

ANNUAL COMPREHENSIVE FINANCIAL REPORT

**FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021**



Annual Comprehensive Financial Report

PREPARED BY THE CENTRAL ARKANSAS WATER FINANCE DEPARTMENT

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2022

Central Arkansas Water

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Introductory Section





April 17, 2023

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, 2022 and 2021.

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, 2022 and 2021. See Management's Discussion and Analysis, beginning on page 25. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Utility. In the remainder of this letter, amounts are rounded to the nearest thousand dollars, unless otherwise noted.

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. Since the original merger, CAW has had four subsequent consolidations.

- 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 almost 600 customers in northwestern Pulaski County.
- On June 1, 2022, CAW added approximately 50 customers by acquiring the Ridgefield Estates Property Owners Association water system, located in western 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 as follows:

- Two raw water supplies
 - Lake Winona
 - 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)
 - Paron Treatment Plant (POWA Plant)
- A service area of approximately 721 square miles with 2,684 miles of public pipeline
- 35 remote booster pumping stations
- 39 remote storage facilities
- Maximum treatment capacity of 157 million gallons per day
- 140,000 active customer accounts
- 159,000 active customer meters

MAJOR INITIATIVES AND ACCOMPLISHMENTS IN 2022

With deliberate and careful consideration, CAW changed its way of looking at not only the present, but also the future. In conjunction with its strategic planning efforts, CAW updated its vision, mission, and purpose. Purpose, mission, and vision are three important cornerstones on which to build – the reason for being, an important goal that is accompanied by a strong conviction, and the act or power of anticipating what will or may come to be. First, the purpose...to protect public health by providing outstanding water services. Water is needed by each person to survive. CAW has been providing this needed water since its existence and before, through its two predecessor entities as mentioned on page one. The CAW mission is to deliver high-quality, affordable, abundant, dependable water services. CAW has delivered on this and strives to continue to do so every day. Last, but certainly not least, is the vision

for CAW. CAW strives to be a resilient and trusted utility. The 2050 Strategic Plan addresses ways to be resilient and trusted.

With the creation of the 2050 Strategic Plan, CAW staff has set five areas of concentration, or “big drops” to realize its vision of being a resilient and trusted utility:

- High performing, innovative, values-driven, informed, and passionate (HIVIP) employees
- System Reliability
- Environmental Sustainability
- Financial Viability
- Community Support

Staff from all over the company participated in refining these five big drops and the projects needed to accomplish CAW’s long-term goals.

The Human Resources (HR) section is committed to ensuring that the Utility’s recruitment programs, policies, procedures, compensation, and employee benefits programs continue to attract and retain HIVIP employees throughout the organization.

CAW’s 2022 cost of benefits as a percent of total compensation (wages + benefits) was 30.22%, well below the Bureau of Labor Statistics (BLS) national average of 38% for state and local government workers. CAW’s turnover for 2022 was 14.07%, with a five-year average of 9.92%. Both turnover statistics are anticipated to be significantly lower than the national average for state and local government excluding education.

To combat staffing challenges, the HR and Customer Service department collaborated in hosting a job fair where on-the-spot interviews were conducted, and job offers were subsequently made to qualified applicants. From this event, eight new Customer Service Representatives (CSRs) were hired, and with this influx of new employees, the Customer Service department leaders were able to focus on improving on-boarding and training processes.

To remain more competitive in the job market, CAW took the opportunity to make a COVID-19 option into a permanent policy. In February 2022, CAW offered a remote work policy for qualified employees whose job duties can be performed away from the typical duty location.

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 conducts intense employee training, performs routine health and safety inspections throughout the Utility, and eliminates unsafe acts and conditions. EHS provided 130 training sessions that equaled 3,300 training hours for employees in 2022. In addition, the EHS section emphasized personal safety outside the classroom by conducting 19 facility inspections and almost 1,000 jobsite inspections.

In addition to providing services for current employees, the Utility made strides in creating a sustainable workforce pipeline. In 2022, CAW participated in the second year of the Tjuana Byrd Internship Program, which is a 10-week summer internship program for college-aged women of color who are pursuing careers in science, technology, engineering, and mathematics (STEM).

During 2022, CAW held its first Girls in STEM education camp. CAW received a grant from the American Water Works Association (AWWA) Women of Water group to create this camp, which allowed female students to learn more about the water industry through direct interaction with employees from CAW and Little Rock Water Reclamation Authority.

CAW also grew its partnership with 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. CAW created the Central Arkansas Water Academy of Science and Construction, which will allow students to learn more about the construction industry and work on their water licensing requirements while still in high school. This focus on vocational training at the high school level will provide many students with a rewarding career path right out of high school and bolster the water industry in Arkansas with qualified entry-level candidates.

System reliability, or CAW's goal of providing uninterrupted high-quality water services, involves much effort from its operations groups. High-quality water begins at the water sources, which in CAW's case are Lake Maumelle and Lake Winona. Protecting adjacent forestlands and tributaries is of key importance in ensuring water quality of the sources for generations. The Watershed Protection Program has continued its mission of protecting, restoring, and enhancing the natural watershed environment of the Utility's two water sources. Protecting adjacent forestlands and tributaries is of key importance in ensuring water quality of the sources for generations. Protecting these landscapes is a hands-on effort and a large part of CAW's protection strategy comes in the form of acquiring and managing these landscapes. In 2022, CAW purchased an additional 306 acres and placed an additional 136 acres into conservation easements.

Daily, the Water Production department monitors and operates the source water facilities, the 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 staff responsibilities also include ensuring compliance with the Safe Drinking Water Act (SDWA), along with 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). Facility operators continuously monitor water quality at all phases of the treatment process and perform process control analyses every four hours. In all of 2022, CAW produced water that achieved 100% compliance with all regulatory limits.

Improvements to the water quality monitoring program include the addition of 17 new sampling locations throughout the distribution system, each equipped with a sample station, and installation of sample stations at seven current locations. 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, alkalinity, and hardness. 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.

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. 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 distribution tanks. Staff continued making progress under the PSW's Treatment Optimization Program and submitted the baseline and self-assessment reports to the AWWA's Partnership team for the Ozark Point Plant. The Treatment Optimization Team began the Wilson Plant self-assessment in 2022.

Another way to promote system reliability is CAW's two-inch galvanized pipe replacement program, which began in 2010. With a combined effort from the Distribution and Engineering departments, the Utility replaced approximately 44,000 feet (over eight miles) of aging infrastructure in 2022. This proactive approach in replacing troublesome mains has paid significant dividends since the program's beginning. Spontaneous breaks per 100 miles of galvanized pipe decreased from 234 in 2010 to 124 breaks in 2022. In 2022, breaks in galvanized pipe decreased by about 22% from the breaks in 2021. 2021 had an abnormally high number of breaks per 100 miles of pipe at 151 breaks, due mostly to the extreme weather event that occurred in February 2021.

In addition to pipe replacement, the Engineering Department managed and oversaw the installation of more than 14 miles of new public water mains in 2022. Over 14 miles of old, high maintenance public water mains were also retired.

Major projects that the Engineering department designed, managed and/or inspected to completion or start in 2022 include:

- Completed two relocation projects for street, road, and drainage improvements initiated by the Arkansas Department of Transportation (ARDOT) and the City of Little Rock.
 - The first relocation was the 2,390 feet of 24-inch welded steel pipe water transmission main that was installed on the new east-bound Interstate-30 Arkansas River Bridge. This project spans multiple years and was a major undertaking. The new pipe was placed into service in September 2022. Construction cost to-date is \$1,878,000 with a final payment of \$805,000 due to ARDOT in 2023.
 - The second relocation project in 2022 included street and drainage improvements along Kanis Rd/Michael Dr/Business Park Dr. in Little Rock. This project consisted of relocating 1,123 feet of an eight-inch water main at a construction cost of \$304,000.
- Completed a five-year rehabilitation project at the Ozark Point Plant.
 - Preliminary Engineering Report was completed in 2017, with the detailed design of approximately \$36,000,000 of improvements occurring in 2018 and 2019. The second phase of the project occurred first, beginning in 2019 and ending in 2021. Final payment for this phase was made in early 2022. The final construction cost of Phase 2 was \$26,922,000.

- The first phase of improvements consisted of painting, baffling, and other improvements to two large-capacity water storage tanks and one elevated washwater tank. This work was bid in mid-2021 and completed in late 2022 at a final construction cost of \$3,469,000.
- Completed and partially completed several projects to replace old 2-inch diameter galvanized water mains totaling 30,492 feet, valued at \$4,953,000.
- Completed a \$1,629,000 project to install 7,700 feet of new 16-inch diameter and 1,100 feet of new 12-inch diameter water mains along Remount Road and W. Maryland Ave. in North Little Rock to increase flow capacities in the area around the North Little Rock Airport and the surrounding commercial and residential areas.
- Completed a \$1,635,000 project to install 6,400 feet of 20-inch diameter water transmission main along N. Locust Street and Interstate-30 in North Little Rock to provide redundant suction flow to Booster Pump Station No. 23 (Montgomery).
- Managed an engineering study at the Wilson Plant that will examine and evaluate the physical condition and operation of the water treatment plant. Engineering firms, Hazen and Sawyer and Hawkins-Weir Engineers are performing this study under a \$561,000 contract. The study commenced in September 2020, and the original scope of services of the study was completed by December 2021. Amendments to the original scope of work extended the study to the end of 2022; however, the final payment until early 2023. The recommendations of the study included a plant renewal and improvement project (Wilson Plant Rehabilitation and Improvements Resiliency Project) with costs totaling an estimated \$150 million and a recommendation to utilize the Construction Manager at Risk (CMAR) project delivery construction method. Detailed engineering design and selection of a CMAR will commence in early 2023.

