	\$ 30,086,000	\$ 28,404,000
Total noncurrent liabilities	178,373,000	205,697,000	143,519,000
Total Liabilities	<u>\$ 209,528,000</u>	<u>\$ 235,783,000</u>	<u>\$ 171,923,000</u>
Deferred Inflows of Resources	<u>\$ 23,064,000</u>	<u>\$ 4,220,000</u>	<u>\$ 5,316,000</u>
<b>Net Position</b>			
Net investment in capital assets	\$ 373,343,000	\$ 367,649,000	\$ 357,587,000
Restricted – expendable	10,459,000	8,851,000	8,806,000
Unrestricted	6,567,000	(2,875,000)	3,173,000
Total Net Position	<u>\$ 390,369,000</u>	<u>\$ 373,625,000</u>	<u>\$ 369,566,000</u>
<b>Operating Revenues</b>			
Little Rock water sales	\$ 34,924,000	\$ 31,400,000	\$ 32,376,000
North Little Rock water sales	16,277,000	14,357,000	14,181,000
Maumelle water sales	3,832,000	3,394,000	3,433,000
POWA water sales	591,000	574,000	-
Wholesale	5,156,000	4,712,000	4,649,000
Penalties	1,057,000	1,121,000	1,020,000
Turn-on charges	616,000	914,000	1,403,000
Ancillary charges	12,245,000	10,644,000	8,819,000
Other revenue	875,000	(190,000)	552,000
Total Operating Revenues	<u>75,573,000</u>	<u>66,926,000</u>	<u>66,433,000</u>
<b>Operating Expenses</b>			
Administration	5,402,000	6,060,000	6,928,000
Information services	4,071,000	3,843,000	3,528,000
Customer service	3,302,000	3,796,000	3,711,000
Finance	2,780,000	3,002,000	2,865,000
General	2,582,000	2,832,000	2,246,000
Engineering	1,699,000	2,037,000	2,863,000
Water production	12,903,000	10,926,000	10,186,000
Distribution	13,097,000	15,621,000	15,583,000
POWA operating expenses	222,000	281,000	-
Depreciation	13,552,000	13,166,000	12,888,000
Total Operating Expenses	<u>59,610,000</u>	<u>61,564,000</u>	<u>60,798,000</u>
Operating Income	<u>15,963,000</u>	<u>5,362,000</u>	<u>5,635,000</u>

**Central Arkansas Water**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**December 31, 2021 and 2020**

	2021	2020	2019
Nonoperating Revenues (Expenses)			
Transfers to Cities of LR and NLR	\$ (795,000)	\$ (802,000)	\$ (791,000)
Gain (loss) on disposal of capital assets	281,000	81,000	(496,000)
Investment income	47,000	256,000	1,270,000
Bond and other interest expense	(3,986,000)	(3,708,000)	(2,162,000)
Intergovernmental	214,000	-	-
Total Nonoperating Expenses	<u>(4,239,000)</u>	<u>(4,173,000)</u>	<u>(2,179,000)</u>
Income Before Contributions	11,724,000	1,189,000	3,456,000
Contributions			
Capital contributions from grantors	-	9,000	-
Contributions-in-aid of construction	<u>3,846,000</u>	<u>1,082,000</u>	<u>3,079,000</u>
Total Contributions	<u>3,846,000</u>	<u>1,091,000</u>	<u>3,079,000</u>
Change in Net Position	<u>15,570,000</u>	<u>2,280,000</u>	<u>6,535,000</u>
Net Position – Beginning of Year, as previously reported	373,625,000	369,566,000	363,031,000
Net Position of merged entities, beginning of year	<u>1,174,000</u>	<u>1,779,000</u>	<u>-</u>
Net Position – Beginning of Year, as Restated	<u>374,799,000</u>	<u>371,345,000</u>	<u>363,031,000</u>
Net Position – End of Year	<u>\$ 390,369,000</u>	<u>\$ 373,625,000</u>	<u>\$ 369,566,000</u>

**Statements of Net Position**

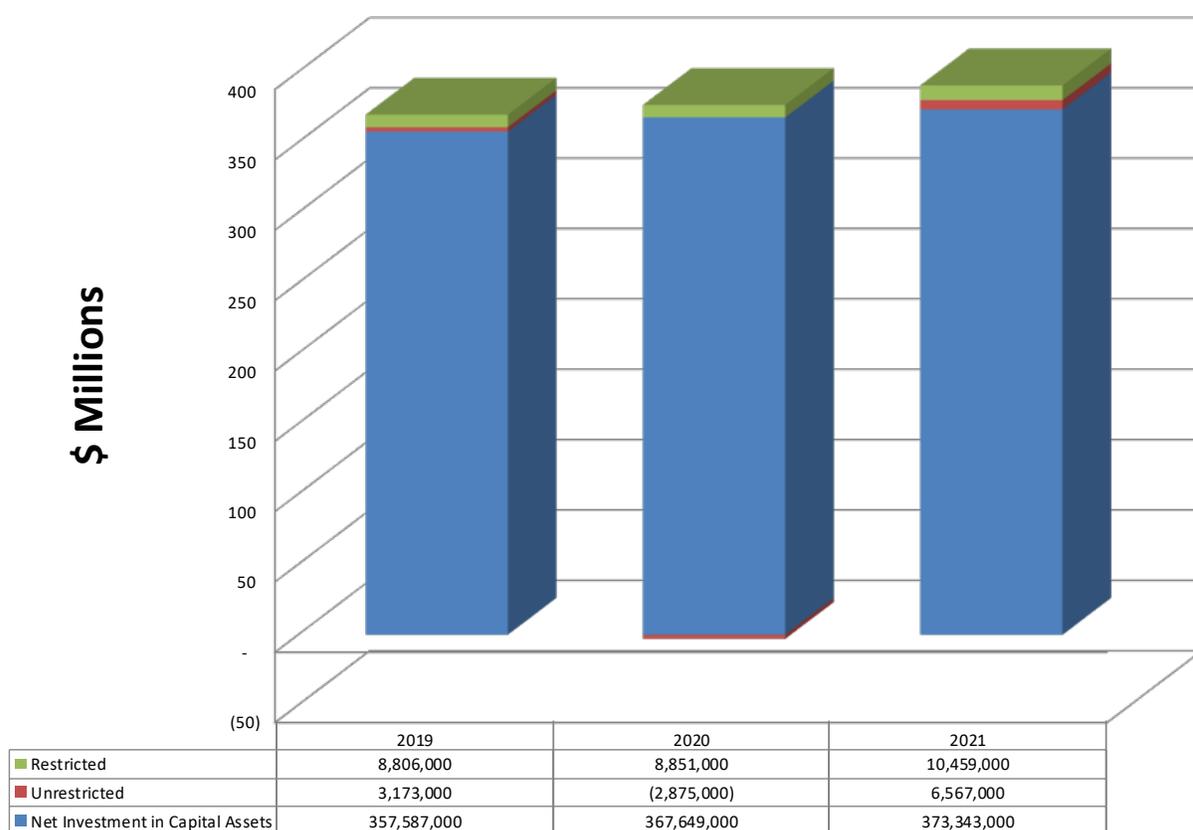
As noted earlier, net position may serve, over time, as a useful indicator of the Utility's financial position. At the close of 2021 and 2020, the Utility's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$390,369,000 and \$373,625,000, respectively. The largest portion of net position, 96% and 98% in 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020.

An additional portion of the Utility's net position, 3% and 2% in 2021 and 2020, respectively, is comprised of resources that are subject to external restrictions on how they may be used. In 2021 restricted net position increased \$1,608,000 and increased \$45,000 in 2020. Balances in restricted net position accounts will fluctuate as resources are accumulated to repay outstanding bonds and construction proceeds are spent.

**Central Arkansas Water**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**December 31, 2021 and 2020**

The remaining balance of net position, \$6,567,000 in 2021 and negative \$2,875,000 in 2020, was unrestricted and was used to meet the Utility's ongoing obligations to customers and creditors. Unrestricted net position increased \$9,442,000 in 2021 and decreased \$6,048,000 in 2020. The increase in 2021 was due to the decrease in liabilities related to postemployment benefits, while the 2020 decrease was due to the increase in liabilities related to postemployment benefits.

**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, 2021 and 2020, were 2.2 and 2.1, respectively. This ratio means for every \$1.00 in current liabilities as of December 31, 2021, the Utility had \$2.20 in current assets. For the years ended December 31, 2021 and 2020, the quick ratios were 2.1 and 2.0, respectively.

**Central Arkansas Water**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**December 31, 2021 and 2020**

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.

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 31 days and 29 days as of December 31, 2021 and 2020, respectively.

The Utility continued to strive to improve cash flow and customer service by offering a variety of payment options. In addition to accepting payments at the Capitol Avenue drive-thru 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. CAW staff continued to promote paperless billing and electronic payments through bill discounts, totaling \$0.50 and \$0.20, respectively .

Another important ratio is the debt utilization ratio. The debt utilization ratio is calculated by dividing total liabilities by total assets and was 34% for 2021 and 39% for 2020. These ratios were both within the median ratio of 39% as determined by the AWWA'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**

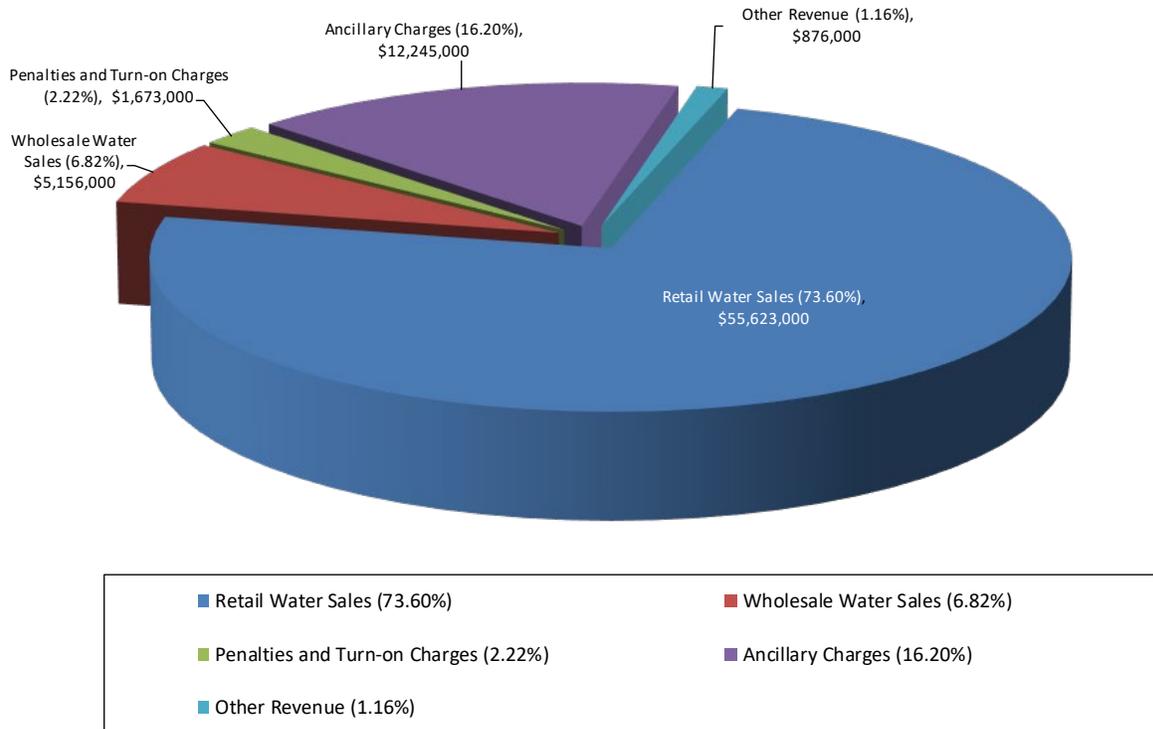
**Operating Revenues**

No consumption-based retail increases occurred in 2021. However, only 100 cubic feet (CCF) of consumption was included in the monthly minimum base rate rather than the two CCFs in previous years. No consumption-based retail increase is planned for 2022. However, no consumption will be included in the monthly minimum base rate, beginning June 1, 2022.

Operating revenue for 2021 increased \$8,647,000 from 2020 levels and increased \$493,000 in 2020 over 2019 levels. Water consumption totaled 17.9, 16.8, and 17.4 billion gallons in 2021, 2020, and 2019, respectively. Consumption increased from 2020 to 2021 beginning with an extreme winter event in February 2021 and continuing through year end. Even though water consumption decreased from 2019 to 2020, operating revenue increased due to a full year of the customer billing fee and an increase to the watershed protection fee.

**Central Arkansas Water**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)**  
**December 31, 2021 and 2020**

The following graph illustrates sources of revenue during the year ended December 31, 2021.



Operating Expenses

- Administration – Administration costs included commissioner, management, human resources, public affairs and communications, environmental health and safety, water quality, watershed management, and special project team expenses. Expenses decreased by \$658,000 from 2020 to 2021. This decrease was primarily due to \$956,000 less in pension expense than in 2020. This reduction in cost was offset by the decrease of capital labor attributed to the CIS replacement project of \$335,000. During 2020, total Administrative costs decreased \$868,000. The movement of the compliance and laboratory sections into the Water Production department is responsible for most of this decrease, with costs of \$1.1 million. An increase in payroll and related benefits of \$231,000 offsets the total decrease.
- 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 2021, total department costs increased by \$228,000. Increases in payroll of \$115,000, telephone, network, and software expenses of \$495,000, along with an offsetting decrease in pension expense of \$365,000 accounted for the increase. During 2020, total department

**Central Arkansas Water**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**December 31, 2021 and 2020**

costs increased by \$315,000. Increases in payroll and related expenses of \$57,000, telephone, network, and software expenses of \$168,000, and expenses directly related to the COVID-19 pandemic of \$68,000 accounted for the increase.

- Customer Service – Customer Service included costs related to customer service-office and meter reading. Costs decreased \$494,000 from 2020 to 2021. This decrease is due to a reduction in pension expense of \$550,000, offset by an increase in payroll of \$109,000. Costs increased \$85,000 from 2019 to 2020. This increase is due to an increase in payroll and related benefits.
- Finance – The Finance department included costs related to finance and budgeting, purchasing, and billing. From 2020 to 2021, total department costs decreased by \$222,000. This was primarily due to decreased pension expense of \$434,000, offset by increased payroll expense of \$210,000, which was partially attributed to decreased capital labor applied to the CIS replacement project. From 2019 to 2020, total department costs increased by \$137,000. This was primarily due to increased payroll and related benefits of \$145,000 related to the creation of the Director of Finance position in late 2019, increased billing costs of \$14,000, offset by decreased banking and processing fees of \$20,000.
- General – General expenses included costs for insurance and building maintenance at the James T. Harvey Administration Building (JTH), along with other costs. The largest expense items included group and retiree insurance, workers' compensation expenses, and business insurance premiums. General expenses decreased by \$250,000 from 2020 to 2021. Reduced other post-employment benefit expense of \$355,000 tempered by an increase to injuries and damages of \$118,000 was the driver of this decrease. General expenses increased by \$586,000 from 2019 to 2020. An increase of \$546,000 in retiree and group insurance costs, business insurance costs of \$36,000, materials cost of \$46,000, mail service costs of \$80,000 and POWA costs of \$30,000 offset by a decrease in water rights costs of \$118,000 accounted for the overall increase.
- 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 2021, total Engineering costs decreased by \$338,000. Decreases in pension expense and PTO expense of \$443,000 and \$33,000, respectively, along with an offsetting increase in payroll expense of \$171,000 accounted for this decrease. During 2020, total Engineering costs decreased by \$826,000 due to less Maumelle transition costs of \$750,000 and the elimination of the Regionalism section of the department, resulting in \$81,000 less cost.
- Water Production – Expenses for Water Production included treatment and maintenance of the lakes. Department costs increased by \$1,977,000 during 2021. The movement of two sections from Distribution to Water Production accounted for a significant portion of this increase, totaling \$2,070,000. Increases of \$262,000 in electric costs, \$178,000 in wastewater utility expenses, and \$230,000 in chemicals, along with an offsetting decrease in pension expense of \$1,026,000 were responsible for the remaining variance. Department costs increased by \$740,000 during 2020. This increase is partially due to the compliance and laboratory sections transferring from Water Quality, resulting in increased costs of \$855,000, \$235,000 in increased payroll and related benefits and

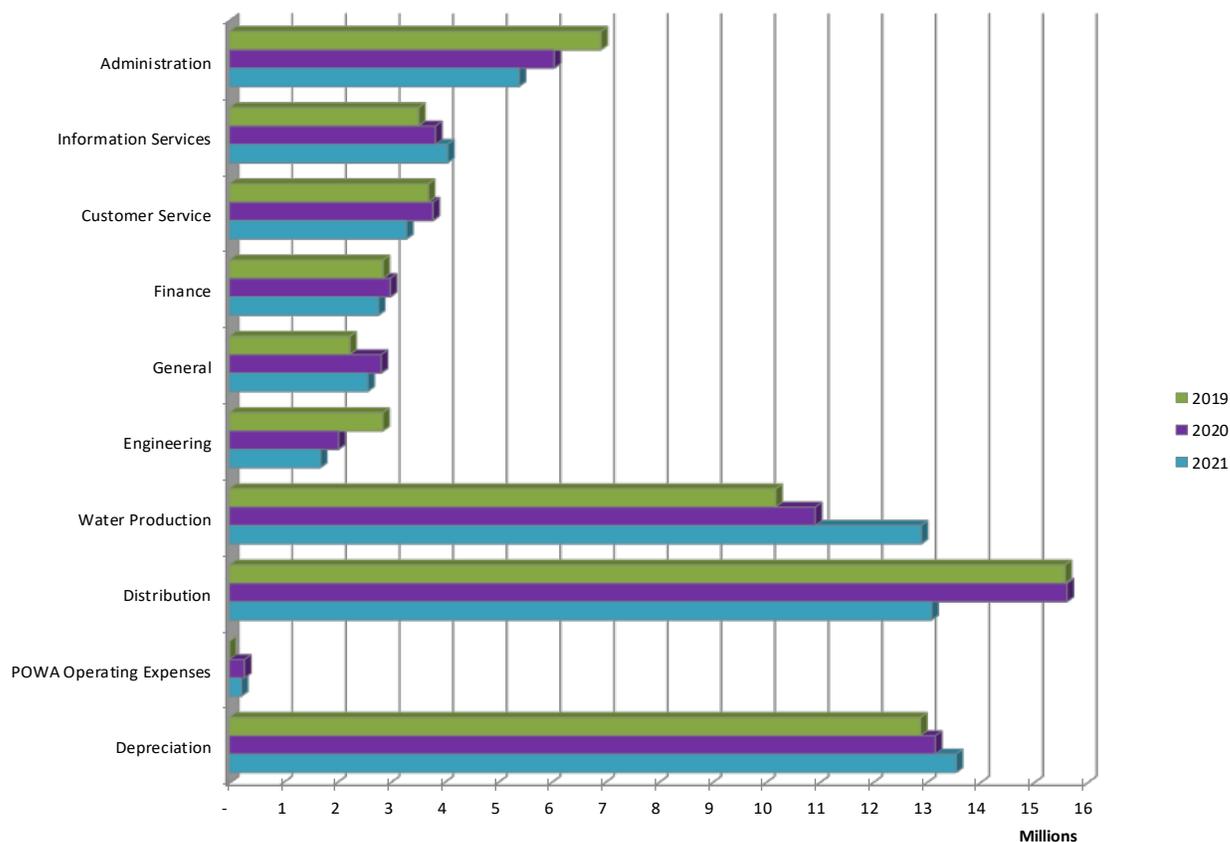
## Central Arkansas Water

### MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*

#### December 31, 2021 and 2020

increased wastewater utility expenses of \$147,000 offset by decreased chemical and electric utility costs of \$183,000, and \$224,000, respectively, account for the remaining variance.

- **Distribution** – The Distribution department included expenses for maintaining water mains, water storage tanks, vehicles, and other facilities. The 2021 costs decreased \$2,524,000 over 2020. The 2021 decrease stemmed from the movement of two sections from Distribution to Water Production, as mentioned above, and a decrease in pension expense of \$2,174,000. These cost reductions were offset by increases in job costs of \$719,000, fuel expense of \$132,000, hospitalization insurance expense of \$161,000, and payroll expense of \$891,000, of which \$237,000 was due to decreased capital labor. The 2020 costs increased \$38,000 over 2019. The 2020 increase was due primarily to increased payroll and related benefits costs of \$235,000 offset by a decrease in job costs of \$191,000.



**Central Arkansas Water**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)**  
**December 31, 2021 and 2020**

**Nonoperating Revenues (Expenses)**

- Investment Income – 2021 investment income decreased by \$209,000 from 2020 and decreased by \$1,014,000 from 2019. Both decreases were due to interest rates significantly decreasing in March 2020 due to the pandemic with no recovery in 2021.
- Bond Interest Expense – Net bond interest expense for 2021 was \$3,986,000 compared to \$3,708,000 for 2020. Increased construction draws on ANRC debt resulted in increased interest expense in 2021, while additional debt issuance and bond issuance costs in 2020 as well as increased construction draws on ANRC debt accounted for the increase from 2019 to 2020.
- 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 \$3,079,000 in 2019, decreased in 2020 to \$1,082,000, and increased in 2021 to \$3,846,000. 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 2021 include the following:

<b>Project Description</b>	<b>Total Cost</b>
Completed construction project to relocate 2,240 feet of 20-inch through 8-inch diameter existing water mains along and across Interstate 30 in downtown Little Rock	\$ 1,846,000
Completed construction project to relocate 610 feet of 6-inch and 3-inch diameter existing water mains along Janmar Drive in Little Rock	\$ 155,000
Completed construction project to relocate 6,000 feet of 6-inch existing water main with 8-inch water main along Country Club Road in Sherwood	\$ 1,446,000
Completed construction project to relocate 4,225 feet of 8-inch diameter existing water main along Chicot Road in Little Rock	\$ 660,000
Completed construction project to relocate 4,400 feet of 8-inch diameter existing water main along North Rodney Parham Road in Little Rock	\$ 738,000

**Central Arkansas Water**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**December 31, 2021 and 2020**

<b>Project Description</b>	<b>Total Cost</b>
Completed construction project to relocate 6,725 feet of 30-inch through 3-inch diameter existing water main along Cantrell Road (Hwy 10) in west Little Rock	\$ 2,477,000
Completed construction project to relocate 400 feet of 8-inch diameter existing water main along Interstate 30 in downtown Little Rock	\$ 94,000
Completed construction project to relocate and replace 26 domestic and 21 irrigation meter services in the Pulaski Heights area of Little Rock	\$ 299,000
Completed construction project to relocate and replace 47 domestic and 41 irrigation meter services in the Pulaski Heights area of Little Rock	\$ 612,000
Completed construction project to replace 4,200 feet of 6-inch and 2-inch diameter old, high maintenance water main in Sherwood	\$ 684,000
Completed construction project to replace 6,500 feet of 2-inch diameter old, high maintenance water main in North Little Rock	\$ 798,000
Completed a project to repair leaks and clean the exterior of water storage Tanks #26A and #26B	\$ 131,000

Major capital projects completed during 2020 include the following:

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

**Central Arkansas Water**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)**  
**December 31, 2021 and 2020**

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

Major capital projects completed during 2019 include the following:

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

**Central Arkansas Water**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**December 31, 2021 and 2020**

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

**Central Arkansas Water**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)**  
**December 31, 2021 and 2020**

<b>Project Description</b>	<b>Total Cost</b>
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

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

**Debt Administration**

At the end of 2021, the Utility had total outstanding debt of \$161,901,000. Total debt decreased by \$20,949, or 0.013%, in 2021, after increasing \$50,814,000, or 45.7%, in 2020. The 2020 increase was attributed to the four new debt issues and ongoing construction draws on the Ozark Point ANRC loan.

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

**Economic Factors and Next Year’s Financial Plan and Rates**

Local, state and federal government have been the area’s major employers for many years, as evidenced by again being the top three employers in 2020. Medical facilities are also very important to the local economy as seen with the fourth, fifth, seventh, eighth, and tenth largest employers in the area (see Page 103 for the top 10 area employers). The local economy was adversely impacted with the arrival of the COVID-19 pandemic in early 2021. Many businesses had to rethink business processes to accommodate the virus’ effect. Mask wearing and social distancing became the new way of life for Arkansans. Schools, restaurants, and many other businesses had to limit hours or temporarily shut doors to combat the virus’ spread. A vaccine and subsequent booster were released in 2021. Except for a couple of spikes, cases were on the decline, and restrictions for public places had begun to loosen.

Unemployment in Pulaski County for 2020 was 2.9%, which is a significant rebound from the 10.0% experienced by Arkansas in April 2020 at the beginning of the COVID-19 pandemic and from the 5.0% unemployment rate at the end of 2020. Unemployment was favorable compared to the national rate of 3.9%; however, with lingering economic effects from the pandemic, increased inflation, and the national trend of people quitting jobs, unemployment was difficult to gauge for the near future.

Net accounts receivable write-offs increased to 1.46% of total operating revenue from 2020 to 2021. Beginning in March 2020 as a response to ensure health and safety during the COVID-19 pandemic, CAW suspended service shut-offs due to nonpayment. This action in addition to lingering inactive accounts with past due balances during the conversion from enQuesta to CU resulted in increased write-off amounts. Net accounts receivable write-offs also increased from 2019 to 2020 due to the pandemic.

**Central Arkansas Water**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (*Continued*)**  
**December 31, 2021 and 2020**

The Utility had no consumption-based retail rate increase in 2021. However, a unit of consumption—one CCF—was removed from the monthly base rate, leaving one CCF included in the monthly base rate. The Utility continues to factor in conservative consumption estimates, reduced levels of growth-related revenues, and a minimal return on financial investments in the 2022 Financial Plan.

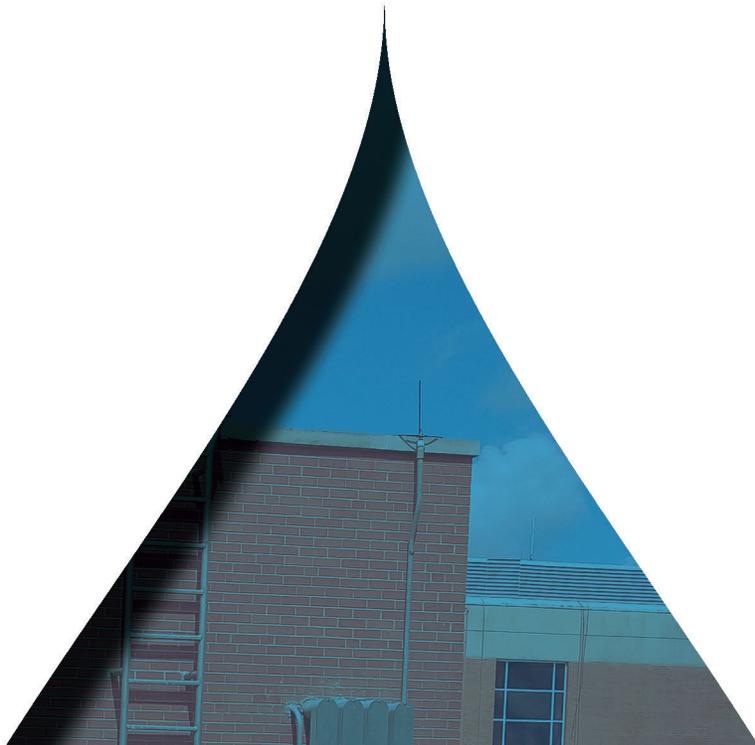
The 2022 Financial Plan outlines the Utility’s plans to continue to provide high-quality, cost-effective service to its customers. The 2022 Financial Plan includes \$44,622,000 in total capital costs, which will be funded with the following sources: \$26,911,000 from bond issues; \$2,500,000 from developer funds; \$3,000,000 in surcharge funds, and \$495,000 from watershed protection fees. The remaining \$11,716,000 is funded from rates and primarily consists of routine asset additions and replacements in the system.

**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

*(This page intentionally left blank)*



**BASIC FINANCIAL  
STATEMENTS**





***(This page intentionally left blank)***

**Central Arkansas Water**  
**STATEMENTS OF NET POSITION**  
**December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
<b>Current Assets</b>		
Unrestricted cash and cash equivalents	\$ 31,951,143	\$ 26,480,839
Accounts receivable – customers, net	18,745,221	17,650,767
Other receivables	2,166,668	2,459,243
Inventory	3,376,364	3,168,249
Other current assets	710,556	1,080,871
Total unrestricted current assets	56,949,952	50,839,969
Restricted cash and cash equivalents	12,608,965	11,982,573
Total restricted current assets	12,608,965	11,982,573
Total current assets	69,558,917	62,822,542
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	34,630,335	45,538,552
Restricted accrued interest receivable	910	1,485
Total restricted noncurrent assets	34,631,245	45,540,037
Capital assets, net of accumulated depreciation	507,748,380	488,601,798
Total noncurrent assets	542,379,625	534,141,835
Total assets	611,938,542	596,964,377
<b>Deferred Outflows of Resources</b>		
Deferred outflows related to pensions	2,300,887	6,351,655
Deferred outflows related to OPEB	8,592,234	9,608,383
Deferred amounts from refunding bonds payable	130,082	703,150
Total deferred outflows of resources	11,023,203	16,663,188
Total assets and deferred outflows of resources	\$ 622,961,745	\$ 613,627,565

See accompanying notes to financial statements.

**Central Arkansas Water**  
**STATEMENTS OF NET POSITION (Continued)**  
**December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 6,573,714	\$ 4,488,583
Payroll and related liabilities	3,741,520	3,467,102
Water rights payable – current portion	1,181,178	1,149,587
Due to other agencies	<u>7,049,813</u>	<u>8,998,601</u>
Total current liabilities payable from unrestricted assets	<u>18,546,225</u>	<u>18,103,873</u>
Consumer deposits	6,305,429	4,957,887
Long-term obligations – current portion	4,824,981	5,309,368
Accrued interest payable	967,595	650,523
Retentions payable	<u>510,960</u>	<u>1,064,795</u>
Total current liabilities payable from restricted assets	<u>12,608,965</u>	<u>11,982,573</u>
Total current liabilities	<u>31,155,190</u>	<u>30,086,446</u>
<b>Noncurrent Liabilities</b>		
Unearned revenue	931,538	941,639
Long-term obligations, net	155,895,029	155,463,182
Net pension liability	8,279,840	30,661,451
Net OPEB liability	<u>13,266,818</u>	<u>18,630,788</u>
Total noncurrent liabilities	<u>178,373,225</u>	<u>205,697,060</u>
Total liabilities	<u>209,528,415</u>	<u>235,783,506</u>
<b>Deferred Inflows of Resources</b>		
Deferred Inflows related to pensions	15,122,949	545,646
Deferred Inflows related to OPEB	7,843,556	3,550,403
Deferred amounts from refunding bonds payable	<u>97,796</u>	<u>123,400</u>
Total deferred inflows of resources	<u>23,064,301</u>	<u>4,219,449</u>
Total liabilities and deferred inflows of resources	<u>232,592,716</u>	<u>240,002,955</u>
<b>Net Position</b>		
Net investment in capital assets	373,343,220	367,648,777
Restricted – expendable:		
Bond requirements	7,385,094	7,447,184
Future capital spending	3,074,277	1,404,149
Unrestricted	<u>6,566,438</u>	<u>(2,875,500)</u>
Total net position	<u>390,369,029</u>	<u>373,624,610</u>
Total liabilities, deferred inflows and net position	<u>\$ 622,961,745</u>	<u>\$ 613,627,565</u>

See accompanying notes to financial statements.

## Central Arkansas Water

### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years Ended December 31, 2021 and 2020

	2021	2020
<b>Operating Revenues</b>		
Little Rock Water Sales	\$ 34,923,597	\$ 31,399,975
North Little Rock Water Sales	16,276,779	14,356,876
Maumelle Water Sales	3,831,735	3,394,392
POWA Water Sales	591,051	573,861
Wholesale	5,155,867	4,711,587
Penalties	1,056,757	1,120,690
Turn-on charges	616,284	913,820
Ancillary charges	12,244,690	10,644,544
Other revenue	876,357	(190,218)
Total operating revenues	75,573,117	66,925,527
<b>Operating Expenses</b>		
Administrative	5,402,244	6,059,961
Information services	4,070,511	3,843,156
Customer service	3,302,409	3,795,995
Finance	2,780,139	3,001,925
General	2,581,843	2,831,598
Engineering	1,698,946	2,037,030
Water production	12,902,542	10,926,225
Distribution	13,097,133	15,620,557
POWA operating expenses	221,915	281,493
Depreciation	13,552,232	13,165,555
Total operating expenses	59,609,914	61,563,495
<b>Operating Income</b>	15,963,203	5,362,032

See accompanying notes to financial statements.