CAW facilities are an important part in the quest for system reliability. Engineering projects, including the Ozark Point Plant and Wilson Plant projects mentioned above, as well as the upkeep of all CAW facilities, are necessary to ensure the delivery of high-quality, affordable, abundant, dependable water services. CAW facilities and grounds staff completed work orders including the handling of 21 office moves, and grounds maintenance of 27 facilities, pump stations and tanks. The Facilities staff also managed roof repairs and replacement projects at five locations.

The Distribution department ensures that the infrastructure used to transport water to customers is inspected, maintained to current standards, and quickly repaired when necessary. In 2022, the Distribution department completed over 56,000 work orders on CAW assets, which are captured in Cityworks, CAW's work management system. Inspection and systematic replacement of assets is of great importance to achieve system reliability. In 2022, CAW staff inspected the following assets:

- 887 12-inch and smaller valves / Since 2019, 25,000 valves of these sizes have been inspected with the remaining 9,900 projected to be completed by the end of 2023.
- 784 14-inch and larger valves / These larger valves are inspected annually.
- 13,376 fire hydrants / Since 2021, 20,000 fire hydrants have been inspected with the remaining 171 inspections projected to be completed in 2023. Little Rock and North Little Rock fire

departments inspect all fire hydrants annually, while CAW staff perform the inspections every other year.

CAW has a meter change-out program, where meters are replaced periodically to ensure optimal output. 5/8-inch meters are replaced every 16 years, while larger meters are replaced on a shorter cycle. In 2022, Distribution department staff replaced almost 4,800 meters. In a typical year, at least 5,000 meters are replaced. As part of the Perla Water Association (PWA) receivership, Distribution crews replaced over 800 meters in the PWA service area. Over 200 meters in the POWA service area were replaced in 2022 to optimize meter readings.

Often, service lines also must be replaced to ensure that water is properly delivered to one's tap. Due to unsatisfactory service conditions, Distribution continued to focus on service line replacements in Maumelle. Distribution has replaced over 1,100 service lines since the merger in 2016, 155 of which were replaced in 2022. Service line replacements will continue to be highly important in 2023 for the Maumelle area.

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 and has restored 23 creek crossings—12 crossings in 2022. As workload permits, Distribution staff will continue to perform the needed repairs on the remaining 23 creek crossings.

The Distribution department continues to devote resources to reducing unaccounted-for water (UAW), using both traditional and innovative techniques. Vessel, CAW's Detective Dog, is an example of the Utility's innovation. She, along with her handler and one of CAW's troubleshooters, investigate possible leaks throughout the system, including those on the pre-1960s cast iron mains. The 12-month average UAW for December 2022 was 10.01%, which is below ADH's UAW action level of 15%. However, CAW strives to be below AWWA's benchmark of 9.5%. In August 2022, the Utility hit an all-time UAW level of 6.79%. As a more traditional route, CAW plans to hire Asterra to perform a satellite survey on 1,000 miles of CAW pipe to aid in finding undetectable leaks. They have provided surveys in the past to CAW with point of interest (POI) locations to investigate, which not only helped CAW find leaks in the system but also helped find customer leaks.

A big drop to meeting CAW's long-term goals is environmental sustainability. In April 2022, CAW brought its first large scale solar project online. The 4.8 MW solar field with 11,000 panels is located on CAW owned land in Cabot and supplies about 20% of total system demand through a long-term power purchase agreement with our partner Scenic Hill Solar.

CAW continued energy efficiency projects throughout the system with including LED lighting and better building cooling controls at the main James T. Harvey (JTH) administration building, reducing energy demand by 5.5%, and completing energy assessment with CLEAResult for four locations.

Sustainability submitted its first Carbon Emissions report to the Climate Disclosure Project with 2021 Scope 1 and 2 Emissions totaling 18,500 metric tons of carbon dioxide (CO₂) equivalent. Waste diverted from landfills (sorted construction debris, metals, cardboard, paper, glass, plastics, and electronic waste) increased 8% from the prior year with strong participation in office and distribution metals recycling.

CAW also continued its bottle filler program in the community. In 2022, CAW provided a bottle filling station to a new accessible city park, made available to everyone regardless of their ability. This new

station now makes over a dozen access points for free water across the community. These stations promote sustainability by encouraging refilling of reusable bottles versus the continued dependence on one-time use bottles.

Financial viability is the fourth big drop and also a tool designed to reduce risk. 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, ratemaking, 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 (COA Program) from the GFOA for the Annual Comprehensive Financial Report for the year ending December 31, 2021. This is the 12th consecutive year the department has received this distinction. Additionally, for the 13th 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 fourth time.

The GFOA 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 assisted in the issuance of over \$5.7 million in water revenue bonds. Series 2021A Water Revenue Bond was issued in April 2022 for \$1,757,000 for the acquisition of the water system owned by Ridgefield Estates. Additionally, Series 2022B Bond was issued for \$4 million to fund the second phase of improvements to the Wilson Plant Pump Station #1A. In 2022, CAW's Moody's bond rating continued to be stable with an Aa2 rating.

In 2022, CAW staff worked with Raftelis to develop a 10-year rate study for the Utility to ensure it has the funding for operation, capital, and debt service needs. Out of this series of analyses, a 10-year Capital Improvement Plan (CIP) totaling \$700 million emerged. Public meetings coordinated by members of the Public Affairs and Communications department as well as other key members of leadership occurred in the fall and winter of 2022 to speak with community stakeholders regarding this unprecedented investment into the Utility's infrastructure.

As part of the rate study, current water and ancillary rates were studied and updated to ensure funding was in place for this CIP, the resulting debt services, and Utility Operations. A rate increase schedule over

the same 10-year period was developed was presented to the Board of Commissioners in December 2022, with anticipated approval expected in January 2023.

Public meetings, as mentioned above, are just one of a variety of ways that CAW endeavors to build community support. Digitally connecting with CAW shareholders is another. The Public Affairs and Communications section reached almost 675,000 online accounts across CAW's six social media platforms in 2022 – a 4% increase over the prior year – and acquired a collective following of more than 105,000 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.

The Utility continued to market and promote enrollment in paperless billing and use of improved online account management features. CAW introduced its "H2Know" text notification system and connected it with the Notify Outage System. This allows customers to receive text messages about any emergency events that occur in the CAW system and allows them access to a map to pinpoint the location of any water emergencies. This level of transparency and communication with customers and stakeholders ensures trust in the Utility.

Bringing a text notification system online involved a multi-departmental effort from CAW staff. CAW's Geographic Information System (GIS) section of the Information Services (IS) department implemented an online virtual web map to display active water service disruptions and outages. This allows not only office personnel to place an outage on a map, but also allows field personnel to create the outage while on-site in the field. Distribution staff continued mapping all meters within the system, collecting global positioning system (GPS) points on an additional 1,394 meters in 2022. Distribution staff continue to run reports every quarter for any new meters installed to ensure that those new meters have GPS points mapped and put into the system. The initiative to capture customer meter locations is twofold. In addition to the text notification aspect, knowing a meter location assists Utility staff when there are leaves, snow, or other debris on the ground.

The CAW Customer Service department has historically been the first point of contact for its 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, as well as utility-specific guidelines and procedures. The Customer Service department consists of Meter Reading and Field teams, the CAW Contact Center, and the Cash Processing team. In 2022, these teams focused on quality assurance and the customer's experience. A full-time Quality Assurance Analyst was added to assist with these efforts. These efforts demonstrated a renewed commitment to excellence in communication and service to the customer.

Customer Service staff, in partnership with the IS and Finance departments, worked to bring all customer accounts onto one billing platform, Cayenta Utilities. This was a collaborative effort which included data cleansing, system configuration, testing, and even manual entry. Customers in the POWA and Ridgefield Estates were migrated from other billing systems in mid-year 2022. To complete the year, PWA customer data was converted to Cayenta to assist with creating operational efficiencies as part of the CAW receivership.

With the lingering effects of the COVID-19 pandemic putting stress on CAW customers, the Utility continued to assist its customers through two new programs. One program, the Low-Income Household Water Assistance Program (LIHWAP) was funded through the American Rescue Plan Act of 2021 and administered by the U.S. Department of Health and Human Services and the Arkansas Energy Office. CAW staff met and assisted customers in applying to the program. At the end of 2022, over \$527,000 had been received from LIHWAP which helped over 1,500 customers. A second program, Promise Pay, also assisted CAW customers with LIHWAP applications. A second service offered by Promise Pay is an alternative to CAW's stringent payment arrangements and is anticipated to be in place in 2023. Promise Pay offers a mobile platform to set up and be successful in paying delinquent balances without the stress of a pending shut-off.

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

The Information Services department supports approximately 300 users. These users use a wide range of CAW supplied devices including cell phones, laptops, desktops, and virtual desktops. Applications and file management are also supported by the IS department. There are approximately 65 virtual servers hosted on four physical servers that are replicated at CAW's disaster recovery site. CAW IS department also has approximately 25 physical servers that are needed at six individual sites that are spread out across the Central Arkansas area to manage applications not yet moved to the virtual environment. These sites are connected by a leased AT&T fiber connection.