## Central Arkansas Water

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

Years Ended December 31, 2021 and 2020

	2021	2020
<b>Nonoperating Revenues (Expenses)</b>		
Transfers to Cities of Little Rock and North Little Rock	\$ (795,408)	\$ (802,260)
Gain on disposal of capital assets	281,258	80,724
Investment income	47,001	255,819
Bond and other interest expense, net	(3,986,125)	(3,707,779)
Intergovernmental	214,223	-
Net nonoperating expenses	(4,239,051)	(4,173,496)
 <b>Income Before Contributions</b>	 11,724,152	 1,188,536
 Contributions-in-aid of construction	 3,845,608	 1,081,550
Capital contributions from grantors	-	9,200
 Total Contributions	 3,845,608	 1,090,750
 <b>Change in Net Position</b>	 15,569,760	 2,279,286
 Net position – beginning of year, as previously reported	 373,624,610	 369,566,409
 Net position of merged entities, beginning of year	 1,174,659	 1,778,915
 Net position – beginning of year, as adjusted	 374,799,269	 371,345,324
 Net position – end of year	 \$ 390,369,029	 \$ 373,624,610

See accompanying notes to financial statements.

**Central Arkansas Water**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Cash Flows from Operating Activities</b>		
Cash receipts from customers	\$ 75,260,648	\$ 62,493,156
Cash payments to suppliers for goods and services	(16,122,458)	(12,277,919)
Cash payments to employees for services	(29,027,231)	(26,090,314)
Cash payments for employees' post-employment benefits	(7,369,449)	(6,363,043)
Cash (payments) receipts from other sources	876,340	(190,218)
Net cash provided by operating activities	<u>23,617,850</u>	<u>17,571,662</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Transfers to Cities of Little Rock and North Little Rock	(795,408)	(802,260)
Operating grants	214,223	-
Net cash used in noncapital financing activities	<u>(581,185)</u>	<u>(802,260)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Acquisition and construction of capital assets	(16,638,928)	(18,180,139)
Proceeds from issuance of bonds	-	54,824,299
Premium on long-term debt	-	1,456,527
Payment to refunded bond escrow agent	-	(19,839,044)
Principal paid on long-term obligations	(8,598,619)	(5,417,240)
Interest paid on long-term obligations	(3,420,672)	(4,171,405)
Capital contributions from grantors	-	9,200
Proceeds from sale of capital assets	549,165	305,273
Net cash provided by (used in) capital and related financing activities	<u>(28,109,054)</u>	<u>8,987,471</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from maturities of investment securities	-	14,250,000
Interest and dividends on investment securities	47,576	339,356
Net cash provided by investing activities	<u>47,576</u>	<u>14,589,356</u>
Net increase (decrease) in cash and cash equivalents	<u>(5,024,813)</u>	<u>40,346,229</u>
Cash and cash equivalents – beginning of year, as previously reported	84,001,964	43,655,735
Cash from merged entity - beginning of year	<u>213,292</u>	<u>-</u>
Cash and cash equivalents – beginning of year, as adjusted	<u>84,215,256</u>	<u>43,655,735</u>
Cash and cash equivalents – end of year	<u>\$ 79,190,443</u>	<u>\$ 84,001,964</u>

See accompanying notes to financial statements.

**Central Arkansas Water**  
**STATEMENTS OF CASH FLOWS (Continued)**  
**Years Ended December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Reconciliation of Operating Income to Net Cash</b>		
<b>Provided by Operating Activities</b>		
Operating income	\$ 15,963,203	\$ 5,362,032
Adjustment to reconcile operating income to net cash provided by operating activities		
Depreciation	13,552,232	13,165,555
Change in operating assets, liabilities and deferred outflows and inflows		
Accounts receivable – customers, net	(783,654)	(5,099,065)
Inventory	(208,115)	29,981
Other current assets	370,315	409,764
Accounts payable and accrued expenses	(1,141,078)	(1,692,746)
Payroll and related liabilities	274,401	(630,803)
Due to other agencies	(1,948,788)	2,276,033
Consumer deposits	1,347,542	476,476
Net OPEB liability	(5,363,970)	4,842,150
Deferred outflows of resources on OPEB liability	1,016,149	(4,032,129)
Deferred inflows of resources on OPEB liability	4,293,153	(443,800)
Net pension liability	(22,381,611)	5,157,198
Deferred outflows of resources on pension liability	4,050,768	(1,581,144)
Deferred inflows of resources on pension liability	14,577,303	(667,840)
	<b>\$ 23,617,850</b>	<b>\$ 17,571,662</b>
<b>Noncash Investing, Capital and Financing Activities</b>		
Gain on disposal of capital assets	\$ 281,258	\$ 80,724
Contributions-in-aid of construction	3,845,608	1,081,550
Inventory capitalized	1,539,857	1,871,777
Capital asset acquisitions in accounts payable	2,595,823	2,555,498
Capital asset acquisitions financed with bonds payable	7,399,860	16,318,486
Amortization	398,874	384,410
Capital assets from merged entity	2,486,502	5,435,675
Long term debt from merged entity	1,476,893	3,635,049
<b>Supplemental Disclosure of Cash Transactions</b>		
Interest expense incurred	\$ 3,986,125	\$ 3,707,779
<b>Reconciliation to Cash and Cash Equivalents – End of Year</b>		
Current assets		
Unrestricted cash and cash equivalents	\$ 31,951,143	\$ 26,480,839
Restricted cash and cash equivalents	12,608,965	11,982,573
Total current cash and cash equivalents	44,560,108	38,463,412
Noncurrent assets		
Restricted cash and cash equivalents	34,630,335	45,538,552
Cash and cash equivalents – end of year	\$ 79,190,443	\$ 84,001,964

See accompanying notes to financial statements.

**Central Arkansas Water**  
**STATEMENTS OF FIDUCIARY NET POSITION**  
**December 31, 2021 and 2020**

	2021		2020	
	Pension (and Other Employee Benefit) Trust Funds	Private-Purpose Trust Funds	Pension (and Other Employee Benefit) Trust Funds	Private-Purpose Trust Funds
		\$	\$	\$
<b>Assets</b>				
Cash and cash equivalents	4,193,530	182,989	2,198,138	134,594
Restricted cash and cash equivalents	-	71,060	-	40,284
U.S. Treasury obligations	1,481,075	-	2,499,240	-
Certificates of deposit	970,952	-	1,682,308	-
Exchange-traded funds	874,555	-	377,538	-
Accounts receivable	-	60,156	-	9,267
Accrued interest receivable	4,982	116	6,407	79
Inventory	-	3,208	-	-
Capital assets, net	-	2,106,067	-	1,553,369
<b>Total assets</b>	<b>7,525,094</b>	<b>2,423,596</b>	<b>6,763,631</b>	<b>1,737,593</b>
<b>Liabilities</b>				
Accounts payable	8,804	493,284	7,836	-
Accrued expenses	-	57,980	-	-
Long-term obligations	-	303,917	-	302,627
Accrued interest payable	-	1,104	-	1,261
Consumer deposits	-	68,241	-	4,550
<b>Total liabilities</b>	<b>8,804</b>	<b>924,526</b>	<b>7,836</b>	<b>308,438</b>
<b>Net Position</b>				
Restricted for:				
Employee benefits other than pensions	7,516,290	-	6,755,795	-
Held in receivership	-	1,499,070	-	1,429,155
<b>Total net position</b>	<b>\$ 7,516,290</b>	<b>\$ 1,499,070</b>	<b>\$ 6,755,795</b>	<b>\$ 1,429,155</b>

See accompanying notes to financial statements.

**Central Arkansas Water**  
**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**  
**Years Ended December 31, 2021 and 2020**

	2021		2020	
	Pension (and Other Employee Benefit) Trust Funds	Private-Purpose Trust Funds	Pension (and Other Employee Benefit) Trust Funds	Private-Purpose Trust Funds
<b>Additions</b>				
Employer contributions	\$ 1,181,000	\$ -	\$ 1,169,000	\$ -
Water sales	-	693,789	-	97,186
Debt service fees	-	112,731	-	110,576
Net investment income (loss)	(10,254)	152	75,587	1,505
Total additions	<u>1,170,746</u>	<u>806,672</u>	<u>1,244,587</u>	<u>209,267</u>
<b>Deductions</b>				
Benefits paid	376,226	-	386,808	-
Transfers to Central Arkansas Water	-	122,349	-	97,061
Administrative expenses	34,025	527,039	29,802	820
Depreciation	-	70,053	-	33,312
Interest	-	17,316	-	11,917
Total deductions	<u>410,251</u>	<u>736,757</u>	<u>416,610</u>	<u>143,110</u>
<b>Change in Fiduciary Net Position</b>	<u>760,495</u>	<u>69,915</u>	<u>827,977</u>	<u>66,157</u>
Net position - beginning of year, as previously reported	6,755,795	1,429,155	20,111,671	1,362,998
Adjustment for change in reporting entity	-	-	(14,183,853)	-
Net position - beginning of year, as adjusted	<u>6,755,795</u>	<u>1,429,155</u>	<u>5,927,818</u>	<u>1,362,998</u>
Net position - end of year	<u>\$ 7,516,290</u>	<u>\$ 1,499,070</u>	<u>\$ 6,755,795</u>	<u>\$ 1,429,155</u>

See accompanying notes to financial statements.

*(This page intentionally left blank)*

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

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

***(a) Reporting Entity***

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

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

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

Under the terms of the Consolidation Agreement, the Utility is required to pay a franchise fee to the Cities of Little Rock and North Little Rock based on water revenues billed within the respective cities. The rate, which cannot exceed 10.0%, was 10.0% for the City of Little Rock and 6.9% for the City of North Little Rock during 2021 and 2020. 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 \$4,154,012 and \$3,631,190 for the years ended December 31, 2021 and 2020, 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 \$795,000 and \$802,000 for the years ended December 31, 2021 and 2020, respectively.

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

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

***(b) Basis of Accounting***

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

***(c) Basis of Presentation***

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

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

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

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

The Utility utilizes fiduciary funds to report assets that are held in a trustee or custodial capacity for others and that cannot be used to support the general operations of the Utility. The Utility's fiduciary funds include the following at December 31, 2021:

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 unit 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 *Perla Water and Sewer Association Fund* (Perla) 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 December 2021 by the Second Division Circuit Court of Hot Spring County, Arkansas. As receiver, the Utility is responsible for the repair and refurbishment of the water and wastewater systems as well as the day-to-day operations of Perla as a water supplier for Perla water and wastewater customers. The Utility is not responsible or liable for any debts or obligations of Perla, except in its role as receiver.

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

**(d) Cash and Cash Equivalents**

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

**(e) Investments**

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

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

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

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

**(f) *Accounts Receivable, Net***

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

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

**(g) *Inventory***

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

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

It is generally the Utility's policy that assets to be used in operations with an initial value or cost greater than or equal to \$5,000 and an estimated useful life of greater than one year are reported as capital assets. Capital assets are recorded at historical cost, including all direct salaries, materials and supplies related to construction and improvements completed by Utility personnel. Prior to January 1, 2021, 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.

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

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

Asset Type	Years
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, 2021 and 2020.

***(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.

***(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, generally due within 15 days.

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

***(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 \$389,000 and \$350,000 for the years ended December 31, 2021 and 2020, respectively, and net of bad debt expense totaling approximately \$1,232,000 and \$1,209,000 for the years ended December 31, 2021 and 2020, respectively.

***(n) Contributions***

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

***(o) Pensions***

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

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

***(p) Postemployment Benefits Other than Pensions (OPEB)***

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

***(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.

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**(r) Income Taxes**

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

**(s) Future Changes in Accounting Principle**

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. The Utility will implement this standard during the year ended December 31, 2022, but the impact of applying the Statement has not been determined.

The GASB also issued its Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The Utility expects to first apply GASB 94 during the year ending December 31, 2023, using the facts and circumstances in place at the time of adoption. The impact of applying the Statement has not been determined.

The GASB also issued its Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for governments and users. The Utility first expects to apply GASB 96 during the year ending December 31, 2023, using the facts and circumstances in place at the time of adoption. The impact of applying the Statement has not been determined.

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**Note 2: DEPOSITS AND INVESTMENTS**

Investments at December 31 for the Utility include the following:

***The Utility***

Type	2021				
	Fair Value	Maturities in Years			More than 10
		Less than 1	1-5	6-10	
Unrestricted:					
Money Market Mutual Funds	\$ 20,651,589	\$ 20,651,589	\$ -	\$ -	\$ -
Restricted:					
Money market mutual funds	45,245,580	45,245,580	-	-	-
	<u>\$ 65,897,169</u>	<u>\$ 65,897,169</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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, 2021 and 2020, the Utility's restricted investment in this fund totaled \$38,408,216 and \$50,131,616, 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.

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

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

There were no assets or liabilities measured at fair value for the year ended December 31, 2021 or 2020.

**(a) Interest Rate Risk**

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

**(b) Credit Risk**

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

- Direct obligations of the United States government
- Open-end, government obligation money market mutual funds
- Obligations that are fully guaranteed, secured or insured by United States government agencies, instrumentalities and government-sponsored entities
- Repurchase 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.

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

***(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.

**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. Five percent (5%) 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.

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

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

	2021	2020
Bond requirements	\$ 10,342,531	\$ 9,160,809
Future capital costs	30,866,701	43,437,802
Consumer deposits	6,030,978	4,923,999
Total restricted assets	\$ 47,240,210	\$ 57,522,610

**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:

	2021	2020
Water sales and services	\$ 9,372,658	\$ 7,914,174
Billed for other agencies	11,344,217	11,017,024
Less allowance for doubtful accounts	(1,971,654)	(1,280,431)
Total accounts receivable – consumers, net	\$ 18,745,221	\$ 17,650,767

**Note 5: BOARD-DESIGNATED ASSETS**

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

**(a) Rate Stabilization Trust**

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

**(b) Watershed Protection Trust**

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

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

Balances in these accounts are as follows at December 31:

	<u>2021</u>	<u>2020</u>
Rate stabilization	\$ 9,891,360	\$ 10,575,413
Watershed protection	<u>1,765,961</u>	<u>57,863</u>
Total board-designated assets	<u>\$ 11,657,321</u>	<u>\$ 10,633,276</u>

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	<u>\$ 11,657,321</u>	<u>\$ 10,633,276</u>
Total board-designated assets	<u>\$ 11,657,321</u>	<u>\$ 10,633,276</u>

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**Note 6: CAPITAL ASSETS**

A summary of changes in capital asset balances that occurred during the years ended December 31, 2021 and 2020, follows:

	Balance 12/31/2020	Capital assets from merged entity	Additions	Disposals	Transfers, Net	Balance 12/31/2021
<b>Capital Assets,</b>						
<b>Nondepreciable</b>						
Land and land use rights	\$ 64,120,441	\$ 43,054	\$ 1,994,225	\$ (62,844)	\$ -	\$ 66,094,876
Water rights	4,974,114	-	-	-	-	4,974,114
Construction in progress	46,513,680	-	28,003,136	(102,496)	(5,857,085)	68,557,235
Total capital assets, nondepreciable	115,608,235	43,054	29,997,361	(165,340)	(5,857,085)	139,626,225
<b>Capital Assets, Depreciable</b>						
Building and improvements	68,216,688	-	-	(244,769)	14,769	67,986,688
Land improvements	3,159,115	-	-	(347,263)	20,900	2,832,752
Water source	33,419,723	3,667,828	-	-	-	37,087,551
Purification	43,306,480	-	-	-	-	43,306,480
Pumping	33,317,629	-	20,899	-	-	33,338,528
Distribution	413,991,799	-	-	-	5,821,416	419,813,215
Other equipment	36,446,689	3,831	599,309	(393,855)	-	36,655,974
Total capital assets, depreciable	631,858,123	3,671,659	620,208	(985,887)	5,857,085	641,021,188
<b>Less Accumulated</b>						
<b>Depreciation</b>						
Building and improvements	32,989,307	-	1,703,008	(4,852)	-	34,687,463
Land improvements	1,281,355	-	144,404	(347,263)	-	1,078,496
Water source	16,855,611	1,228,211	640,851	-	-	18,724,673
Purification	26,226,195	-	1,496,711	-	-	27,722,906
Pumping	19,948,094	-	1,026,725	-	-	20,974,819
Distribution	130,646,242	-	6,881,489	-	-	137,527,731
Other equipment	30,917,756	-	1,659,044	(393,855)	-	32,182,945
Total accumulated depreciation	258,864,560	1,228,211	13,552,232	(745,970)	-	272,899,033
<b>Total Capital Assets, Net</b>	<b>\$ 488,601,798</b>	<b>\$ 2,486,502</b>	<b>\$ 17,065,337</b>	<b>\$ (405,257)</b>	<b>\$ -</b>	<b>\$ 507,748,380</b>

During 2021 assets at cost of \$3,714,713 and accumulated depreciation of \$1,228,211, were transferred to the Utility from Wye Mountain.