Prior to 2022, CAW was using an inefficient process involving paper forms and manual data entry into an access database to record and analyze water loss incidents. Since Cityworks was already the system of record for field work, GIS determined it would be best to create water loss reports entirely within this system. This project 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 water loss recording and analysis process in several ways, including the reduction of manhours required to track water loss, increased accuracy of reporting water loss incidents, and improved reports.

As in creating and expanding the 2050 Strategic Plan, great things happen when CAW employees pull together as one. In 2022, CAW became a member of the Leading Utilities of the World. The Leading Utilities of the World (LUOW) is a global network of the world's most successful and innovative water and wastewater utilities. LUOW is a network of the world's most forward-thinking water and wastewater utilities with members from Australia, Asia, Europe, and North America.

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.

In addition to the annual report, CAW also made three event-based disclosures in 2022. Two of these disclosures were the incurrence of a financial obligation – bond issuances for the acquisition of the Ridgefield Estates Property Owners Association water system, along with needed capital improvements, and for the rehabilitation of the Wilson Plant Pump Station #1A. The third disclosure served as notice of the issuance of the Utility's first Green Bond Report for the 2020C bond: Investing in Green-Gray Infrastructure FY 2021.

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 **FORVIS, 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, 2021. 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 12 consecutive years. We are submitting the December 31, 2022 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 its aftermath, could hinder operations.
- Inflationary pressures could lessen the Utility's purchasing power.

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 the dedicated and professional efforts of the Finance department, along with cooperation from the Utility's other departments. We thank the Board of Commissioners for continued support in planning and conducting the Utility's financial affairs in a responsible and progressive manner.

Respectfully submitted,

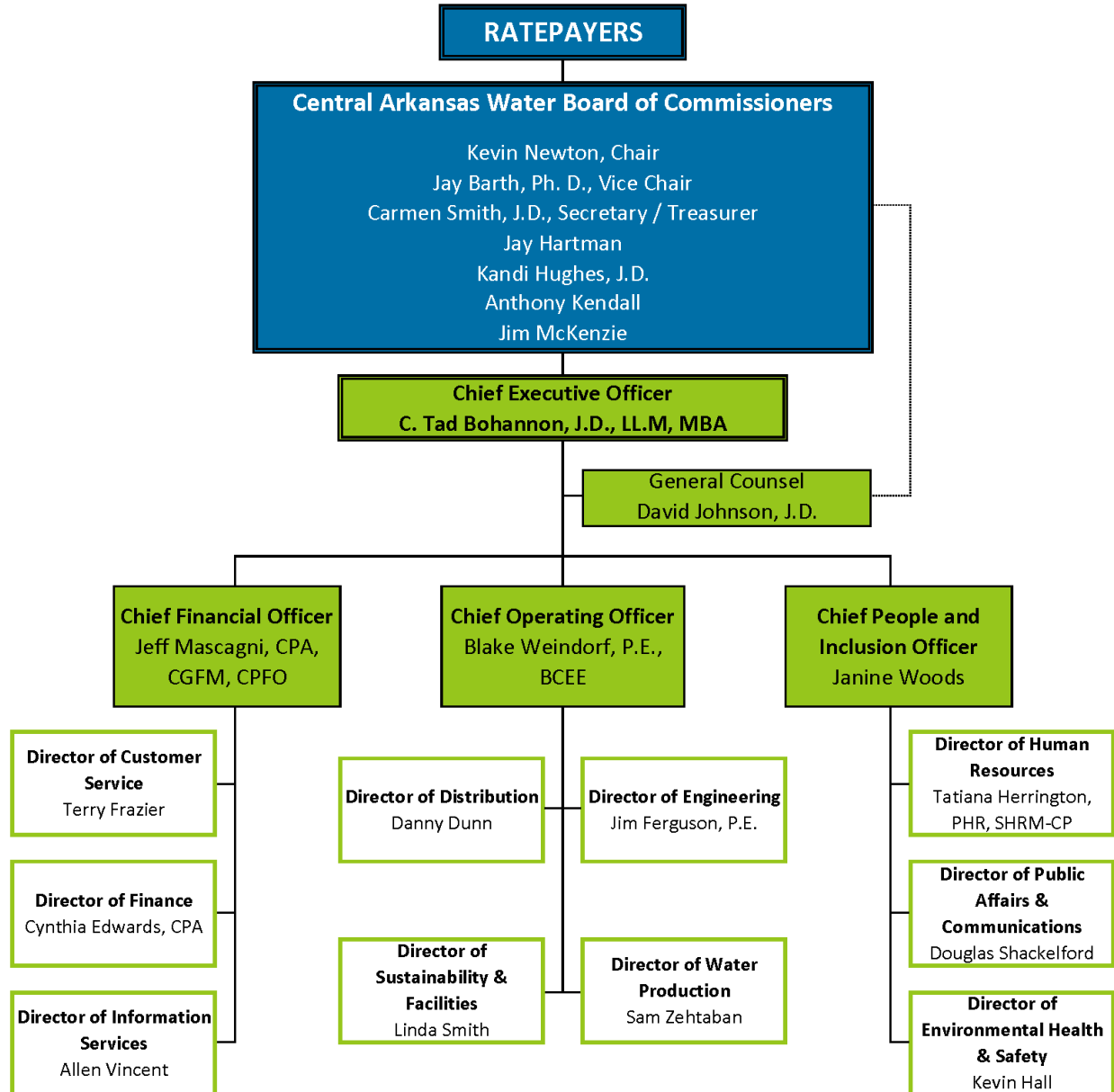
A handwritten signature in blue ink, appearing to read 'Tad Bohannon', with a long horizontal flourish extending to the right.

Tad Bohannon
Chief Executive Officer
CTB/cce

CENTRAL ARKANSAS WATER

Organizational Chart

Effective: December 31, 2022



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**Kevin Newton
Chair**



**Board of
Commissioners**



**Jay Barth, Ph.D.
Vice Chair**



**Carmen Smith, J.D.
Secretary / Treasurer**



**Jay Hartman
Member**



**Anthony Kendall
Member**



**Kandi Hughes, J.D.
Member**



**Jim McKenzie
Member**

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Central Arkansas Water

MANAGEMENT TEAM

C. Tad Bohannon, J.D., LL.M, MBA	Chief Executive Officer
Blake Weindorf, P.E., BCEE	Chief Operating Officer
Jeff Mascagni, CPA, CGFM, CPFO	Chief Financial Officer
Janine Woods	Chief People and Inclusion Officer
David Johnson, J.D.	General Counsel
Terry Frazier	Director of Customer Service
Danny Dunn	Director of Distribution
Jim Ferguson, P.E.	Director of Engineering
Kevin Hall	Director of Environmental Health and Safety
Cynthia Edwards, CPA	Director of Finance
Tatiana Herrington, PHR, SHRM-CP	Director of Human Resources
Allen Vincent	Director of Information Services
Douglas Shackelford	Director of Public Affairs and Communications
Linda Smith	Director of Sustainability and Facilities
Sam Zehtaban	Director of Water Production

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Central Arkansas Water

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2021

Christopher P. Morill

Executive Director/CEO

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Central Arkansas Water

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

ACFR	Annual Comprehensive Financial Report
ADFA	Arkansas Development Finance Authority
ADH	Arkansas Department of Health
ANRC	Arkansas Natural Resources Commission
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
CCF	Centum Cubic Feet (Hundred Cubic Feet)
CDs	Certificates of Deposit
CGF	Certified Group Facilitator
CGFM	Certified Government Financial Manager
CIP	Capital Improvement Plan
CIS	Customer Information System
CMAR	Construction Manager at Risk
CO ₂	Carbon Dioxide
CPFO	Certified Public Finance Officer
CPA	Certified Public Accountant
CSR	Customer Service Representative
EHS	Environmental Health and Safety
FDIC	Federal Deposit Insurance Corporation
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
HR	Human Resources
IS	Information Services
J.D.	Juris Doctor
JTH	James T. Harvey Administration Building
LIHWAP	Low-Income Household Water Assistance Program
LL.M	Master of Laws

Central Arkansas Water

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

LUOW	Leading Utilities of the World
MAWA	Mid-Arkansas Water Alliance
MBA	Master of Business Administration
MGD	Million Gallons per Day
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
POI	Points of Interest
POWA	Paron-Owensville Water Authority
PPP	Public-Public Partnership
PSW	Partnership for Sale Water
PWA	Perla Water Association
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
UAW	Unaccounted for Water
WEF	Water Environment Federation



Financial Section





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forvis.com

Independent Auditor's Report

Board of Commissioners
Central Arkansas Water
Little Rock, Arkansas

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, 2022 and 2021, 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, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 the Utility and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in *Note 16* to the financial statements, in 2022, the Utility adopted Governmental Accounting Standards Board Statement No. 87, *Leases*. 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 the 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 12 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 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 comprehensive financial 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic 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.

FORVIS, LLP

Little Rock, Arkansas
April 17, 2023

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Management's Discussion & Analysis



Central Arkansas Water
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2022 and 2021

This section of the ACFR presents management's analysis of the Utility's financial performance during the fiscal years ended December 31, 2022 and 2021. 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 \$15,257,000 in 2022 as compared to a \$15,816,000 increase in 2021. Increased retail water sales plus increased investment income drove the increase in 2022. The increase in 2021 was due to increased consumption, less pension expense, and increased contributions-in-aid of construction.
- Operating revenues increased \$4,549,000, or 6.0%, in 2022 and increased \$8,606,000 or 12.9% in 2021. Increased consumption coupled with the removal of one unit of consumption from the monthly base fee drove the increase in 2022. Operating expenses increased by \$5,504,000 from 2021 to 2022 and decreased by \$1,977,000 from 2020 to 2021. The 2021 to 2022 increase was primarily due to increased pension expense and increased chemical costs. 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 Utility's total noncurrent liabilities increased during 2022 by \$14,337,000 and decreased by \$26,264,000 in 2021. The 2022 increase was due to an increase in net pension liability which had decreased in 2021.