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

	Capital Assets					Balance 12/31/2020
	Balance 12/31/2019	Capital Assets from merged entity	Additions	Disposals	Transfers, Net	
<b>Capital Assets, Nondepreciable</b>						
Land and land use rights	\$ 60,324,790	\$ 7,951	\$ 3,787,700	\$ -	\$ -	\$ 64,120,441
Water rights	4,598,638	-	375,476	-	-	4,974,114
Construction in progress	29,549,784	-	32,617,173	-	(15,653,277)	46,513,680
Total capital assets, nondepreciable	94,473,212	7,951	36,780,349	-	(15,653,277)	115,608,235
<b>Capital Assets, Depreciable</b>						
Building and improvements	63,505,998	2,150,985	172,294	(572,862)	2,960,273	68,216,688
Land improvements	2,974,389	-	15,000	-	169,726	3,159,115
Water source	33,419,723	-	-	-	-	33,419,723
Purification	42,984,525	-	66,261	-	255,694	43,306,480
Pumping	28,569,649	-	-	(5,636)	4,753,616	33,317,629
Distribution	401,665,841	6,213,272	64,266	(724,185)	6,772,605	413,991,799
Other equipment	34,899,019	27,095	943,157	(163,945)	741,363	36,446,689
Total capital assets, depreciable	608,019,144	8,391,352	1,260,978	(1,466,628)	15,653,277	631,858,123
<b>Less Accumulated Depreciation</b>						
Building and improvements	31,663,481	759,677	883,546	(317,397)	-	32,989,307
Land improvements	1,145,416	-	135,939	-	-	1,281,355
Water source	16,384,695	-	470,916	-	-	16,855,611
Purification	24,734,110	-	1,492,085	-	-	26,226,195
Pumping	18,617,830	-	1,335,900	(5,636)	-	19,948,094
Distribution	122,063,737	2,194,381	7,112,309	(724,185)	-	130,646,242
Other equipment	29,462,533	9,570	1,609,598	(163,945)	-	30,917,756
Total accumulated depreciation	244,071,802	2,963,628	13,040,293	(1,211,163)	-	258,864,560
<b>Total Capital Assets, Net</b>	<b>\$ 458,420,554</b>	<b>\$ 5,435,675</b>	<b>\$ 25,001,034</b>	<b>\$ (255,465)</b>	<b>\$ -</b>	<b>\$ 488,601,798</b>

During 2020, assets at cost of \$8,391,352 and accumulated depreciation of \$2,963,628, were transferred to the Utility from POWA.

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**Note 7: LONG-TERM DEBT**

The following is a summary of long-term obligation transactions for the Utility for the years ended December 31, 2021 and 2020:

	Balance December 31, 2020	Long Term Debt from merged entity	Additions	Deductions	Balance December 31, 2021	Amounts Due Within One Year	Amounts Due Greater Than One Year
Long-term debt							
Revenue bonds	\$ 109,054,100	\$ -	\$ -	\$ (5,369,100)	\$ 103,685,000	\$ 4,695,000	\$ 98,990,000
Notes from direct placements	45,025,299	1,476,893	7,566,010	(745,063)	53,323,139	129,981	53,193,158
Issuance premiums	3,503,146	-	-	(465,233)	3,037,913	-	3,037,913
Total long-term debt	<u>157,582,545</u>	<u>1,476,893</u>	<u>7,566,010</u>	<u>(6,579,396)</u>	<u>160,046,052</u>	<u>4,824,981</u>	<u>155,221,071</u>
Other long-term liabilities	<u>4,339,592</u>	<u>-</u>	<u>-</u>	<u>(2,484,456)</u>	<u>1,855,136</u>	<u>1,181,178</u>	<u>673,958</u>
Total other noncurrent liabilities	<u>4,339,592</u>	<u>-</u>	<u>-</u>	<u>(2,484,456)</u>	<u>1,855,136</u>	<u>1,181,178</u>	<u>673,958</u>
Total long-term liabilities	<u>\$ 161,922,137</u>	<u>\$ 1,476,893</u>	<u>\$ 7,566,010</u>	<u>\$ (9,063,852)</u>	<u>\$ 161,901,188</u>	<u>\$ 6,006,159</u>	<u>\$ 155,895,029</u>
	Balance December 31, 2019	Long Term Debt from merged entity	Additions	Deductions	Balance December 31, 2020	Amounts Due Within One Year	Amounts Due Greater Than One Year
Long-term debt							
Revenue bonds	\$ 75,100,000	\$ -	\$ 51,885,000	\$ (17,930,900)	\$ 109,054,100	\$ 4,375,000	\$ 104,679,100
Notes from direct placements	27,036,460	3,635,049	16,665,082	(2,311,292)	45,025,299	934,368	44,090,931
Issuance premiums	3,354,004	-	1,313,099	(1,163,957)	3,503,146	-	3,503,146
Total long-term debt	<u>105,490,464</u>	<u>3,635,049</u>	<u>69,863,181</u>	<u>(21,406,149)</u>	<u>157,582,545</u>	<u>5,309,368</u>	<u>152,273,177</u>
Other long-term liabilities	<u>5,617,580</u>	<u>-</u>	<u>375,476</u>	<u>(1,653,464)</u>	<u>4,339,592</u>	<u>1,149,587</u>	<u>3,190,005</u>
Total other noncurrent liabilities	<u>5,617,580</u>	<u>-</u>	<u>375,476</u>	<u>(1,653,464)</u>	<u>4,339,592</u>	<u>1,149,587</u>	<u>3,190,005</u>
Total long-term liabilities	<u>\$ 111,108,044</u>	<u>\$ 3,635,049</u>	<u>\$ 70,238,657</u>	<u>\$ (23,059,613)</u>	<u>\$ 161,922,137</u>	<u>\$ 6,458,955</u>	<u>\$ 155,463,182</u>

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

Revenue bonds and notes from direct placements at December 31, 2021, include the outstanding principal balance of the following issues:

	Interest Rates	Final Maturity	Original Issue	Total Outstanding
Revenue bonds				
2010C Water Revenue Bonds	2.00% – 4.00%	2023	\$ 8,830,000	\$ 620,000
2012A Water Revenue Bonds	2.00% – 4.00%	2032	17,515,000	10,790,000
2014 Refunding Water Revenue Bonds	2.00% – 5.00%	2024	10,850,000	3,825,000
2016 Refunding Water Revenue Bonds	2.00% – 5.00%	2027	17,860,000	4,025,000
2016 Construction and Acquisition Water Revenue Bonds	2.00% – 3.50%	2046	22,750,000	15,425,000
2018B Water Revenue Bonds	3.25% – 5.00%	2038	20,000,000	17,840,000
2020B Capital Improvement and Refunding Water Revenue Bonds	2.00% – 5.00%	2041	12,920,000	12,920,000
2020C Capital Improvement and Refunding Water Revenue Bonds	2.00% – 5.00%	2042	31,825,000	31,825,000
2020D Refunding Water Revenue Bonds	0.30% – 2.70%	2041	7,140,000	6,415,000
			<u>149,690,000</u>	<u>103,685,000</u>
Total revenue bonds				
Notes from direct placements				
2010A Water Revenue Bond	1.00% <sup>(1)</sup>	2032	13,400,000	8,348,114
2011A Water Revenue Bond	2.25% <sup>(1)</sup>	2034	4,000,000	2,881,725
2017A Water Revenue Bond	1.50% <sup>(1)</sup>	2041	5,000,000	4,348,949
2019A Water Revenue Bond	1.50% <sup>(1)</sup>	2043	37,000,000	32,123,046
2020A Water Revenue Bond	0.75% <sup>(1)</sup>	2042	6,050,000	4,050,521
2021A Water Revenue Bonds	2.55%	2033	200,000	186,831
2021B Water Revenue Bonds	0.75% <sup>(1)</sup>	2032	1,383,953	1,383,953
			<u>\$ 67,033,953</u>	<u>\$ 53,323,139</u>
Total notes from direct placements				

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

**(a) Revenue Bonds**

2010C Water Revenue Bonds

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

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

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.

2014 Refunding Water Revenue Bonds

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

2016 Refunding Water Revenue Bonds

In July 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 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, 2021 and 2020**

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.

2020B Capital Improvement and Refunding Water Revenue Bonds

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

2020C Capital Improvement and Refunding Water Revenue Bonds

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

2020D Refunding Water Revenue Bonds

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

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

***(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.

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.

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

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. CAW drew down \$7,421,657 on this bond during 2021.

2020A Water Revenue Bond

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

2021A Water Revenue Bond

The Series 2021A Bond was issued through the ANRC and ADFA from monies in the Revolving Loan Fund to finance the cost of acquiring the water system constructed by Frazier Pike Public Facilities Board. This Bond is secured solely by a lien on and pledge of the Frazier Pike water surcharge, as defined in the related bond agreement. Principal and interest payments are due annually on December 1 beginning in 2021, with the final payment scheduled in 2033.

2021B Water Revenue Bond

The Series 2021B Bond was issued through the ANRC and ADFA from monies in the Revolving Loan Fund to finance the cost of acquiring the water system owned by Wye Mountain Water Facilities Board. This Bond is secured solely by a lien on and pledge of the Wye Mountain water surcharge, as defined in the related bond agreement. Principal and interest payments are due semiannually on April 15 and October beginning in 2022, with the final payment scheduled in 2032.

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

The following schedule shows the annual debt service of the revenue bonds and notes from direct placements outstanding at December 31, 2021:

Year Ending December 31,	Total to be Paid	Revenue Bonds		Direct Placements	
		Principal	Interest	Principal	Interest
2022	\$ 7,805,678	\$ 4,695,000	\$ 2,954,062	\$ 129,981	\$ 26,635
2023	7,461,573	4,500,000	2,803,120	132,401	26,052
2024	8,496,056	3,635,000	2,653,339	1,482,212	725,505
2025	10,465,369	3,700,000	2,508,389	2,879,936	1,377,044
2026	10,469,781	3,810,000	2,402,801	2,947,579	1,309,401
2027 - 2031	44,989,874	20,460,000	10,262,860	8,793,143	5,473,871
2032 - 2036	54,475,108	28,110,000	6,529,399	16,291,038	3,544,671
2037 - 2041	49,359,782	31,670,000	2,509,220	13,409,357	1,771,205
2042 - 2046	10,690,545	3,105,000	63,638	7,257,492	264,415
	<u>\$ 204,213,766</u>	<u>\$ 103,685,000</u>	<u>\$ 32,686,828</u>	<u>\$ 53,323,139</u>	<u>\$ 14,518,799</u>

**(c) Financial Covenants**

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

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

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

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, 2021 and 2020.

***(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, 2021 and 2020). The amortization period of the debt depends upon actual repayments of all parties to the agreement and may vary; these amortization periods are based on two allocations. As of December 31, 2021, the first allocation has 18 payments remaining with an expected final payment date in 2039, while the second allocation has 28 payments remaining with an expected final payment date in 2049.

***(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, 2021 and 2020). The final payment of principal and interest is scheduled in 2022.

***(f) Unearned Revenue***

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

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

2005B Water Revenue Bonds

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

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

Changes in long-term debt for the years ended December 31, 2021 and 2020, are as follows:

	Balance December 31, 2020	Additions	Deductions	Balance December 31, 2021	Amounts Due Within One Year	Amounts Due Greater Than One Year
Long-term debt						
Note from direct placement	\$ 302,627	\$ -	\$ (48,509)	\$ 254,118	\$ 50,934	\$ 203,184

	Balance December 31, 2019	Additions	Deductions	Balance December 31, 2020	Amounts Due Within One Year	Amounts Due Greater Than One Year
Long-term debt						
Note from direct placement	\$ 354,148	\$ -	\$ (51,121)	\$ 302,267	\$ 48,509	\$ 254,118

The following schedule shows the annual debt service of the note from direct placement outstanding at December 31, 2021:

Year Ending December 31,	Total to be Paid	Direct Placement	
		Principal	Interest
2022	\$ 63,640	\$ 50,934	\$ 12,706
2023	63,640	53,481	10,159
2024	63,640	56,155	7,485
2025	63,640	58,963	4,677
2026	36,314	34,585	1,729
	<u>\$ 290,874</u>	<u>\$ 254,118</u>	<u>\$ 36,756</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.

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**Note 9: COMMITMENTS AND CONTINGENCIES**

**(a) Construction Contracts**

The Utility has commitments totaling approximately \$8,862,765 and \$18,802,419 at December 31, 2021 and 2020, 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 \$543,000 and \$1,098,000 at December 31, 2021 and 2020, 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.

**(c) General Litigation**

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

**Note 10: PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

**(a) Arkansas Public Employees Retirement System**

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

*Contributions.* Plan members hired after July 1, 2005, are required to contribute 5.00% of their annual covered salary, and the Utility is required to contribute a percent of covered salary at an actuarially determined rate. The contributions are deducted from the employee's wages or salary and remitted by the Utility to the APERS Plan on a semi-monthly basis. The applicable employer contribution rates were 15.90% (July 1, 2018 to December 31, 2021). 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, 2021 and 2020,

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

were \$3,294,596 and \$3,200,646, 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, 2021 and 2020, the Utility reported a liability of \$8,279,840 and \$30,661,451, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and 2020, 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, 2021 and 2020, the Utility's proportion was 1.07693708% and 1.07073675%, respectively.

Contributions payable to APERS at December 31, 2021 and 2020, totaled approximately \$65,000 and \$51,000, respectively, and are included in payroll and related liabilities in the statements of net position.

For the years ended December 31, 2021 and 2020, the Utility recognized the actuarially determined pension expense of approximately (\$423,000) and \$5,990,000, respectively. At December 31, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>December 31, 2021</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in assumptions	\$ -	\$ 57,999
Changes in proportion and differences between employer contributions and proportionate share of contributions	450,817	-
Differences between expected and actual experience	189,497	531,018
Net difference between projected and actual investment earnings on pension plan investments	-	14,533,932
Utility contributions subsequent to the measurement date	1,660,573	-
Total	<u>\$ 2,300,887</u>	<u>\$ 15,122,949</u>

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

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

Deferred outflows of resources resulting from the Utility's contributions subsequent to the measurement date totaling approximately \$1,661,000 at December 31, 2021, relate to contributions made subsequent to the measurement date. The Utility will recognize these amounts as a reduction in the net pension liability in the year ending December 31, 2022.

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,	
2022	\$ (3,379,116)
2023	(3,118,297)
2024	(3,574,616)
2025	(4,410,606)
2026	<u>-</u>
Total	<u>\$ (14,482,635)</u>

*Actuarial Assumptions.* The total pension liability in the June 30, 2021, actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

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, 2021, are summarized in the table below:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Broad Domestic Equity	37%	6.22%
International Equity	24%	6.69%
Real Assets	16%	4.81%
Absolute Return	5%	3.05%
Domestic Fixed	18%	0.57%
Total	<u>100%</u>	

The target allocation for the June 30, 2020, measurement date was as follows:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Broad Domestic Equity	37%	6.22%
International Equity	24%	6.69%
Real Assets	16%	4.81%
Absolute Return	5%	3.05%
Domestic Fixed	18%	0.57%
Total	<u>100%</u>	

*Discount Rate.* The discount rate used to measure the total pension liability at June 30, 2021 and 2020, 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 (Asset) to Changes in the Discount Rate.* The following presents the Utility's proportionate share of the net pension liability (asset) as of the June 30, 2021 and 2020, measurement date, calculated using the discount rate of 7.15%, as well as what the Utility's proportionate share of the net pension liability (asset) 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:

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

<u>2021</u>	<u>Discount Rate</u>	<u>Proportionate Share of Net Pension Liability (Asset)</u>
1% decrease	6.15%	\$ 24,768,264
Current discount rate	7.15%	\$ 8,279,840
1% increase	8.15%	\$ (5,337,223)

<u>2020</u>	<u>Discount Rate</u>	<u>Utility's Proportionate Share of Net Pension Liability</u>
1% decrease	6.15%	\$ 46,699,659
Current discount rate	7.15%	\$ 30,661,451
1% increase	8.15%	\$ 17,426,299

*Plan Fiduciary Net Position.* Detailed information about the APERS Plan's fiduciary net position is available in the separately issued APERS Plan financial report, which may be obtained by making a written request at 124 West Capitol Avenue, Suite 400, Little Rock, Arkansas 72201 or by calling 501.682.7800 or 800.682.7377, or online at [www.apers.org/publications](http://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, 2021, there were 320 plan members. Plan members are required to contribute 1% of covered salary. Plan provisions and contribution requirements, including any matching contributions by the Utility, are established and may be amended by the Utility's Board of Commissioners. Total plan member contributions were approximately \$223,000 and \$218,000 for the years ended December 31, 2021 and 2020 respectively, and the Utility matched those amounts for the years ended December 31, 2021 and 2020, respectively which are reported as expense.

**(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.

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

- 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, 2021 and 2020, is as follows:

Membership	2021	2020
Active members	134	158
Inactive members receiving benefits	82	81
Total members	216	239

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

For fiscal year 2021, the Utility contributed a total of \$1,181,000 to the plan for current premiums. Of the \$1,181,000, \$805,000 was contributed to the OPEB Trust and approximately \$376,000 was for health insurance premium activity. For fiscal year 2020, the Utility contributed a total of \$1,169,000 to the plan for current premiums. Of the \$1,169,000, \$782,000 was contributed to the OPEB Trust and approximately \$387,000 was for health insurance premium activity.

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.

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

- 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, 2021, was based on a valuation date and measurement date of December 31, 2021. The net OPEB liability at December 31, 2020, was based on the valuation performed at December 31, 2019, with update procedures used to roll forward the total OPEB liability to the measurement date of December 31, 2020. A single discount rate of 2.25% and 1.93% was used to measure the total OPEB liability as of December 31, 2021 and 2020, respectively. The long-term rate of return on OPEB plan investments was determined using a building block method in which best-estimate ranges of expected future real rates rate of return. The target allocation is 65% in domestic fixed income and 35% in cash with a long-term expected rate of return of 0.16% for December 31, 2021 and 2020.

This single discount rate was based on an expected rate of return on OPEB plan investments of 2.25% and 1.93% at December 31, 2021 and 2020, respectively.

The significant assumptions used to actuarially determine the OPEB plan's total OPEB liability at December 31, 2021 and 2020, 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 4.75 percent
Single discount rate:	3.26 percent at 12/31/2019; 1.93 percent at 12/31/2020; 2.25 percent at 12/31/2021
Mortality:	Pub-G 2010 Mortality Table (headcount basis), projected generationally with Scale MP 2021

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

Changes in Net OPEB Liability.

	Increases (Decreases)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
<b>Balance at December 31, 2020</b>	\$ 25,386,583	\$ 6,755,795	\$ 18,630,788
<b>Changes for the year:</b>			
Service cost	544,451	-	544,451
Interest	491,584	-	491,584
Differences between expected and actual experience	(2,943,797)	-	(2,943,797)
Contributions – employer	-	1,181,000	(1,181,000)
Changes in assumptions	(2,319,485)	-	(2,319,485)
Net investment income	-	(44,277)	44,277
Benefit payments	(376,228)	(376,228)	-
<b>Net changes</b>	<u>(4,603,475)</u>	<u>760,495</u>	<u>(5,363,970)</u>
<b>Balance at December 31, 2021</b>	<u>\$ 20,783,108</u>	<u>\$ 7,516,290</u>	<u>\$ 13,266,818</u>

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

Below is a table providing the sensitivity of the net OPEB liability to changes in the discount rate as of December 31, 2021 and 2020. 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:

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

Net OPEB Liability at December 31,	Discount Rate	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
2021	2.25%	\$ 17,054,643	\$ 13,266,818	\$ 10,238,285
2020	1.93%	\$ 23,630,581	\$ 18,630,788	\$ 14,703,662

Below is a table providing the sensitivity of the net OPEB liability to changes in the health care trend rate as of December 31, 2021 and 2020. In particular, the table presents the plan's net OPEB liability if it were calculated using a single Health Care Cost Trend Rate that is one-percentage-point lower or one-percentage-point higher than the assumed rate:

Net OPEB Liability at December 31,	1% Decrease (7% decreasing to 3.75%)	Health Care Cost Trend Rates (8% decreasing to 4.75%)	1% Increase (9% decreasing to 5.75%)
2021	\$ 9,765,091	\$ 13,266,818	\$ 17,801,835
2020	\$ 14,096,515	\$ 18,630,788	\$ 24,627,951

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.* The Utility recognized OPEB expense of \$1,126,332 and \$1,535,221 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020:

December 31, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,638,451	\$ 4,502,834
Changes of assumptions	6,654,991	3,340,722
Net difference between projected and actual earnings on OPEB plan	<u>298,792</u>	<u>-</u>
Total	<u>\$ 8,592,234</u>	<u>\$ 7,843,556</u>

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

<b>December 31, 2020</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,885,942	\$ 2,118,191
Changes of assumptions	7,469,550	1,432,212
Net difference between projected and actual earnings on OPEB plan	<u>252,891</u>	<u>-</u>
Total	<u>\$ 9,608,383</u>	<u>\$ 3,550,403</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,	
2022	\$ 198,876
2023	178,745
2024	160,448
2025	128,407
2026	91,921
Thereafter	<u>(9,719)</u>
Total	<u>\$ 748,678</u>

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

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

<b>December 31, 2021</b>	
<b>Investment</b>	<b>Fair Value</b>
U.S. Treasury Obligations	\$ 1,481,075
<b>December 31, 2020</b>	
<b>Investment</b>	<b>Fair Value</b>
U.S. Treasury Obligations	\$ 2,499,240

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**Note 11: PENSION, OTHER EMPLOYEE BENEFIT TRUST FUNDS AND PRIVATE-PURPOSE TRUST FUNDS**

In 2021, the Utility determined it no longer controls the assets of its Central Arkansas Water Employees Savings Plan (401(a) Plan) (Employee Savings Plan) or of its Central Arkansas Water Deferred Compensation 457 Plan II (457(b) Deferred Compensation Plan) (Deferred Compensation Plan). These plans are no longer reported as fiduciary funds by the Utility. Removal of the plans resulted in an adjustment to reduce beginning fiduciary net position of pension (and other employee benefit) trust funds by \$14,183,853 as of January 1, 2020.

The following tables include financial information for the pension (and other employee benefit) trust funds and the private-purpose trust funds as of and for the years ended December 31, 2021 and 2020:

	<b>OPEB Trust Fund</b>	
	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 4,193,530	\$ 2,198,138
U.S. Treasury obligations	1,481,075	2,499,240
Certificates of deposit	970,952	1,682,308
Exchange-traded funds	874,555	377,538
Accrued interest receivable	4,982	6,407
Total assets	7,525,094	6,763,631
<b>Liabilities</b>		
Accounts payable	8,804	7,836
Total liabilities	8,804	6,771,467
<b>Net Position</b>		
Restricted for:		
Employee benefits other than pensions	7,516,290	6,755,795
Total net position	\$ 7,516,290	\$ 6,755,795

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021 and 2020

	<b>2021</b>
	<b>OPEB</b>
	<b>Trust Fund</b>
<b>Additions</b>	
Employer contributions	\$ 1,181,000
Net investment income (loss)	(10,254)
Total additions	1,170,746
<b>Deductions</b>	
Benefits paid	376,226
Administrative expenses	34,025
Total deductions	410,251
<b>Change in Fiduciary Net Position</b>	760,495
Net position - beginning of year	6,755,795
Net position - end of year	\$ 7,516,290

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

	2020			Total Pension (and Other Employee Benefit) Trust Funds
	Employee Savings Plan	Deferred Compensation Plan	OPEB Trust Fund	
<b>Additions</b>				
Employer contributions	\$ -	\$ -	\$ 1,169,000	\$ 1,169,000
Net investment income	-	-	75,587	75,587
Total additions	-	-	1,244,587	1,244,587
<b>Deductions</b>				
Benefits paid			386,808	386,808
Administrative expenses	-	-	29,802	29,802
Total deductions	-	-	416,610	416,610
<b>Change in Fiduciary Net Position</b>	-	-	827,977	827,977
Net position - beginning of year, as previously reported	10,504,804	3,679,049	5,927,818	20,111,671
Adjustment for change in reporting entity	(10,504,804)	(3,679,049)	-	(14,183,853)
Net position - beginning of year, as adjusted	-	-	5,927,818	5,927,818
Net position - end of year	\$ -	\$ -	\$ 6,755,795	\$ 6,755,795

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

	<b>Private-Purpose Trust Funds</b>		
	<b>2021</b>		<b>2020</b>
	<b>Brushy Island Trust Funds</b>	<b>Perla Water Trust Funds</b>	<b>Brushy Island Trust Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 152,508	\$ 30,481	\$ 134,594
Restricted cash and cash equivalents	71,060	-	40,284
Accounts receivable	9,467	50,689	9,267
Accrued interest receivable	116	-	79
Inventory	-	3,208	-
Capital assets, net	1,520,058	586,009	1,553,369
<b>Total assets</b>	<b>1,753,209</b>	<b>670,387</b>	<b>1,737,593</b>
<b>Liabilities</b>			
Accounts payable	-	493,284	-
Accrued expenses	-	57,980	-
Long-term obligations	254,118	49,799	302,627
Accrued interest payable	1,059	45	1,261
Consumer deposits	4,375	63,866	4,550
<b>Total liabilities</b>	<b>259,552</b>	<b>664,974</b>	<b>308,438</b>
<b>Net Position</b>			
Restricted for:			
Held in receivership	1,493,657	5,413	1,429,155
<b>Total net position</b>	<b>\$ 1,493,657</b>	<b>\$ 5,413</b>	<b>\$ 1,429,155</b>
	<b>2021</b>	<b>2020</b>	
	<b>Brushy Island Trust Funds</b>	<b>Perla Water Trust Funds</b>	<b>Brushy Island Trust Funds</b>
<b>Additions</b>			
Water sales	\$ 122,524	\$ 571,265	\$ 97,186
Debt service fees	112,731	-	110,576
Net investment income (loss)	152	-	1,505
<b>Total additions</b>	<b>235,407</b>	<b>571,265</b>	<b>209,267</b>
<b>Deductions</b>			
Transfers to Central Arkansas Water	122,349	-	97,061
Administrative expenses	315	526,724	820
Depreciation	33,312	36,741	33,312
Interest	14,929	2,387	11,917
<b>Total deductions</b>	<b>170,905</b>	<b>565,852</b>	<b>143,110</b>
<b>Change in Fiduciary Net Position</b>	<b>64,502</b>	<b>5,413</b>	<b>66,157</b>
Net position - beginning of year	1,429,155	-	1,362,998
Net position - end of year	<b>\$ 1,493,657</b>	<b>\$ 5,413</b>	<b>\$ 1,429,155</b>

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**Note 12: FIDUCIARY FUNDS**

The Brushy Island Trust Fund and Perla Water Trust Fund did not hold investment securities for the years ended December 31, 2021 and 2020. Investments at December 31 for the Trust Funds, which were all Level 1 (mutual funds and money market funds) and Level 2 (U.S. treasury obligations and certificates of deposit) fair value measurements, include the following:

Type	2021				
	Fair Value	Maturities in Years			More than 10
		Less than 1	1-5	6-10	
<b>Classified as Investments</b>					
Restricted:					
U.S. Treasury obligations	\$ 1,481,075	\$ 499,980	\$ 981,095	\$ -	\$ -
Certificate of deposit	970,952	970,952	-	-	-
		<u>\$ 1,470,932</u>	<u>\$ 981,095</u>	<u>\$ -</u>	<u>\$ -</u>
Exchange-traded funds	874,555				
Money market fund	4,193,530				
	<u>\$ 7,520,112</u>				

Type	2020				
	Fair Value	Maturities in Years			More than 10
		Less than 1	1-5	6-10	
<b>Classified as Investments</b>					
Restricted:					
U.S. Treasury obligations	\$ 2,499,240	\$ 1,999,590	\$ 499,650	\$ -	\$ -
Certificate of deposit	1,682,308	699,060	983,248	-	-
		<u>\$ 2,698,650</u>	<u>\$ 1,482,898</u>	<u>\$ -</u>	<u>\$ -</u>
Exchange-traded funds	377,538				
Money market fund	2,198,138				
	<u>\$ 6,757,224</u>				

At December 31, 2021 and 2020, the Trust Funds invested in the Federated Treasury Obligation Fund, a publicly traded money market 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 money market fund maintains a stable net asset value of \$1 and has a Standard and Poor's credit rating of AAAM. At December 31, 2021 and 2020, the Trust Fund's restricted investment in this fund totaled \$4,193,530 and \$2,198,138, respectively.

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**(a) Interest Rate Risk**

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

**(b) Credit Risk**

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

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

**(c) Custodial Credit Risk**

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

**Central Arkansas Water**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

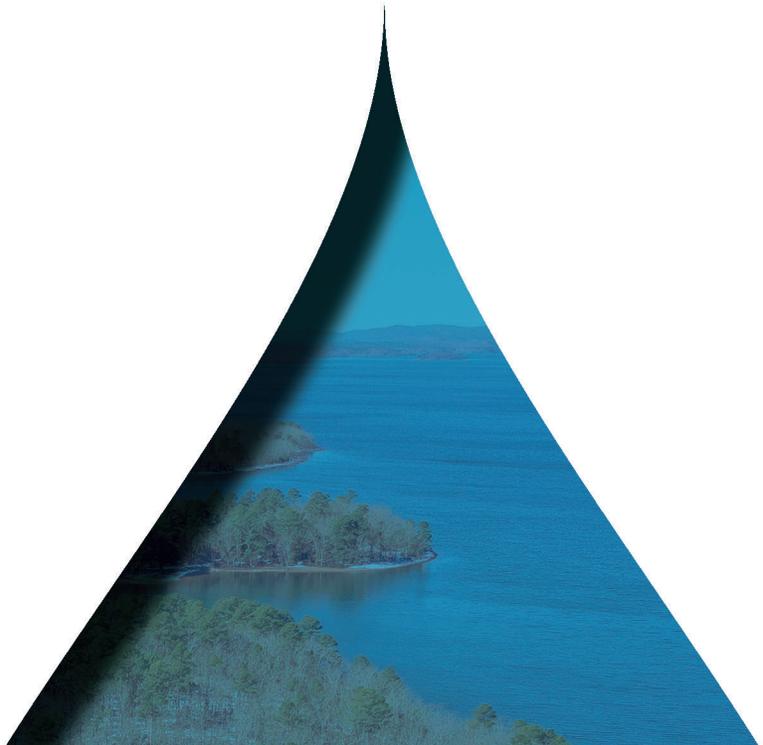
**(d) Concentration of Credit Risk**

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.

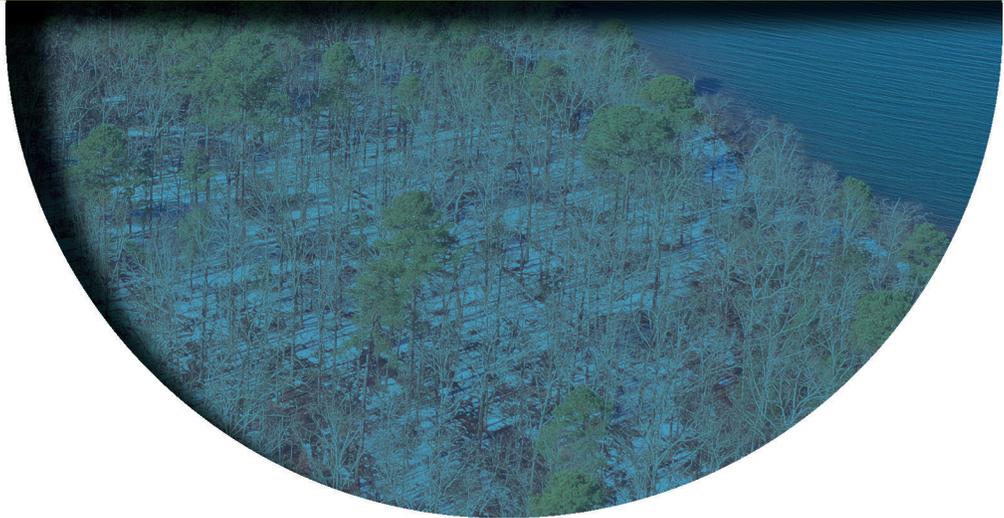
**Note 13: MERGED ENTITIES**

In 2020, under a water consolidation agreement between POWA and the Utility, POWA agreed to combine its water sales and service with the Utility for the purpose of ultimately enhancing the quality of water available to its citizens. On June 1, 2020, POWA transferred the assets and liabilities comprising its water operations to the Utility. The transaction has been reported as a government merger under the provisions of GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, which requires the merger date to be the beginning of the reporting period in which the combination occurs with recognition as of that same date. In accordance with GASB 69, beginning net position is to be restated to recognize the merger. The 2020 financial statements have been adjusted to report the merger of POWA in accordance with GASB 69 by eliminating a special item of \$1,778,915 and restating beginning net position as of January 1, 2020 by the same amount.