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 acquisition of net position that applies to future periods and so will not be recognized as an outflow or inflow of resources until then. The Utility's deferred outflows and inflows of resources consisted of deferred loss and gain on debt refunding transactions, pension-related deferred outflows and inflows, Other Postemployment Benefits (OPEB) deferred outflows and inflows, and deferred inflows related to lease activities.

Central Arkansas Water
MANAGEMENT'S DISCUSSION AND ANALYSIS (*Continued*)
December 31, 2022 and 2021

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. Lease related deferred inflows represent the initial value of lease receivable under GASB 87 systematically reduced and recognized as lease revenue over the term of the lease.

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.

For the fiscal year ended December 31, 2022, the Utility adopted GASB Statement No. 87, *Leases* (GASB 87). Fiscal year 2021 has been restated for the adoption of GASB 87. See *Note 16* of the basic financial statements. Fiscal year 2020 has not been restated because it is not presented in the basic financials.

Central Arkansas Water
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
December 31, 2022 and 2021

	2022	2021	2020
Summarized Statement of Net Position			
Assets			
Total current assets	\$ 70,064,000	\$ 69,877,000	\$ 62,823,000
Restricted noncurrent assets	30,762,000	34,631,000	45,540,000
Net capital and lease assets and other noncurrent assets	530,491,000	515,057,000	488,602,000
Total Assets	<u>\$ 631,317,000</u>	<u>\$ 619,565,000</u>	<u>\$ 596,965,000</u>
Deferred Outflows of Resources	<u>\$ 16,247,000</u>	<u>\$ 11,023,000</u>	<u>\$ 16,663,000</u>
Liabilities			
Total current liabilities	\$ 29,463,000	\$ 31,193,000	\$ 30,086,000
Total noncurrent liabilities	193,770,000	179,433,000	205,697,000
Total Liabilities	<u>\$ 223,233,000</u>	<u>\$ 210,626,000</u>	<u>\$ 235,783,000</u>
Deferred Inflows of Resources	<u>\$ 18,459,000</u>	<u>\$ 29,347,000</u>	<u>\$ 4,220,000</u>
Net Position			
Net investment in capital assets	\$ 382,461,000	\$ 373,590,000	\$ 367,649,000
Restricted – expendable	10,976,000	10,459,000	8,851,000
Unrestricted	12,435,000	6,566,000	(2,875,000)
Total Net Position	<u>\$ 405,872,000</u>	<u>\$ 390,615,000</u>	<u>\$ 373,625,000</u>
Summarized Statement of Revenues, Expenses and Changes in Net Position			
Operating Revenues			
Little Rock water sales	\$ 37,472,000	\$ 34,923,000	\$ 31,400,000
North Little Rock water sales	17,055,000	16,277,000	14,357,000
Maumelle water sales	4,108,000	3,832,000	3,394,000
POWA water sales	625,000	591,000	574,000
Wholesale	5,277,000	5,156,000	4,712,000
Penalties	1,070,000	1,057,000	1,121,000
Turn-on charges	511,000	616,000	914,000
Ancillary charges	12,787,000	12,245,000	10,644,000
Other revenue	1,176,000	835,000	(190,000)
Total Operating Revenues	<u>80,081,000</u>	<u>75,532,000</u>	<u>66,926,000</u>
Operating Expenses			
Administration	5,974,000	5,396,000	6,060,000
Information services	4,059,000	4,066,000	3,843,000
Customer service	4,187,000	3,302,000	3,796,000
Finance	2,967,000	2,777,000	3,002,000
General	3,075,000	2,582,000	2,832,000
Engineering	1,848,000	1,696,000	2,037,000
Water production	15,232,000	12,902,000	10,926,000
Distribution	13,982,000	13,044,000	15,621,000
POWA operating expenses	361,000	222,000	281,000
Depreciation and amortization	13,406,000	13,600,000	13,166,000
Total Operating Expenses	<u>65,091,000</u>	<u>59,587,000</u>	<u>61,564,000</u>
Operating Income	<u>14,990,000</u>	<u>15,945,000</u>	<u>5,362,000</u>

*Note: Fiscal year 2021 amounts have been restated for GASB 87

Central Arkansas Water
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
December 31, 2022 and 2021

	2022	2021	2020
Summarized Statement of Revenues, Expenses and Changes in Net Position (continued)			
Nonoperating Revenues (Expenses)			
Transfers to Cities of LR and NLR	\$ (822,000)	\$ (795,000)	\$ (802,000)
Gain (loss) on disposal of capital assets	46,000	281,000	81,000
Investment income	1,074,000	47,000	256,000
Bond and other interest expense	(3,594,000)	(3,722,000)	(3,708,000)
Intergovernmental	33,000	214,000	-
Total Nonoperating Expenses	(3,263,000)	(3,975,000)	(4,173,000)
Income Before Contributions	11,727,000	11,970,000	1,189,000
Contributions			
Capital contributions from grantors	6,000	-	9,000
Contributions-in-aid of construction	3,524,000	3,846,000	1,082,000
Total Contributions	3,530,000	3,846,000	1,091,000
Change in Net Position	15,257,000	15,816,000	2,280,000
Net Position – Beginning of Year, as previously reported	390,615,000	373,625,000	369,566,000
Net Position of merged entities, beginning of year	-	1,174,000	1,779,000
Net Position – Beginning of Year, as Restated	390,615,000	374,799,000	371,345,000
Net Position – End of Year	\$ 405,872,000	\$ 390,615,000	\$ 373,625,000

*Note: Fiscal year 2021 amounts have been restated for GASB 87

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 2022 and 2021, the Utility's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$405,872,000 and \$390,615,000, respectively. The largest portion of net position, 94% and 96% in 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021.

An additional portion of the Utility's net position, 3% and 3% in 2022 and 2021, respectively, is comprised of resources that are subject to external restrictions on how they may be used. In 2022 restricted net position increased \$517,000 and increased \$1,608,000 in 2021. Balances in restricted net position

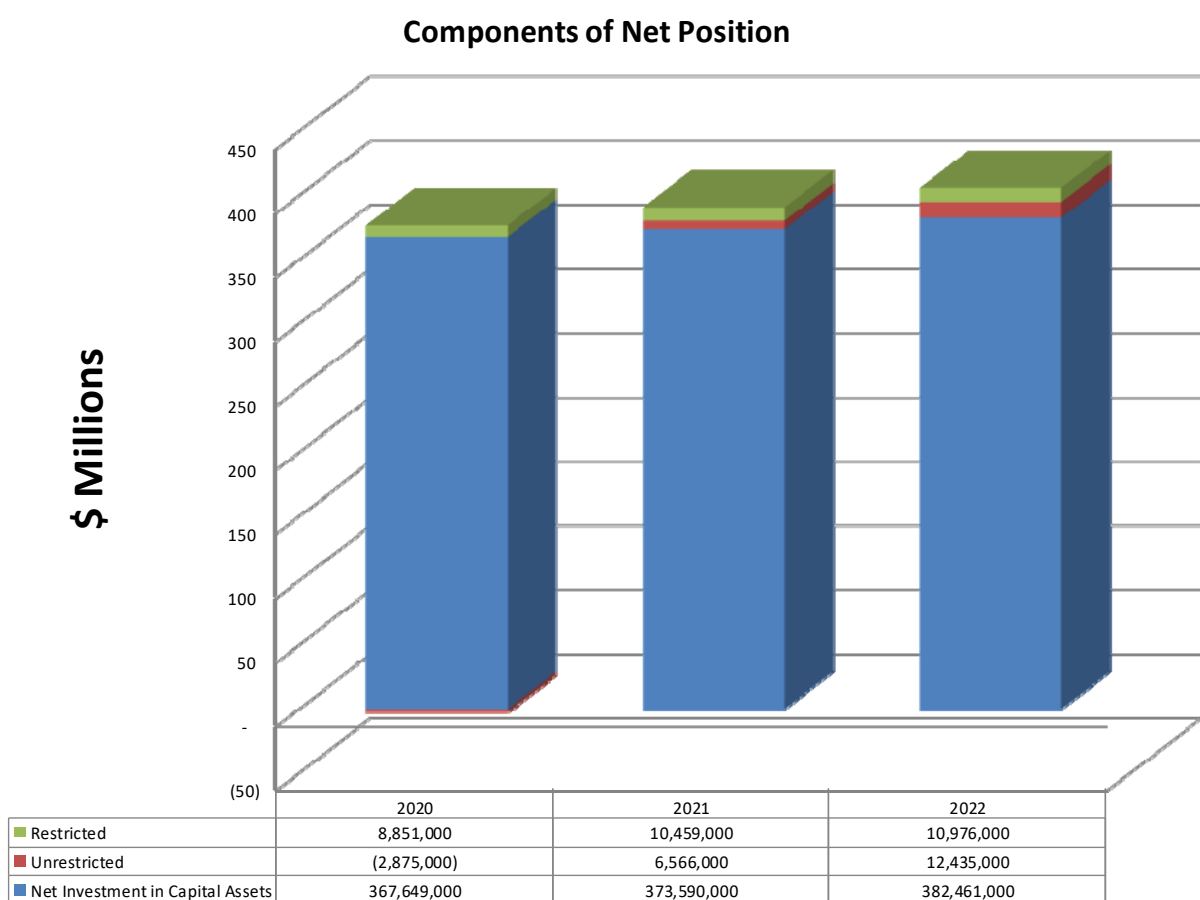
Central Arkansas Water

MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*

December 31, 2022 and 2021

accounts will fluctuate as resources are accumulated to repay outstanding bonds and construction proceeds are spent.

The remaining balance of net position, \$12,435,000 in 2022 and \$6,566,000 in 2021, was unrestricted and was used to meet the Utility's ongoing obligations to customers and creditors. Unrestricted net position increased \$5,869,000 in 2022 and increased \$9,441,000 in 2021. The increase in 2022 was due to the increase in deferred outflows related to pension benefits, while the 2021 increase was due to the decrease in liabilities related to postemployment benefits.



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, 2022 and 2021, were 2.4 and 2.2, respectively. This ratio means for every \$1.00 in current liabilities as of December 31, 2022, the Utility had \$2.50 in current assets. For the years ended December 31, 2022 and 2021, the quick ratios were 2.2 and 2.1, respectively.

Central Arkansas Water
MANAGEMENT'S DISCUSSION AND ANALYSIS (*Continued*)
December 31, 2022 and 2021

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 25 days and 31 days as of December 31, 2022 and 2021, respectively.

The Utility continued to strive to improve cash flow and customer service by offering a variety of payment options. In July 2022, CAW closed the Capitol Avenue drive-thru in Little Rock to increase flexibility in bill payment options. The Utility encouraged 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 35% for 2022 and 34% for 2021. These ratios were both below 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

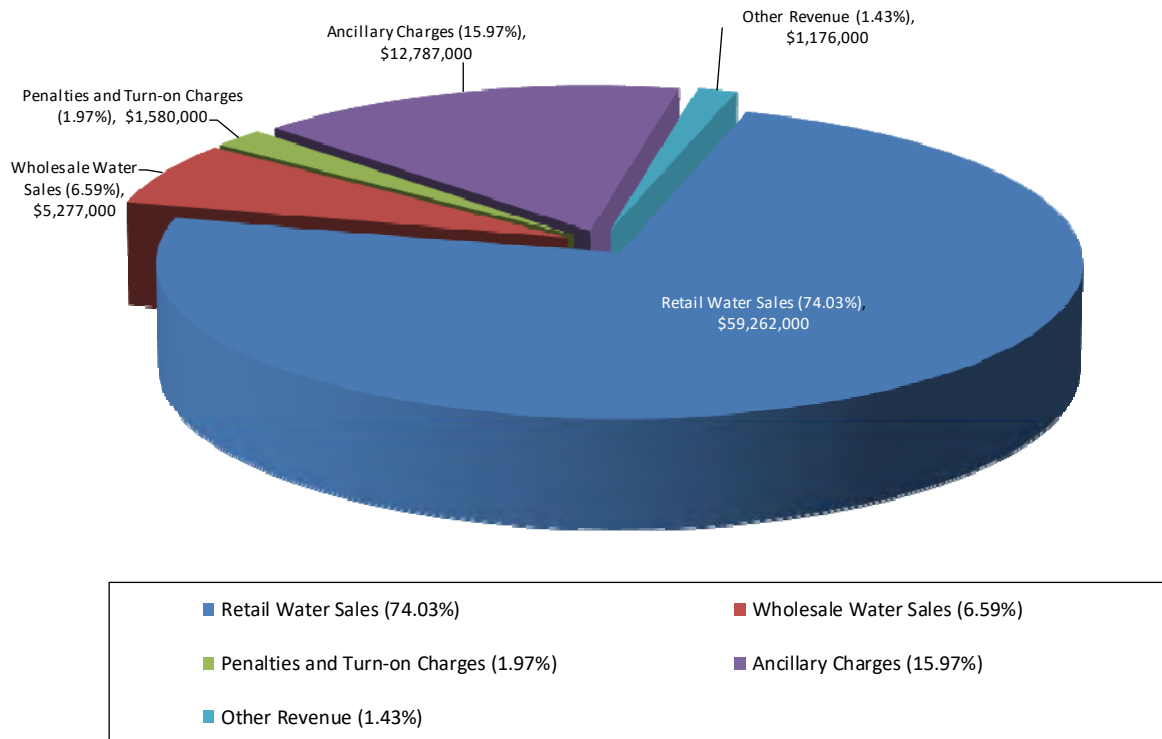
Operating Revenues

No consumption-based retail increases occurred in 2022. However, beginning June 1, 2022, no consumption was included in the monthly minimum base rate. CAW is anticipating a consumption-based retail increase effective July 1, 2023.

Operating revenue for 2022 increased \$4,549,000 from 2021 levels and increased \$8,606,000 in 2021 over 2020 levels. Water consumption totaled 19.2, 18.2, and 16.8 billion gallons in 2022, 2021, and 2020, respectively. An abnormally warm year in central Arkansas resulted in the increased consumption from 2021 to 2022. Consumption increased from 2020 to 2021 beginning with an extreme winter event in February 2021 and continuing through year end.

Central Arkansas Water
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
December 31, 2022 and 2021

The following graph illustrates sources of revenue during the year ended December 31, 2022.



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 increased by \$578,000 from 2021 to 2022. This increase was primarily due to the creation of the Sustainability and Facilities Management section within the Administration department. The \$371,000 of expense allocated to this section was distributed among the Administration, Water Production, and Distribution departments in 2021. Additionally, labor and benefits related to the Human Resources section increased by \$155,000 due to two additional positions being filled over 2021. Expenses decreased by \$664,000 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 increase of capital labor attributed to the Customer Information System (CIS) replacement project of \$335,000.
- **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 2022, total department costs decreased by \$7,000. Decreases in software expenses of \$329,000 offset by an increase in labor and benefits of \$315,000 accounted for

Central Arkansas Water
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
December 31, 2022 and 2021

the decrease. During 2021, total department costs increased by \$223,000. 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.

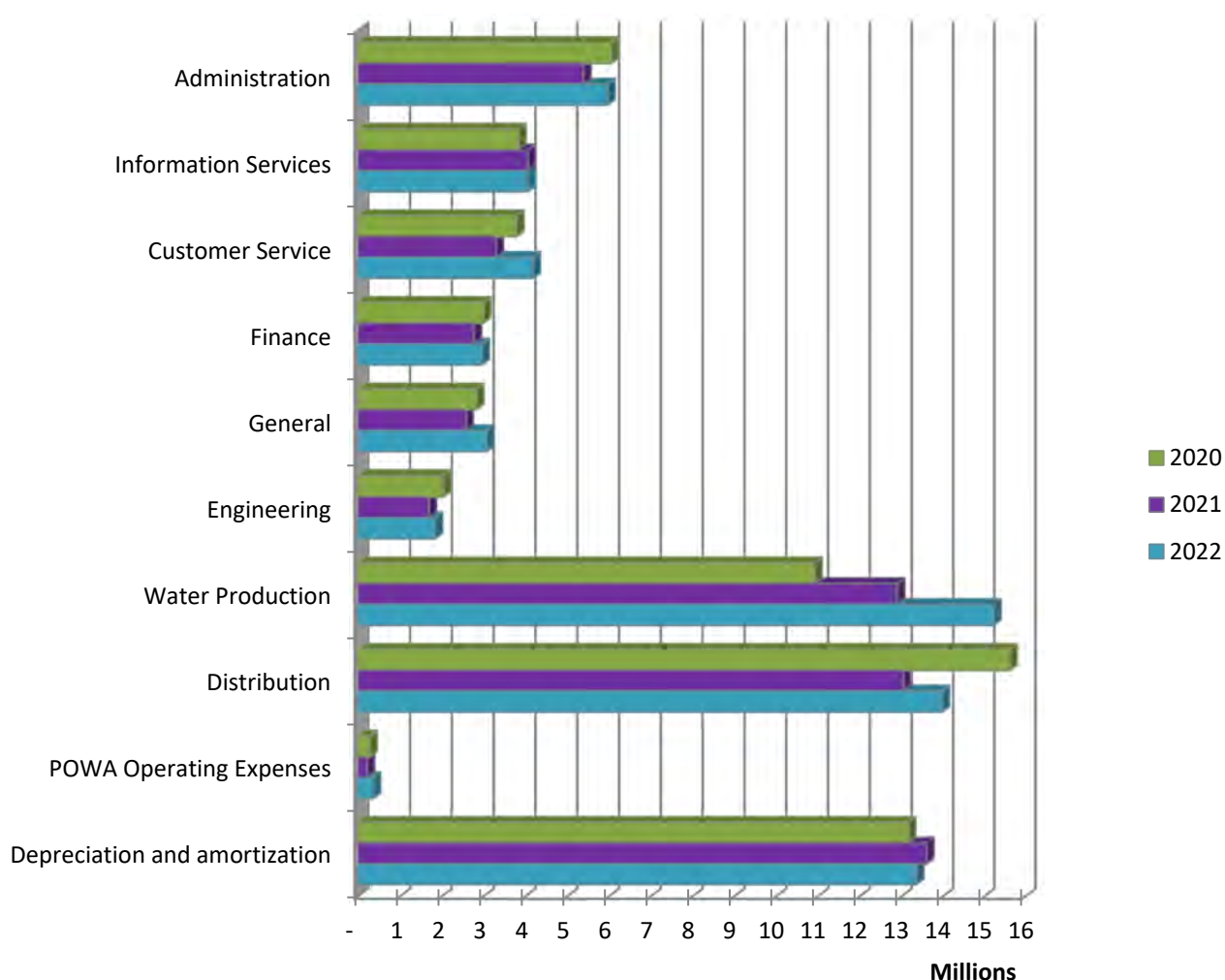
- Customer Service – Customer Service included costs related to customer service-office and meter reading. Costs increased \$885,000 from 2021 to 2022. This increase is due to an increase in payroll of \$328,000 and an increase in pension expense of \$406,000. Costs decreased \$494,000 from 2020 to 2021. This decrease is due to a reduction in pension expense of \$550,000, offset by an increase in payroll of \$109,000.
- Finance – The Finance department included costs related to finance and budgeting, purchasing, and billing. From 2021 to 2022, total department costs increased by \$190,000. This was primarily due to increased pension expense of \$216,000 combined with increased payroll expense of \$27,000 offset by decreased payment processing fees of \$73,000. From 2020 to 2021, total department costs decreased by \$225,000. 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.
- General – General expenses included costs for insurance and building maintenance at the JTH along with other costs. The largest expense items included group and retiree insurance, workers' compensation expenses, and business insurance premiums. General expenses increased by \$493,000 from 2021 to 2022. The cost to acquire the Ridgefield Estates service area of \$604,000, plus an increase in group insurance and solar utilities of \$305,000 and \$322,000 offset by a decrease in other postemployment benefits of \$769,000 accounted for this increase. 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.
- 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 2022, total Engineering costs increased by \$152,000. An increase in pension expense of \$263,000 offset by a decrease in payroll expense of \$121,000 was the driver for this increase. During 2021, total Engineering costs decreased by \$341,000. 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.
- Water Production – Expenses for Water Production included treatment and maintenance of the lakes. Department costs increased by \$2,330,000 during 2022. This increase was due to increases in payroll expense of \$328,000, pension expense of \$655,000, chemical expense of \$848,000, and electric utilities of \$291,000. Department costs increased by \$1,976,000 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.