In 2021, under a water consolidation agreement between Wye Mountain and the Utility, Wye Mountain agreed to combine its water sales and service with the Utility for the purpose of ultimately enhancing the quality of water available to its citizens. On October 29, 2021, Wye Mountain transferred the assets and liabilities comprising its water operations to the Utility. The transaction has been reported as a government merger under the provisions of GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, which requires the merger date to be the beginning of the reporting period in while the combination occurs with recognition as of that same date. The merger resulted in reporting an adjustment of \$1,174,659 to beginning net position as of January 1, 2021.



**REQUIRED SUPPLEMENTARY  
STATEMENTS**





**Central Arkansas Water**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**TEN YEAR SUMMARY OF UTILITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**2012 – 2021 (Unaudited)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Utility's proportion of the net pension liability	1.08%	1.07%	1.06%	1.03%	1.02%	0.95%	0.94%
Utility's proportionate share of the net pension liability	\$ 8,279,840	\$ 30,661,451	\$ 25,504,253	\$ 22,682,488	\$ 26,485,412	\$ 22,821,130	\$ 17,301,107
Utility's covered payroll	\$ 21,325,987	\$ 21,763,604	\$ 21,020,523	\$ 19,769,522	\$ 18,472,503	\$ 17,290,639	\$ 16,700,073
Utility's proportionate share of the net pension liability as a percentage of its covered payroll	38.83%	140.88%	121.33%	114.73%	143.38%	131.99%	103.60%
Plan fiduciary net position as a percentage of the total pension liability	93.57%	75.38%	78.55%	79.59%	75.65%	75.50%	80.39%

Pension schedules included in the required supplementary information section are intended to show information for ten years. GASB Statement No. 68 was implemented in 2015; therefore, only seven 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**  
**2012 – 2021 (Unaudited)**

<b>Measurement Date June 30:</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Actuarially determined contribution	\$ 3,294,596	\$ 3,200,646	\$ 3,099,272	\$ 2,840,869	\$ 2,751,581	\$ 2,521,470	\$ 2,479,699
Contributions in relation to the contractually required contribution	<u>3,294,596</u>	<u>3,200,646</u>	<u>3,099,272</u>	<u>2,840,869</u>	<u>2,751,581</u>	<u>2,521,470</u>	<u>2,479,699</u>
Utility's proportionate share of the net pension	<u>\$ -</u>						
Utility's covered payroll	\$ 20,721,845	\$ 20,891,894	\$ 21,020,523	\$ 19,249,638	\$ 18,812,453	\$ 18,791,818	\$ 16,881,194
Contributions as a percentage of covered payroll	15.90%	15.32%	14.74%	14.76%	14.63%	13.42%	14.69%

Pension schedules included in the required supplementary information section are intended to show information for ten years. GASB Statement No. 68 was implemented in 2015; therefore, only seven 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, 2021**

	2021	2020	2019	2018	2017	2016
Total OPEB liability						
Service cost	\$ 544,451	\$ 360,342	\$ 275,654	\$ 319,030	\$ 266,786	\$ 284,194
Interest	491,584	642,325	718,448	656,990	595,466	566,116
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(2,943,797)	-	(2,647,739)	-	2,662,481	-
Changes of assumptions	(2,319,485)	5,054,267	2,029,641	(1,520,535)	1,935,094	(530,347)
Benefit payments	<u>(376,226)</u>	<u>(386,808)</u>	<u>(518,597)</u>	<u>(455,506)</u>	<u>(440,889)</u>	<u>(390,661)</u>
Net change in total OPEB liability	(4,603,473)	5,670,126	(142,593)	(1,000,021)	5,018,938	(70,698)
Total OPEB liability – beginning	<u>25,386,582</u>	<u>19,716,456</u>	<u>19,859,049</u>	<u>20,859,070</u>	<u>15,840,132</u>	<u>15,910,830</u>
Total OPEB liability – ending (a)	<u>\$ 20,783,109</u>	<u>\$ 25,386,582</u>	<u>\$ 19,716,456</u>	<u>\$ 19,859,049</u>	<u>\$ 20,859,070</u>	<u>\$ 15,840,132</u>
Plan fiduciary net position						
Contributions – employer	\$ 1,181,000	\$ 1,169,000	\$ 1,175,000	\$ 1,181,000	\$ 927,000	\$ 844,935
Net investment income	(44,277)	45,784	108,413	49,464	8,485	28,577
Benefit payments	<u>(376,226)</u>	<u>(386,808)</u>	<u>(518,597)</u>	<u>(455,506)</u>	<u>(440,889)</u>	<u>(390,661)</u>
Net change in fiduciary net position	760,497	827,976	764,816	774,958	494,596	482,851
Plan fiduciary net position – beginning	<u>6,755,794</u>	<u>5,927,818</u>	<u>5,163,002</u>	<u>4,388,044</u>	<u>3,893,448</u>	<u>3,410,597</u>
Plan fiduciary net position – ending (b)	<u>\$ 7,516,291</u>	<u>\$ 6,755,794</u>	<u>\$ 5,927,818</u>	<u>\$ 5,163,002</u>	<u>\$ 4,388,044</u>	<u>\$ 3,893,448</u>
Utility's net OPEB liability – ending (a)–(b)	\$ 13,266,818	\$ 18,630,788	\$ 13,788,638	\$ 14,696,047	\$ 16,471,026	\$ 11,946,684
Plan fiduciary net position as a percentage of the total OPEB liability	36.17%	26.61%	30.07%	26.00%	21.04%	24.58%
Covered payroll	\$ 22,853,695	\$ 22,133,288	\$ 20,474,476	\$ 19,131,804	\$ 18,221,916	\$ 17,104,744
Utility's net OPEB liability as a percentage of covered payroll	58.05%	84.18%	67.35%	76.81%	90.39%	69.80%

Notes to the Schedule

*Changes of assumptions.* In 2021, the assumed discount rate was raised from 1.93% to 2.25% per GASB 75. In 2020, the assumed single discount rate was decreased from 3.26% to 1.93% to more closely reflect the expected rate of return on investments. In 2019, the assumed single discount rate was decreased from 3.64% to 3.26% to more closely reflect the expected rate of return on investments. In 2018, the assumed single discount rate was increased from 3.16% to 3.64% to more closely reflect the expected rate of return on investments. In 2017, the assumed single discount rate was reduced from 3.78% to 3.16% to more closely reflect the expected rate of return on investments.

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

**Central Arkansas Water**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**OTHER POSTEMPLOYMENT BENEFIT PLAN (OPEB) – SCHEDULE OF THE UTILITY’S CONTRIBUTIONS**  
**Year Ended December 31, 2021**

<u>Plan Years Ending December 31:</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 1,453,840	\$ 1,123,868	\$ 1,106,524	\$ 1,181,365	\$ 1,068,588	\$ 699,905
Contributions in relation to the actuarially determined contribution	1,181,000	1,169,000	1,175,000	1,181,000	927,000	844,935
Contribution deficiency (excess)	272,840	(45,132)	(68,476)	365	141,588	(145,030)
Covered payroll	22,853,695	22,133,288	20,474,476	19,131,804	18,221,916	17,104,744
Contributions as a percentage of covered payroll	5.17%	5.28%	5.74%	6.17%	5.09%	4.94%

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry Age Normal  
Amortization method: Level Dollar over 30 years from January 1, 2017  
Remaining amortization period: 26 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 4.75 percent  
Single discount rate: 3.78 percent at 12/31/2016; 3.16 percent at 12/31/2017; 3.64 percent at 12/31/2018; 3.26 percent at 12/31/2019; 1.93% at 12/31/2020; 2.25 percent at 12/31/2021  
Retirement age: Expected retirement ages of general employees are based on information provided by Arkansas Public Employees Retirement  
Mortality: PUB-G 2010 Table projected generationally with MP 2021

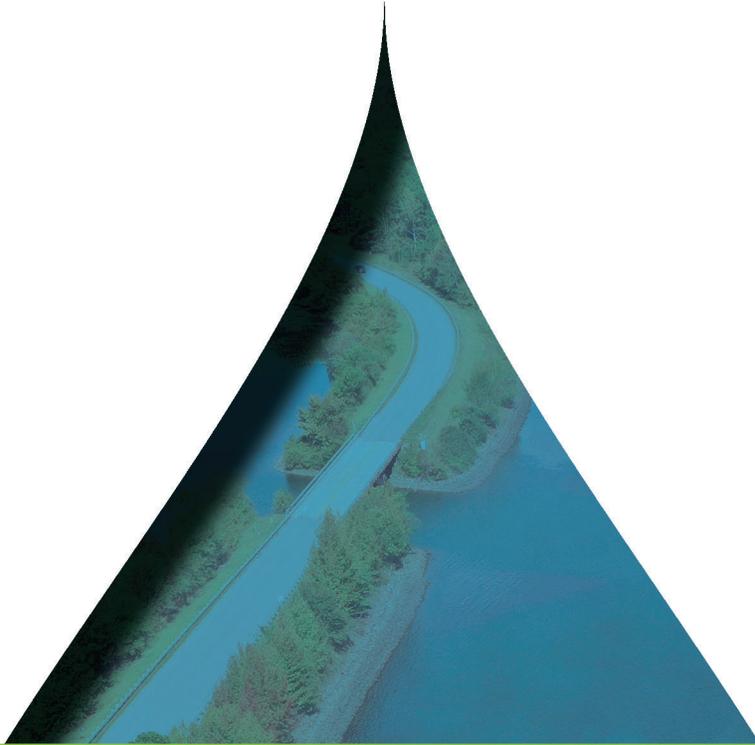
OPEB schedules under GASB Statement 75 included in the required supplementary information are intended to show information for ten years. GASB Statement 75 was implemented in 2018; therefore, only six years of information are shown, and additional years' information will be added as it becomes available.

**Central Arkansas Water**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**OTHER POSTEMPLOYMENT BENEFIT PLAN (OPEB) – TEN YEAR SCHEDULE OF INVESTMENT RETURNS**  
**Year Ended December 31, 2021**

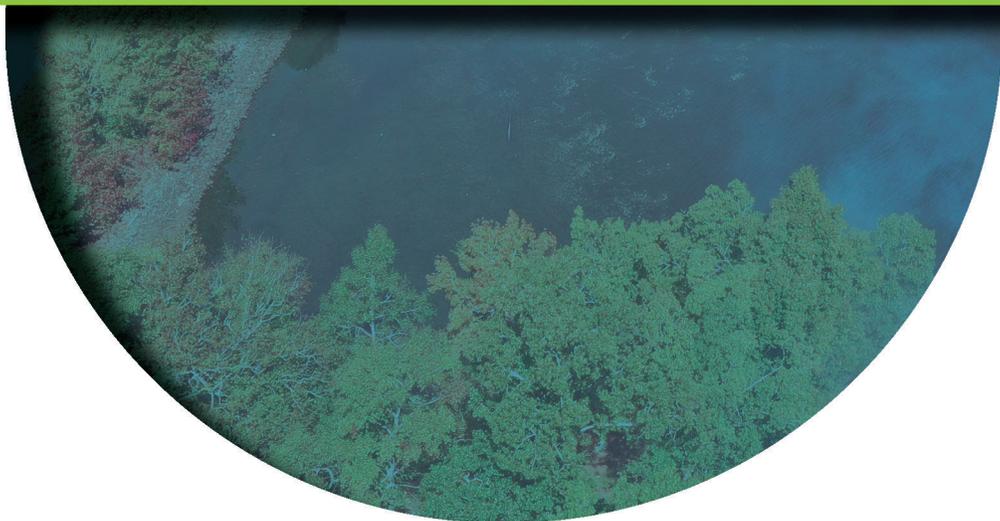
	2021	2020	2019	2018	2017	2016
Annual money-weighted rate of return, net of investment expense	-0.6%	0.7%	2.0%	1.0%	0.2%	0.8%

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

***(This page intentionally left blank)***



**STATISTICAL SECTION**  
(Unaudited)





# Central Arkansas Water

## STATISTICAL SECTION INDEX

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

**Financial Trends** ..... 94

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

**Revenue and Debt Capacity** ..... 99

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

**Demographic and Economic Information** ..... 104

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

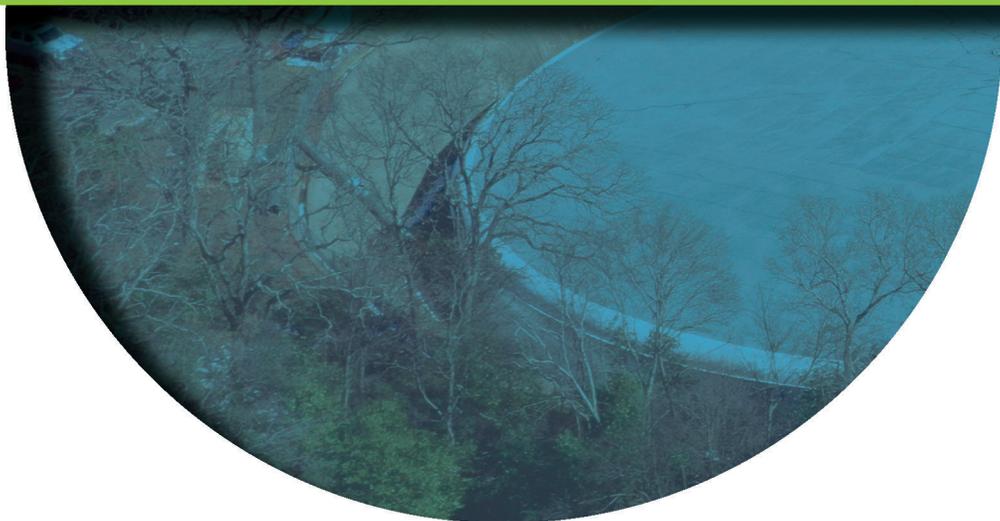
**Operating Information** ..... 106

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

*(This page intentionally left blank)*



# FINANCIAL TRENDS





***(This page intentionally left blank)***

**Central Arkansas Water**  
**TEN YEAR SUMMARY OF REVENUES, EXPENSES AND RATE INCREASES**  
**2012–2021 (Unaudited)**

	2012	2013	2014	2015
<b>Operating Revenues</b>				
Water Sales	\$ 49,448,601	\$ 45,998,541	\$ 45,070,592	\$ 47,459,563
Penalties	891,014	859,938	916,613	878,500
Turn-on charges	1,195,622	1,101,038	1,010,229	989,227
Ancillary charges	3,014,509	3,083,148	2,917,964	3,005,354
Watershed protection fees	1,003,492	1,012,991	1,012,005	1,017,055
Other Revenue	716,994	1,990,277	670,741	731,607
<b>Total Revenues</b>	<b>56,270,232</b>	<b>54,045,933</b>	<b>51,598,144</b>	<b>54,081,306</b>
<b>Operating Expenses</b>				
Administration	2,252,142	2,364,744	2,471,360	2,598,576
Distribution	9,817,795	10,495,249	10,659,085	10,256,858
Engineering	1,768,725	1,773,172	1,821,276	1,694,457
Finance	2,605,926	2,585,870	2,548,209	2,582,474
Customer service	4,055,518	4,176,286	4,458,680	4,436,408
Information services	3,013,314	2,902,303	3,133,821	3,050,213
Water production	9,423,762	7,889,209	7,717,004	8,011,935
Watershed protection	1,062,484	-	-	-
Water quality	-	1,936,431	1,911,167	2,024,136
POWA operating expenses	-	-	-	-
General	2,345,009	2,017,004	1,971,006	2,112,725
Depreciation	10,346,997	11,068,273	10,786,930	11,246,626
<b>Total Operating Expenses</b>	<b>46,691,672</b>	<b>47,208,541</b>	<b>47,478,538</b>	<b>48,014,408</b>
<b>Nonoperating Revenues Expenses</b>				
Transfers to Cities of LR and NLR	(602,832)	(608,436)	(658,776)	(659,088)
Gain (loss) on disposal of capital assets	204,043	249,854	26,456	76,092
Investment Income	76,650	111,482	199,334	194,795
Bond and other interest expense, net	(1,579,723)	(2,348,152)	(2,320,427)	(2,408,154)
Intergovernmental	-	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(1,901,862)</b>	<b>(2,595,252)</b>	<b>(2,753,413)</b>	<b>(2,796,355)</b>
<b>Contributions</b>				
Contributions-in-aid of construction	2,826,327	864,644	2,253,550	3,021,520
Capital contributions from grantors	171,514	47,903	-	127,396
Special Item – transfer of assets from Maumelle	-	-	-	-
<b>Total Contributions</b>	<b>2,997,841</b>	<b>912,547</b>	<b>2,253,550</b>	<b>3,148,916</b>
<b>Change in Net Position</b>	<b>\$ 10,674,539</b>	<b>\$ 5,154,687</b>	<b>\$ 3,619,743</b>	<b>\$ 6,419,459</b>
<b>% Water Rate Increase <sup>(1)</sup></b>	<b>0.0%</b>	<b>3.8%</b>	<b>3.7%</b>	<b>0.0%</b>