Central Arkansas Water

MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*

December 31, 2022 and 2021

- **Distribution** – The Distribution department included expenses for maintaining water mains, water storage tanks, vehicles, and other facilities. The 2022 costs increased \$938,000 over 2021. This increase was due to an increase in pension expense of \$1,124,000 offset by a decrease in job costs of \$224,000. The 2021 costs decreased \$2,577,000 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.



Central Arkansas Water
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
December 31, 2022 and 2021

Nonoperating Revenues (Expenses)

- Investment Income – 2022 investment income increased by \$1,027,000 from 2021 and decreased by \$209,000 from 2020. The increase in 2022 was due to interest rates significantly rebounding from the decrease caused by the pandemic. The decrease in 2021 was 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 2022 was \$3,594,000 compared to \$3,722,000 for 2021. Routine pay down of outstanding debt resulted in decreased interest expense in 2022, while increased construction draws on ANRC debt resulted in the increase from 2020 to 2021.
- 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 \$1,082,000 in 2020, increased in 2021 to \$3,846,000, and decreased in 2022 to \$3,524,000. 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 2022 include the following:

Project Description	Total Cost
Completed construction project to install 7,700 feet of 16-inch and 1100 feet of 12-inch water main along W. Maryland Ave and Remount Rd in North Little Rock	\$ 1,629,000
Completed construction project to replace 8,000 feet of 2-inch diameter old, high maintenance water main in North Little Rock	\$ 989,000
Completed construction project to replace 6,400 feet of 2-inch diameter old, high maintenance water main in Sherwood and Pulaski County	\$ 847,000
Completed construction project to replace 3,342 feet of 2-inch diameter old, high maintenance water main in Little Rock	\$ 563,000
Completed construction project to replace 2,350 feet of 2-inch diameter old, high maintenance water main in Little Rock	\$ 366,000
Completed construction project to install 6,400 feet of 20-inch diameter water transmission main along N. Locust St and Interstate-30 in North Little Rock	\$ 1,635,000

Central Arkansas Water
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
December 31, 2022 and 2021

Project Description	Total Cost
Completed construction project to relocate 1,123 feet of 8-inch water main due to street improvements along Kanis/Michael/Business Park in Little Rock	\$ 304,000
Completed the Ozark Point WTP Improvements Phase 1 project– Clearwell Painting and Improvements – completed work on Clearwell #3, Clearwell #4, washwater elevated tank, and pipe gallery painting	\$ 3,469,000
Completed the Ozark Point WTP Improvements Phase 2 project– Plant Rehabilitation and Improvements	\$ 26,922,000

Major capital projects completed during 2021 include the following:

Project Description	Total Cost
Completed construction project to relocate 2,240 feet of 8-inch through 20-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 3-inch and 6-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
Completed construction project to relocate 6,725 feet of 3-inch through 30-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

Central Arkansas Water
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
December 31, 2022 and 2021

Project Description	Total Cost
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 improve water storage Tanks #26A and #26B	\$ 131,000

Major capital projects completed during 2020 include the following:

Project Description	Total Cost
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
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

Central Arkansas Water
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
December 31, 2022 and 2021

Project Description	Total Cost
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

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

Debt Administration

At the end of 2022, the Utility had total outstanding debt of \$160,631,409. Total debt decreased by \$1,269,779, or 0.78% in 2022, after decreasing \$20,949, or 0.013%, in 2021.

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 2022. 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 104 for the top 10 area employers). Consistent with the global economy, central Arkansas's economy was adversely impacted with the arrival of the COVID-19 pandemic in 2020. While 2022 saw a significant decline in active cases over the prior two years, businesses worked to navigate the new normal in a post-

Central Arkansas Water
MANAGEMENT'S DISCUSSION AND ANALYSIS (*Continued*)
December 31, 2022 and 2021

pandemic world. Remote work positions are on the rise as the labor force is reluctant to return to traditional office settings.

Unemployment in Pulaski County for 2022 was 3.0%, which is consistent with the unemployment rate of 3.2% at the end of 2021. Unemployment was favorable compared to the national rate of 3.5%; however, as the economy continues to recover from the pandemic and inflation on the rise, unemployment was difficult to gauge for the near future.

Net accounts receivable write-offs decreased from 1.46% to 0.8% of total operating revenue from 2021 to 2022. This is consistent with write-off levels prior to the pandemic.

The Utility had no consumption-based retail rate increase in 2022. However, beginning July 1, 2022, the final unit of consumption—one hundred cubic feet (CCF)—was removed from the monthly base rate, leaving zero 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 2023 Financial Plan.

The 2023 Financial Plan outlines the Utility's plans to continue to provide high-quality, cost-effective service to its customers. The 2023 Financial Plan includes \$57,838,000 in total capital costs, which will be funded with the following sources: \$39,425,000 from bond issues; \$2,500,000 from developer funds; \$2,850,000 in surcharge funds, and \$1,131,000 from watershed protection fees. The remaining \$11,933,000 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



Basic Financial Statements



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Central Arkansas Water
STATEMENTS OF NET POSITION
December 31, 2022 and 2021

	2022	2021 (Restated - (Note 16))
Assets		
Current Assets		
Unrestricted cash and cash equivalents	\$ 26,218,033	\$ 31,951,143
Unrestricted investments	6,026,067	-
Accounts receivable – customers, net	17,087,776	18,745,221
Lease receivables - current portion	295,251	265,751
Unrestricted accrued interest receivable	40,216	-
Other receivables	2,084,465	2,218,647
Inventory	4,155,586	3,376,364
Other current assets	1,084,646	710,556
Total unrestricted current assets	<u>56,992,040</u>	<u>57,267,682</u>
Restricted cash and cash equivalents	7,042,601	12,608,965
Restricted investments	6,026,067	-
Restricted accrued interest receivable	3,403	-
Total restricted current assets	<u>13,072,071</u>	<u>12,608,965</u>
Total current assets	<u>70,064,111</u>	<u>69,876,647</u>
Noncurrent Assets		
Restricted cash and cash equivalents	29,518,975	34,630,335
Restricted investments	1,143,495	-
Restricted accrued interest receivable	99,912	910
Total restricted noncurrent assets	<u>30,762,382</u>	<u>34,631,245</u>
Capital assets, net of accumulated depreciation	523,524,716	507,748,380
Long-term lease receivables	5,930,327	6,225,578
Lease assets, net of accumulated amortization	1,035,870	1,083,536
Total unrestricted noncurrent assets	<u>530,490,913</u>	<u>515,057,494</u>
Total noncurrent assets	<u>561,253,295</u>	<u>549,688,739</u>
Total assets	<u>631,317,406</u>	<u>619,565,386</u>
Deferred Outflows of Resources		
Deferred outflows related to pensions	8,567,843	2,300,887
Deferred outflows related to OPEB	7,586,432	8,592,234
Deferred amounts from refunding bonds payable	92,839	130,082
Total deferred outflows of resources	<u>16,247,114</u>	<u>11,023,203</u>
Total assets and deferred outflows of resources	<u>\$ 647,564,520</u>	<u>\$ 630,588,589</u>

See accompanying notes to financial statements.