Source: Central Arkansas Water Finance Department

<sup>(1)</sup> 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)* 2012–2021 (Unaudited)

	2016	2017	2018	2019	2020	2021
\$	51,325,094	\$ 51,648,173	\$ 57,264,083	\$ 54,639,500	\$ 54,436,691	\$ 60,779,029
	885,551	922,616	991,571	1,019,732	1,120,690	1,056,757
	1,091,867	1,342,974	1,335,236	1,403,494	913,820	616,284
	5,549,781	6,188,546	5,667,721	7,495,745	8,775,595	10,012,456
	1,025,064	1,120,097	1,101,065	1,323,160	1,868,949	2,232,234
	818,766	611,842	560,731	552,289	(190,218)	876,357
	<u>60,696,123</u>	<u>61,834,248</u>	<u>66,920,407</u>	<u>66,433,920</u>	<u>66,925,527</u>	<u>75,573,117</u>
	2,668,488	3,447,845	4,019,183	4,462,396	6,059,961	5,402,244
	13,313,139	14,256,900	14,980,984	15,583,222	15,620,557	13,097,133
	1,803,704	2,049,525	2,038,602	2,862,634	2,037,030	1,698,946
	3,103,823	3,078,676	2,895,514	2,864,906	3,001,925	2,780,139
	4,954,842	3,151,815	3,298,739	3,710,651	3,795,995	3,302,409
	3,186,317	3,328,787	3,302,483	3,527,672	3,843,156	4,070,511
	8,239,835	9,341,319	9,120,982	10,186,502	10,926,225	12,902,542
	-	-	-	-	-	-
	2,050,733	2,134,930	2,267,752	2,466,084	-	-
	-	-	-	-	281,493	221,915
	3,057,387	2,484,482	2,298,966	2,246,364	2,831,598	2,581,843
	<u>12,149,744</u>	<u>12,770,370</u>	<u>12,687,333</u>	<u>12,888,536</u>	<u>13,165,555</u>	<u>13,552,232</u>
	<u>54,528,012</u>	<u>56,044,649</u>	<u>56,910,538</u>	<u>60,798,967</u>	<u>61,563,495</u>	<u>59,609,914</u>
	(676,408)	(706,716)	(709,068)	(791,064)	(802,260)	(795,408)
	76,664	70,231	(17,965)	(496,099)	80,724	281,258
	237,700	413,111	846,878	1,269,965	255,819	47,001
	(3,284,945)	(2,043,741)	(2,031,574)	(2,162,183)	(3,707,779)	(3,986,125)
	-	-	-	-	-	214,223
	<u>(3,646,989)</u>	<u>(2,267,115)</u>	<u>(1,911,729)</u>	<u>(2,179,381)</u>	<u>(4,173,496)</u>	<u>(4,239,051)</u>
	2,148,229	2,442,052	2,580,491	3,079,598	1,081,550	3,845,608
	26,112	-	-	-	9,200	-
	7,745,408	-	-	-	-	-
	<u>9,919,749</u>	<u>2,442,052</u>	<u>2,580,491</u>	<u>3,079,598</u>	<u>1,090,750</u>	<u>3,845,608</u>
\$	<u>12,440,871</u>	<u>\$ 5,964,536</u>	<u>\$ 10,678,631</u>	<u>\$ 6,535,170</u>	<u>\$ 2,279,286</u>	<u>\$ 15,569,760</u>
	0.0%	8.9%	8.9%	0.0%	0.0%	0.0%

**Central Arkansas Water**  
**TEN YEAR SUMMARY OF NET POSITION**  
**2012–2021 (Unaudited)**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015 <sup>(1)</sup></u>	<u>2016</u>
<b>Net Position</b>					
Net Investment in capital assets	\$ 302,315,617	\$ 309,457,263	\$ 312,635,439	\$ 320,025,891	\$ 329,906,226
Restricted – expendable	7,988,462	7,121,040	6,059,324	7,188,147	7,683,719
Unrestricted	<u>36,080,587</u>	<u>34,961,050</u>	<u>36,464,333</u>	<u>19,108,904</u>	<u>21,173,868</u>
<b>Total Net Position</b>	<u>\$ 346,384,666</u>	<u>\$ 351,539,353</u>	<u>\$ 355,159,096</u>	<u>\$ 346,322,942</u>	<u>\$ 358,763,813</u>

**Source:** Central Arkansas Water Finance Department

<sup>(1)</sup> 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.

<sup>(2)</sup> 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*)**  
**2012–2021 (Unaudited)**

<b>2017<sup>(2)</sup></b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
\$ 337,464,888	\$ 348,267,555	\$ 357,586,670	\$ 367,648,777	\$ 373,343,220
9,093,839	10,517,702	8,806,305	8,851,333	10,459,371
5,793,875	4,245,982	3,173,434	(2,875,500)	6,566,438
<u>\$ 352,352,602</u>	<u>\$ 363,031,239</u>	<u>\$ 369,566,409</u>	<u>\$ 373,624,610</u>	<u>\$ 390,369,029</u>

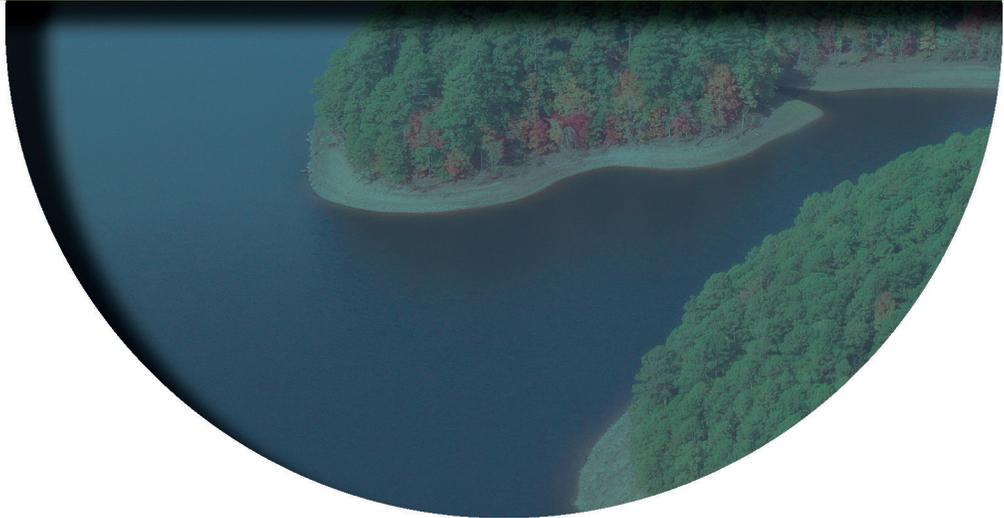
**Central Arkansas Water**  
**TEN YEAR SUMMARY OF WRITE-OFFS**  
**2012–2021 (Unaudited)**

<b>Year</b>	<b>Water Sales</b>	<b>Write-Offs</b>	<b>Write-Offs/ Water Sales</b>
2012	49,448,601	257,771	0.52%
2013	45,998,541	239,301	0.52%
2014	45,070,592	369,709	0.82%
2015	47,459,563	316,441	0.67%
2016	51,325,094	237,356	0.46%
2017	51,648,173	287,151	0.56%
2018	57,267,083	344,203	0.60%
2019	54,639,500	305,497	0.56%
2020	54,436,691	627,851	1.15%
2021	60,779,029	1,076,432	1.77%

**Source:** Central Arkansas Water Finance Department



**REVENUE &  
DEBT CAPACITY**





***(This page intentionally left blank)***

# Central Arkansas Water

## TEN YEAR SUMMARY OF REVENUES, EXPENSES AND DEBT SERVICE COVERAGE 2012–2021 (Unaudited)

	2012	2013	2014	2015
<b>Operating Revenues</b>				
Water Sales	\$ 49,448,601	\$ 45,998,541	\$ 45,070,592	\$ 47,459,563
Penalties	891,014	859,938	916,613	878,500
Turn-on charges	1,195,622	1,101,038	1,010,229	989,227
Ancillary charges	3,014,509	3,083,148	2,917,964	3,005,354
Watershed protection fees	1,003,492	1,012,991	1,012,005	1,017,055
Proceeds from sale of capital assets	1,270,452	1,259,097	62,548	93,675
Investment income	76,650	111,482	199,334	194,795
Other revenue	716,994	1,990,277	670,741	731,607
<b>Total Revenues</b>	<u>57,617,334</u>	<u>55,416,512</u>	<u>51,860,026</u>	<u>54,369,776</u>
<b>Expenses</b>				
Administration	2,252,142	2,364,744	2,471,360	2,598,576
Distribution	9,817,795	10,495,249	10,659,085	10,256,858
Engineering	1,768,725	1,773,172	1,821,276	1,694,457
Finance	2,605,926	2,585,870	2,548,209	2,582,474
Customer service	-	-	-	-
Customer relations and public affairs	4,055,518	4,176,286	4,458,680	4,436,408
Information services	3,013,314	2,902,303	3,133,821	3,050,213
Water production	9,423,762	7,889,209	7,717,004	8,011,935
Watershed protection	1,062,484	-	-	-
Water quality	-	1,936,431	1,911,167	2,024,136
General	2,345,009	2,017,004	1,971,006	2,112,725
POWA operating expenses	-	-	-	-
Transfers to Cities of LR and NLR	602,832	608,436	658,776	659,088
<b>Total Expenses</b>	<u>36,947,507</u>	<u>36,748,704</u>	<u>37,350,384</u>	<u>37,426,870</u>
<b>Transfers to rate stabilization account <sup>(2)</sup></b>	<u>(3,300,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Revenues</b>	<u>\$ 17,369,827</u>	<u>\$ 18,667,808</u>	<u>\$ 14,509,642</u>	<u>\$ 16,942,906</u>
<b>Maximum Annual Debt Service on Revenue Bonds</b>	<u>\$ 8,061,331</u>	<u>\$ 7,909,925</u>	<u>\$ 7,645,191</u>	<u>\$ 7,600,019</u>
<b>Ratio of Net Revenues to Maximum Annual Debt Service on Revenue Bonds <sup>(1)</sup></b>	<u>2.15</u>	<u>2.36</u>	<u>1.90</u>	<u>2.23</u>

Source: Central Arkansas Water Finance Department

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

<sup>(1)</sup> Bond Requirement is 1.2.

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

## Central Arkansas Water

### TEN YEAR SUMMARY OF REVENUES, EXPENSES AND DEBT SERVICE COVERAGE *(Continued)* 2012–2021 (Unaudited)

	2016	2017	2018	2019	2020	2021
\$	51,325,094	\$ 51,648,173	\$ 57,264,083	\$ 54,639,500	\$ 54,436,691	\$ 60,779,029
	885,551	922,616	991,571	1,019,732	1,120,690	1,056,757
	1,091,867	1,342,974	1,335,236	1,403,494	913,820	616,284
	5,549,781	6,188,546	5,667,721	7,495,745	8,775,595	10,012,456
	1,025,064	1,120,097	1,101,065	1,323,160	1,868,949	2,232,234
	87,285	70,231	74,887	131,565	305,273	549,165
	237,700	413,111	846,878	1,269,965	255,819	47,001
	818,766	898,993	560,731	552,289	(190,218)	876,357
	<u>61,021,108</u>	<u>62,604,741</u>	<u>67,842,172</u>	<u>67,835,450</u>	<u>67,486,619</u>	<u>76,169,283</u>
	2,668,488	3,447,845	4,019,183	4,462,396	6,059,961	5,402,244
	13,313,139	14,256,900	14,980,984	15,583,222	15,620,557	13,097,133
	1,803,704	2,049,525	2,038,602	2,862,634	2,037,030	1,698,946
	3,103,823	3,078,676	2,895,514	2,864,906	3,001,925	2,780,139
	-	3,151,815	3,298,739	3,710,651	3,795,995	3,302,409
	4,954,842	-	-	-	-	-
	3,186,317	3,328,787	3,302,483	3,527,672	3,843,156	4,070,511
	8,239,835	9,341,319	9,120,982	10,186,502	10,926,225	12,902,542
	-	-	-	-	-	-
	2,050,733	2,134,930	2,267,752	2,466,084	-	-
	3,057,387	2,650,583	2,298,966	2,246,364	2,831,598	2,581,843
	-	-	-	-	281,493	221,915
	676,408	706,716	709,068	791,064	802,260	795,408
	<u>43,054,676</u>	<u>44,147,096</u>	<u>44,932,273</u>	<u>48,701,495</u>	<u>49,200,200</u>	<u>46,853,090</u>
	-	-	-	-	675,000	-
\$	<u>17,966,432</u>	<u>\$ 18,457,645</u>	<u>\$ 22,909,899</u>	<u>\$ 19,133,955</u>	<u>\$ 18,961,419</u>	<u>\$ 29,316,193</u>
\$	<u>7,125,431</u>	<u>\$ 7,113,368</u>	<u>\$ 7,113,368</u>	<u>\$ 10,284,375</u>	<u>\$ 10,425,719</u>	<u>\$ 11,336,131</u>
	<u>2.52</u>	<u>2.59</u>	<u>3.22</u>	<u>1.86</u>	<u>1.82</u>	<u>2.59</u>

**Central Arkansas Water**  
**TEN YEAR SUMMARY OF OUTSTANDING DEBT-TO-CUSTOMER COUNT**  
**2012–2021 (Unaudited)**

<b>Year</b>	<b>Residential</b>	<b>Commercial</b>	<b>Large Volume</b>	<b>Wholesale</b>	<b>Sprinkler</b>
2012	106,961	11,243	64	9	3,554
2013	108,116	11,297	57	9	3,748
2014	108,426	11,411	56	9	3,782
2015	109,007	11,419	50	9	3,955
2016	116,601	11,592	48	9	4,083
2017	117,015	11,824	52	9	4,082
2018	117,637	12,145	45	9	4,037
2019	118,354	12,249	48	9	3,976
2020	122,247	12,460	49	9	4,199
2021	118,576	11,880	44	9	3,721

**Source:** Central Arkansas Water Finance Department

- \* Total outstanding debt is net of the 2016 Construction and Acquisition Water Revenue bonds. A debt surcharge levied on the Maumelle service area customers is pledged to repay this debt.
- \*\* Total outstanding debt is net of the 2016 Construction and Acquisition Water Revenue bonds and 2020A Water Revenue bond (POWA Project). A debt surcharge levied on the Maumelle and POWA service area customers is pledged to repay these debts.
- \*\*\* Total debt outstanding is net of the 2016 Consturction and Acquisition Water Revenue bonds, 2020A Water Revenue bond (POWA Project), 2021A Frazier Pike Water Revenue bonds, and 2021B Wye Mountain Water Revenue bonds. A debt surcharge levied on the Maumelle, POWA, Fraizer Pike, and Wye Mountain area customers is pledged to repay these debts.