Central Arkansas Water
STATEMENTS OF NET POSITION (Continued)
December 31, 2022 and 2021

	2022	2021 (Restated - (Note 16))
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	\$ 7,302,634	\$ 6,573,714
Payroll and related liabilities	3,928,579	3,741,520
Water rights payable – current portion	16,917	1,181,178
Due to other agencies	5,114,074	7,049,813
Lease liability - current portion	28,684	34,780
Total current liabilities payable from unrestricted assets	<u>16,390,888</u>	<u>18,581,005</u>
Consumer deposits	7,235,325	6,305,429
Long-term obligations – current portion	4,633,785	4,824,981
Accrued interest payable	950,731	970,563
Retentions payable	252,230	510,960
Total current liabilities payable from restricted assets	<u>13,072,071</u>	<u>12,611,933</u>
Total current liabilities	<u>29,462,959</u>	<u>31,192,938</u>
Noncurrent Liabilities		
Unearned revenue	921,437	931,538
Long-term obligations, net	155,980,707	155,895,029
Long-term lease liability	1,031,534	1,060,218
Net pension liability	28,449,939	8,279,840
Net OPEB liability	7,386,510	13,266,818
Total noncurrent liabilities	<u>193,770,127</u>	<u>179,433,443</u>
Total liabilities	<u>223,233,086</u>	<u>210,626,381</u>
Deferred Inflows of Resources		
Deferred Inflows related to pensions	690,048	15,122,949
Deferred Inflows related to OPEB	11,916,995	7,843,556
Deferred amounts from refunding bonds payable	72,193	97,796
Deferred amounts from leases	5,780,255	6,282,282
Total deferred inflows of resources	<u>18,459,491</u>	<u>29,346,583</u>
Total liabilities and deferred inflows of resources	<u>241,692,577</u>	<u>239,972,964</u>
Net Position		
Net investment in capital assets	382,461,139	373,589,816
Restricted – expendable:		
Bond requirements	7,340,136	7,385,094
Future capital spending	3,635,897	3,074,277
Unrestricted	12,434,771	6,566,438
Total net position	<u>405,871,943</u>	<u>390,615,625</u>
Total liabilities, deferred inflows and net position	<u>\$ 647,564,520</u>	<u>\$ 630,588,589</u>

See accompanying notes to financial statements.

Central Arkansas Water

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years Ended December 31, 2022 and 2021

	2022	2021 as restated (Note 16)
Operating Revenues		
Little Rock Water Sales	\$ 37,472,334	\$ 34,923,597
North Little Rock Water Sales	17,054,674	16,276,779
Maumelle Water Sales	4,108,159	3,831,735
POWA Water Sales	624,808	591,051
Wholesale	5,277,496	5,155,867
Penalties	1,069,965	1,056,757
Turn-on charges	510,513	616,284
Ancillary charges	12,787,337	12,244,690
Other revenue	1,175,678	835,288
Total operating revenues	<u>80,080,964</u>	<u>75,532,048</u>
Operating Expenses		
Administrative	5,973,928	5,396,432
Information services	4,058,872	4,065,855
Customer service	4,187,119	3,302,409
Finance	2,966,774	2,776,569
General	3,074,993	2,581,843
Engineering	1,848,493	1,695,767
Water production	15,231,769	12,901,944
Distribution	13,981,855	13,043,970
POWA operating expenses	361,245	221,915
Depreciation and amortization expense	13,406,246	13,599,898
Total operating expenses	<u>65,091,294</u>	<u>59,586,602</u>
Operating Income	<u>14,989,670</u>	<u>15,945,446</u>

See accompanying notes to financial statements.

Central Arkansas Water
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2022 and 2021

	2022	2021 (Restated - (Note 16))
Nonoperating Revenues (Expenses)		
Transfers to Cities of Little Rock and North Little Rock	\$ (822,036)	\$ (795,408)
Gain on disposal of capital assets	46,310	281,258
Investment income	1,074,101	47,001
Bond and other interest expense, net	(3,593,931)	(3,721,772)
Intergovernmental	32,798	214,223
Net nonoperating expenses	<u>(3,262,758)</u>	<u>(3,974,698)</u>
Income Before Contributions	<u>11,726,912</u>	<u>11,970,748</u>
Contributions-in-aid of construction	3,523,406	3,845,608
Capital contributions from grantors	<u>6,000</u>	<u>-</u>
Total Contributions	<u>3,529,406</u>	<u>3,845,608</u>
Change in Net Position	<u>15,256,318</u>	<u>15,816,356</u>
Net position – beginning of year, as previously reported	390,615,625	373,624,610
Net position of merged entities, beginning of year	<u>-</u>	<u>1,174,659</u>
Net position – beginning of year, as adjusted	<u>390,615,625</u>	<u>374,799,269</u>
Net position – end of year	<u><u>\$ 405,871,943</u></u>	<u><u>\$ 390,615,625</u></u>

See accompanying notes to financial statements.

Central Arkansas Water
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

	2022	2021 (Restated - (Note 16))
Cash Flows from Operating Activities		
Cash receipts from customers	\$ 81,892,560	\$ 75,497,213
Cash payments to suppliers for goods and services	(21,864,299)	(16,620,049)
Cash payments to employees for services	(30,961,843)	(29,027,231)
Cash payments for employees' post-employment benefits	(3,133,661)	(7,369,449)
Cash receipts from other sources	1,175,678	906,249
Net cash provided by operating activities	<u>27,108,435</u>	<u>23,386,733</u>
Cash Flows from Noncapital Financing Activities		
Transfers to Cities of Little Rock and North Little Rock	(822,036)	(795,408)
Operating grants	32,798	214,223
Net cash used in noncapital financing activities	<u>(789,238)</u>	<u>(581,185)</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(20,228,876)	(16,638,928)
Principal paid on long-term debt and leases	(7,197,793)	(8,634,823)
Interest paid on long-term debt and leases	(3,091,523)	(3,153,351)
Capital contributions from grantors	6,000	-
Proceeds from sale of capital assets	46,310	549,165
Net cash used in capital and related financing activities	<u>(30,465,882)</u>	<u>(27,877,937)</u>
Cash Flows from Investing Activities		
Purchases of investment securities	(13,195,629)	-
Interest and dividends on investment securities	931,480	47,576
Net cash (used in) provided by investing activities	<u>(12,264,149)</u>	<u>47,576</u>
Net decrease in cash and cash equivalents	<u>(16,410,834)</u>	<u>(5,024,813)</u>
Cash and cash equivalents – beginning of year, as previously reported	79,190,443	84,001,964
Cash from merged entity - beginning of year	<u>-</u>	<u>213,292</u>
Cash and cash equivalents – beginning of year, as adjusted	<u>79,190,443</u>	<u>84,215,256</u>
Cash and cash equivalents – end of year	<u>\$ 62,779,609</u>	<u>\$ 79,190,443</u>

See accompanying notes to financial statements.

Central Arkansas Water
STATEMENTS OF CASH FLOWS (Continued)
Years Ended December 31, 2022 and 2021

	2022	2021 (Restated - (Note 16))
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating income	\$ 14,989,670	\$ 15,945,446
Adjustment to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	13,406,246	13,599,898
Change in operating assets, liabilities and deferred outflows and inflows		
Accounts receivable – customers, net	1,791,627	(835,633)
Lease receivables	265,751	288,544
Inventory	(779,222)	(208,115)
Other current assets	(374,090)	370,315
Accounts payable and accrued expenses	460,106	(1,141,078)
Payroll and related liabilities	187,042	274,401
Due to other agencies	(1,935,739)	(1,948,788)
Consumer deposits	929,896	1,347,542
Net OPEB liability	(5,880,308)	(5,363,970)
Deferred inflows on leases	(502,027)	(497,591)
Deferred outflows of resources on OPEB liability	1,005,802	1,016,149
Deferred inflows of resources on OPEB liability	4,073,439	4,293,153
Net pension liability	20,170,099	(22,381,611)
Deferred outflows of resources on pension liability	(6,266,956)	4,050,768
Deferred inflows of resources on pension liability	(14,432,901)	14,577,303
	<u>\$ 27,108,435</u>	<u>\$ 23,386,733</u>
Net cash provided by operating activities		
Noncash Investing, Capital and Financing Activities		
Gain on disposal of capital assets	\$ 46,310	\$ 281,258
Contributions-in-aid of construction	3,523,406	3,845,608
Inventory capitalized	1,810,398	1,539,857
Capital asset acquisitions in accounts payable	1,066,511	2,595,823
Capital asset acquisitions financed with bonds payable	6,298,848	7,399,860
Capital assets from merged entity	-	2,486,502
Long term debt from merged entity	-	1,476,893
Supplemental Disclosure of Cash Transactions		
Interest expense paid	\$ 3,593,931	\$ 3,986,125
Reconciliation to Cash and Cash Equivalents – End of Year		
Current assets		
Unrestricted cash and cash equivalents	\$ 26,218,033	\$ 31,951,143
Restricted cash and cash equivalents	7,042,601	12,608,965
Total current cash and cash equivalents	<u>33,260,634</u>	<u>44,560,108</u>
Noncurrent assets		
Restricted cash and cash equivalents	<u>29,518,975</u>	<u>34,630,335</u>
Cash and cash equivalents – end of year	<u>\$ 62,779,609</u>	<u>\$ 79,190,443</u>

See accompanying notes to financial statements.