## Central Arkansas Water

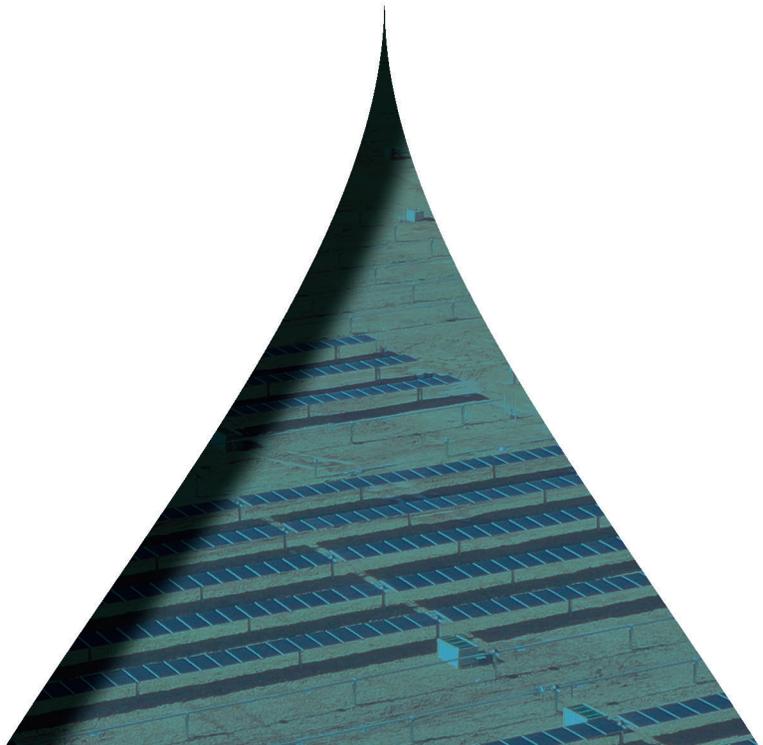
### TEN YEAR SUMMARY OF OUTSTANDING DEBT-TO-CUSTOMER COUNT *(Continued)* 2012–2021 (Unaudited)

Private Fire Service	Total Customers	Total Outstanding Debt	Total Outstanding Debt-to- Customer Count
1,772	123,603	\$ 92,506,391	\$ 748
1,821	125,048	\$ 85,442,806	\$ 683
1,850	125,534	\$ 80,966,271	\$ 645
1,880	126,320	\$ 76,734,499	\$ 607
2,104	134,437	\$ 71,076,875 *	\$ 529
2,145	135,127	\$ 65,799,015 *	\$ 487
2,194	136,067	\$ 88,337,149 *	\$ 649
2,295	136,931	\$ 92,338,051 *	\$ 674
2,326	141,290	\$ 141,460,491 **	\$ 1,001
2,301	136,531	\$ 140,854,883 ***	\$ 1,032

**Central Arkansas Water**  
**TEN YEAR SUMMARY OF TEN LARGEST WATER CUSTOMERS**  
**2012–2021 (Unaudited)**

	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Jacksonville Water Works	1	1	1	1	1	1	2	1	1	1
Bryant Water and Sewer	2	2	2	2	3	2	3	2	2	3
Salem Water Alliance	3	3	3	3	2	3	1	3	3	2
Mid-Arkansas Utilities	4	4	4	5	-	-	-	-	-	-
University of Arkansas for Medical Sciences	5	5	5	6	5	4	7	5	4	6
Arkansas Department of Corrections	10	9	6	7	6	6	8	6	7	4
Sage V Foods	-	-	7	10	-	8	-	-	-	-
Cabot WaterWorks	9	10	8	8	7	5	6	4	5	7
Shannon Hills Water Department	-	-	9	4	9	-	9	10	9	8
Baptist Health System	7	7	10	9	10	10	10	9	10	-
Veterans Administration Hospitals	8	8	-	-	-	-	-	-	-	-
3-M Company	-	-	-	-	4	9	-	7	6	5
Arkansas Electric Cooperative	6	6	-	-	-	-	-	-	-	-
North Little Rock Burns Park	-	-	-	-	8	-	-	-	-	-
Arkansas Military Department	-	-	-	-	-	-	-	-	-	-
Kimberly-Clark	-	-	-	-	-	7	5	8	8	10
Sardis Public Water Authority	-	-	-	-	-	-	-	-	-	9

**Source:** Central Arkansas Water Finance Department



**DEMOGRAPHIC &  
ECONOMIC INFORMATION**





**Central Arkansas Water**  
**LARGEST EMPLOYERS WITHIN PULASKI COUNTY**  
**2021 vs. 2020 (Unaudited)**

Employer	Type of Business	2021			2012		
		Rank	Employees	Percentage of Total Employment	Rank	Employees	Percentage of Total Employment
State of Arkansas	Government	1	35,800	19%	1	32,200	18%
Local Government	Government	2	26,200	14%	2	28,800	16%
Federal Government	Government	3	9,900	5%	3	9,200	5%
University of Arkansas for Medical Sciences	Medical Services	4	9,700	5%	4	8,500	5%
Baptist Health	Medical Services	5	7,340	4%	6	7,000	4%
Little Rock Air Force Base	Government	6	4,500	2%	7	4,500	3%
Arkansas Children's Hospital	Medical Services	7	4,370	2%	-	-	0%
Central Arkansas Veterans Health Care Systems	Medical Services	8	4,000	2%	9	3,500	2%
Little Rock School District	Education	9	3,970	2%	-	-	0%
CHI St. Vincent	Medical Services	10	3,000	2%	-	-	0%
Pulaski County Public School District	Education	-	-	0%	5	7,410	4%
Axiom	Data Processing	-	-	0%	8	4,390	2%
Entergy Arkansas	Utility	-	-	0%	10	2,740	2%
Total			<u>108,780</u>	<u>57%</u>		<u>108,240</u>	<u>61%</u>
Total Employment			188,340			178,350	

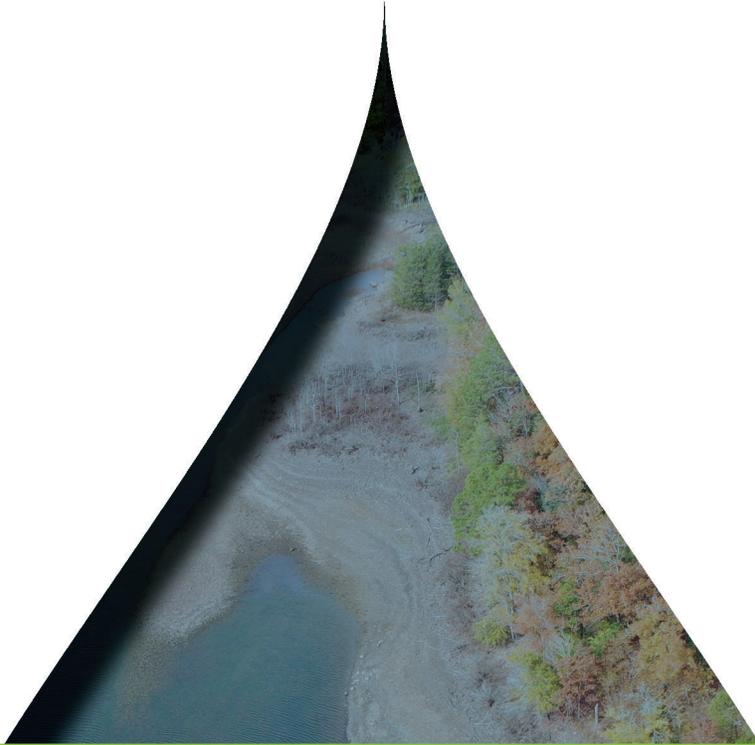
Source: Central Arkansas Water Finance Department

**Central Arkansas Water**  
**TEN YEAR SUMMARY OF**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS WITHIN PULASKI COUNTY**  
**2012–2021 (Unaudited)**

<b>Year</b>	<b>Population</b>	<b>Households</b>	<b>Median Household Income</b>	<b>Per Capita Personal Income</b>	<b>Total Personal Income (000s)</b>	<b>Unemployment Rate</b>
2012	388,953	178,704	\$ 44,819	\$ 45,875	\$ 17,843,080	6.3%
2013	391,284	179,470	\$ 46,526	\$ 47,854	\$ 18,724,616	6.9%
2014	392,490	180,023	\$ 45,698	\$ 46,349	\$ 18,201,484	5.6%
2015	392,664	180,103	\$ 46,673	\$ 45,862	\$ 18,008,251	4.0%
2016	393,250	155,440	\$ 46,070	\$ 47,834	\$ 18,810,571	3.2%
2017	393,956	155,435	\$ 48,850	\$ 48,838	\$ 19,240,052	3.4%
2018	392,680	157,083	\$ 50,093	\$ 31,359	\$ 20,099,504	3.4%
2019	391,911	158,772	\$ 51,749	\$ 32,692	\$ 20,281,002	3.3%
2020	391,904	161,652	\$ 52,930	\$ 33,773	\$ 20,743,949	5.0%
2021	(1)	(1)	(1)	(1)	(1)	2.9%

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

<sup>(1)</sup> Information is not available.



# OPERATING INFORMATION





**Central Arkansas Water**  
**TEN YEAR SUMMARY OF NEW CONNECTIONS**  
**2012–2021 (Unaudited)**

<b>Year</b>	<b>Meters</b>	<b>Fire Hydrants</b>	<b>New Pipe (in Miles)</b>
2012	1,442	61	28.50
2013	2,158	137	15.30
2014	1,205	150	16.90
2015	1,233	165	11.80
2016	1,277	168	17.00
2017	1,450	166	16.30
2018	1,301	202	17.61
2019	1,177	225	14.34
2020	1,450	148	10.48
2021	1,393	137	12.21

**Source:** Central Arkansas Water GIS

**Central Arkansas Water**  
**TEN YEAR SUMMARY OF SYSTEM HIGHLIGHTS**  
**2012–2021 (Unaudited)**

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Miles of public water distribution pipe	2,295	2,358	2,366	2,372	2,497	2,506	2,518	2,527	2,663	2,672
Number of treatment plants	2	2	2	2	3	3	2	2	3	3
Maximum treatment capacity (MGD)	157.0	157.0	157.0	157.0	163.7	163.7	157.0	157.0	157.0	157.0
Maximum day consumption	126.0	106.0	88.3	98.9	98.1	92.0	101.0	88.7	90.7	121.2
Percentage of maximum capacity utilized	80%	68%	56%	63%	60%	56%	64%	56%	58%	77%

**Source:** Central Arkansas Water Engineering and Water Production Departments

MGD = Millions of Gallons per Day

MG = Million Gallons

***(This page intentionally left blank)***

**Central Arkansas Water**  
**TEN YEAR SUMMARY OF CAPITAL ASSETS**  
**2012–2021 (Unaudited)**

	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Land and land use rights	\$ 45,521,648	\$ 46,032,162	\$ 46,192,915	\$ 47,488,299	\$ 47,892,367
Water Rights	-	-	-	-	-
Building and grounds	44,160,573	49,154,620	60,806,083	60,916,771	62,556,517
Land improvements	-	1,478,894	2,253,459	2,259,083	2,702,932
Water source	32,920,887	32,927,318	33,211,941	33,211,941	33,419,723
Purification	37,261,755	37,518,831	42,180,124	42,449,597	45,268,031
Pumping	25,740,465	25,796,891	26,233,796	26,410,016	27,159,362
Distribution	318,974,140	323,590,447	335,078,600	339,621,061	363,365,749
Other equipment	27,875,369	27,139,956	28,573,745	29,123,839	31,027,067
Construction in progress	11,868,158	21,527,876	2,150,054	8,880,044	8,044,217
	<u>544,322,995</u>	<u>565,166,995</u>	<u>576,680,717</u>	<u>590,360,651</u>	<u>621,435,965</u>
Less accumulated depreciation	<u>163,299,356</u>	<u>173,414,469</u>	<u>183,412,270</u>	<u>193,915,770</u>	<u>211,426,836</u>
<b>Net Capital Assets</b>	<u>\$ 381,023,639</u>	<u>\$ 391,752,526</u>	<u>\$ 393,268,447</u>	<u>\$ 396,444,881</u>	<u>\$ 410,009,129</u>

**Source:** Central Arkansas Water Finance Department

**Central Arkansas Water**  
**TEN YEAR SUMMARY OF CAPITAL ASSETS (Continued)**  
**2012–2021 (Unaudited)**

	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
\$	48,977,583	\$ 58,804,602	\$ 60,324,790	\$ 64,120,441	\$ 66,083,192
	-	-	4,598,638	4,974,114	4,974,114
	62,767,365	63,294,373	63,505,997	68,216,688	69,053,560
	2,831,335	2,895,907	2,974,389	3,159,115	2,844,435
	33,419,723	33,419,723	33,419,723	33,419,723	33,419,723
	45,527,263	45,671,724	42,984,525	43,306,480	43,306,480
	27,257,925	28,272,196	28,569,649	33,317,629	33,874,536
	368,386,584	388,726,499	401,665,841	413,991,799	421,922,634
	31,740,663	33,810,257	34,899,020	36,446,689	36,629,529
	21,632,031	19,019,605	29,549,784	46,513,682	68,539,230
	<u>642,540,472</u>	<u>673,914,886</u>	<u>702,492,356</u>	<u>747,466,360</u>	<u>780,647,433</u>
	<u>223,337,873</u>	<u>235,366,005</u>	<u>244,071,804</u>	<u>258,864,562</u>	<u>272,899,053</u>
\$	<u>419,202,599</u>	<u>\$ 438,548,881</u>	<u>\$ 458,420,552</u>	<u>\$ 488,601,798</u>	<u>\$ 507,748,380</u>

**Central Arkansas Water**  
**TEN YEAR SUMMARY OF FILLED POSITIONS BY DEPARTMENT**  
**2012–2021 (Unaudited)**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Administration	11	11	12	11	14	15	24	31	32	30
Customer relations and public affairs	-	-	61	63	-	-	-	-	-	-
Customer service	-	-	-	-	-	-	45	45	49	48
Distribution	106	109	108	110	135	141	139	146	145	125
Engineering	23	23	22	21	22	24	24	22	21	22
Finance and customer service	79	79	-	-	69	64	-	-	-	-
Finance	-	-	17	20	-	-	21	21	20	23
Information services	17	17	17	17	16	16	14	16	15	17
Source and treatment	32	31	-	-	-	-	-	-	-	-
Water quality	10	9	-	-	13	12	14	10	-	-
Water quality and operations	-	-	40	41	-	-	-	-	-	-
Source and treatment/ Water production	-	-	-	-	31	35	38	34	46	60
<b>Total</b>	<u>278</u>	<u>279</u>	<u>277</u>	<u>283</u>	<u>300</u>	<u>307</u>	<u>319</u>	<u>325</u>	<u>328</u>	<u>325</u>

**Source:** Central Arkansas Water Administration and Finance Department

**Central Arkansas Water**  
**SCHEDULE OF WATER RATES FOR CAW**  
**2021 (Unaudited)**

**Minimum Monthly Charge (CAW):**

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

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

Customer Class	Charge			
	Inside City – LR & NLR		Outside City – LR & NLR	
	2-33 CCFs	Over 33 CCFs	2-33 CCFs	Over 33 CCFs
Residential	\$ 1.71	\$ 2.22	\$ 2.73	\$ 3.57
Commercial	\$ 1.60	\$ 1.60	\$ 2.56	\$ 2.56
Large Volume	\$ 1.30	\$ 1.30	\$ 2.09	\$ 2.09
Sprinkler	\$ 1.71	\$ 2.22	\$ 2.73	\$ 3.57

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

**Watershed Protection Fee (all CAW customers):**

Meter Size	City
5/8"	\$ 0.90
3/4"	\$ 0.90
1"	\$ 1.35
1 1/2"	\$ 2.25
2"	\$ 4.50
3"	\$ 7.20
4"	\$ 13.50
6"	\$ 22.50
8"	\$ 45.00
10"	\$ 72.00

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

Source: Central Arkansas Water Finance Department

**Central Arkansas Water**  
**SCHEDULE OF WATER RATES FOR POWA**  
**2021 (Unaudited)**

**Minimum Monthly Charge (POWA):**

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

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

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

**Reserve Fee:**

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

**Watershed Protection Fee:**

<u>Meter Size</u>	<u>Fee</u>
5/8"	\$ 0.90
3/4"	\$ 0.90
1 1/2"	\$ 2.25
2"	\$ 4.50

**Transition Surcharges:**

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

**Source:** Central Arkansas Water Finance Department