Central Arkansas Water
STATEMENTS OF FIDUCIARY NET POSITION
December 31, 2022 and 2021

	2022		2021	
	Other Post Employment Benefits Trust Funds	Private-Purpose Trust Funds	Other Post Employment Benefits Trust Funds	Private-Purpose Trust Funds
Assets				
Cash and cash equivalents	\$ 493,353	\$ 448,289	\$ 4,193,530	\$ 182,989
Restricted cash and cash equivalents	-	398	-	71,060
U.S. Treasury obligations	7,494,324	-	1,481,075	-
Certificates of deposit	-	-	970,952	-
Exchange-traded funds	273,543	-	874,555	-
Accounts receivable	-	87,064	-	60,156
Accrued interest receivable	21,319	136	4,982	116
Inventory	-	3,208	-	3,208
Capital assets, net	-	2,319,865	-	2,106,067
Total assets	8,282,539	2,858,960	7,525,094	2,423,596
Liabilities				
Accounts payable	9,723	523,059	8,804	493,284
Accrued expenses	-	48,652	-	57,980
Long-term obligations	-	148,287	-	303,917
Accrued interest payable	-	613	-	1,104
Due to Central Arkansas Water	-	457,928	-	-
Consumer deposits	-	4,175	-	68,241
Total liabilities	9,723	1,182,714	8,804	924,526
Net Position				
Restricted for:				
Employee benefits other than pensions	8,272,816	-	7,516,290	-
Held in receivership	-	1,676,246	-	1,499,070
Total net position	\$ 8,272,816	\$ 1,676,246	\$ 7,516,290	\$ 1,499,070
Total liabilities and net position	\$ 8,282,539	\$ 2,858,960	\$ 7,525,094	\$ 2,423,596

See accompanying notes to financial statements.

Central Arkansas Water
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
Years Ended December 31, 2022 and 2021

	2022		2021	
	Other Post Employment Benefits Trust Funds	Private-Purpose Trust Funds	Other Post Employment Benefits Trust Funds	Private-Purpose Trust Funds
Additions				
Employer contributions	\$ 1,181,000	\$ -	\$ 1,181,000	\$ -
Water sales	-	718,912	-	693,789
Debt service fees	-	109,301	-	112,731
Intergovernmental revenue	-	375,000	-	-
Net investment income (loss)	11,566	1,637	(10,254)	152
Total additions	1,192,566	1,204,850	1,170,746	806,672
Deductions				
Benefits paid	398,393	-	376,226	-
Transfers to Central Arkansas Water	-	88,339	-	122,349
Administrative expenses	37,647	844,334	34,025	527,039
Depreciation	-	80,309	-	70,053
Interest	-	14,692	-	17,316
Total deductions	436,040	1,027,674	410,251	736,757
Change in Fiduciary Net Position	756,526	177,176	760,495	69,915
Net position - beginning of year	7,516,290	1,499,070	6,755,795	1,429,155
Net position - end of year	\$ 8,272,816	\$ 1,676,246	\$ 7,516,290	\$ 1,499,070

See accompanying notes to financial statements.

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Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

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, Garland, White and Lonoke Counties, the Utility is the largest water supplier in the state of Arkansas. The Utility's mission is to deliver high-quality affordable, abundant and dependable water services.

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 collect and remit franchise fees on behalf of 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 2022 and 2021. 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 \$4,299,838 and \$4,154,012 for the years ended December 31, 2022 and 2021, 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 \$822,000 and \$795,000 for the years ended December 31, 2022 and 2021, respectively.

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

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

(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, 2022 and 2021

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, 2022:

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, 2022 and 2021

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. Interest costs related to acquiring or constructing capital assets are expensed. Contributed assets are recorded at the acquisition value on the date of contribution.

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

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

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

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

Management evaluates events or changes in circumstances affecting capital assets to determine whether impairment has occurred. Such events or changes may include physical damage, obsolescence, changes in or new laws or regulations, construction stoppage or environmental factors. If it is determined that an asset is impaired and that impairment is other than temporary, impairment losses are recorded. There were no impairment losses recorded for the years ended December 31, 2022 and 2021.

(i) Lease Assets

It is generally the Utility's policy that lease 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 lease assets. For GASB 87 implementation, the Utility evaluated the capitalization threshold based on total asset class or type in total, rather than individual asset. Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. There were no impairment losses recorded for the years ended December 31, 2022 and 2021.

(j) 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 acquisition 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. Lease related deferred inflows represent the initial value of lease receivable under GASB 87 systematically reduced and recognized as lease revenue over the term of the lease.

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

(k) 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.

(l) 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.

(m) 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.

(n) 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 \$443,000 and \$389,000 for the years ended December 31, 2022 and 2021, respectively, and net of bad debt expense totaling approximately \$636,000 and \$1,232,000 for the years ended December 31, 2022 and 2021, respectively.

(o) 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.

(p) 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.

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

(q) 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.

(r) 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.

(s) Income Taxes

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

(t) Accounting Pronouncement Adopted

GASB Statement No. 87 – Leases. This statement provides a new framework for accounting for leases under the principle that leases are financings and lessees should recognize an intangible asset and a corresponding liability where the lessor will recognize a lease receivable and related deferred inflows of resources. This statement is effective for the Utility's year ended December 31, 2022. Fiscal year 2021 has been restated for the adoption of GASB 87. See *Note 16* for impact of adoption of GASB 87.

(u) Future Changes in Accounting Principle

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, 2022 and 2021

Note 2: DEPOSITS AND INVESTMENTS

Investments at December 31 for the Utility include the following:

The Utility

Type	2022				
	Fair Value	Maturities in Years			
		Less than 1	1-5	6-10	More than 10
Unrestricted:					
Money market mutual funds	\$ 5,780,836	\$ 5,780,836	\$ -	\$ -	\$ -
US Treasury Obligations	20,044,991	20,044,991			
Restricted:					
Money market mutual funds	33,464,410	33,464,410	-	-	-
US Treasury Obligations	7,169,562	7,169,562	-	-	-
	<u>\$ 66,459,799</u>	<u>\$ 66,459,799</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Type	2021				
	Fair Value	Maturities in Years			
		Less than 1	1-5	6-10	More than 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>

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, 2022 and 2021, the Utility's restricted investment in this fund totaled \$28,577,319 and \$38,408,216, 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, 2022 and 2021

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

The US Treasury Obligations held at December 31, 2022 are measured at Level 1. The remaining money market mutual funds are measured at Net Asset Value (NAV).

(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, 2022 and 2021

(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 3*).

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 and refurbishment of capital assets. Five percent (5%) of annual gross revenues are maintained in this dedicated account.

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, 2022 and 2021

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

	2022	2021
Bond requirements	\$ 10,808,026	\$ 10,342,531
Future capital costs	25,861,500	30,866,701
Consumer deposits	<u>7,164,927</u>	<u>6,030,978</u>
Total restricted assets	<u><u>\$ 43,834,453</u></u>	<u><u>\$ 47,240,210</u></u>

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:

	2022	2021
Water sales and services	\$ 8,401,883	\$ 9,372,658
Billed for other agencies	9,649,106	11,344,217
Less allowance for doubtful accounts	<u>(963,213)</u>	<u>(1,971,654)</u>
Total accounts receivable – consumers, net	<u><u>\$ 17,087,776</u></u>	<u><u>\$ 18,745,221</u></u>

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, 2022 and 2021

Balances in these accounts are as follows at December 31:

	2022	2021
Rate stabilization	\$ 10,028,962	\$ 9,891,360
Watershed protection	1,652,599	1,765,961
Total board-designated assets	<u>\$ 11,681,561</u>	<u>\$ 11,657,321</u>

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

	2022	2021
Cash and cash equivalents	\$ 11,681,561	\$ 11,657,321
Total board-designated assets	<u>\$ 11,681,561</u>	<u>\$ 11,657,321</u>

Note 6: LEASE RECEIVABLE

The Utility leases a portion of its property to various third parties who use the space to conduct their operations on the Utility's grounds, the terms of which expire 2025 through 2042. The measurement of the lease receivable is based on the present value of lease payments expected to be received during the lease term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee. Short-term lease payments are recognized as inflows of resources based on the payment provisions of the lease contracts and are therefore not included in the lease receivable balances below.

Revenue recognized under lease contracts during the years ended December 31, 2022 and 2021 was \$547,272 and \$538,661, respectively, which includes both lease revenue and interest.

The following is a schedule by year of minimum payments to be received under the Utility's leases that are included in the measurement of the lease receivable as of December 31, 2022:

Years Ending December 31,	Principal	Interest	Total
2023	\$ 295,251	\$ 274,518	\$ 569,769
2024	307,657	257,454	565,111
2025	323,713	238,048	561,761
2026	254,552	224,281	478,833
2027	242,960	213,725	456,685
2028-2032	1,554,969	879,877	2,434,846
2033-2037	2,613,853	412,968	3,026,821
2038-2042	632,623	39,781	672,404
	<u>\$ 6,225,578</u>	<u>\$ 2,540,652</u>	<u>\$ 8,766,230</u>

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

Note 7: CAPITAL ASSETS

A summary of changes in capital asset balances that occurred during the years ended December 31, 2022 and 2021, follows:

	Balance 12/31/2021	Additions	Disposals	Transfers, Net	Balance 12/31/2022
Capital Assets, Nondepreciable					
Land and land use rights	\$ 66,094,876	\$ 1,102,727	\$ (75,089)	\$ 263,849	\$ 67,386,363
Water rights	4,974,114	-	-	-	4,974,114
Construction in progress	68,557,235	26,090,693	-	(55,691,360)	38,956,568
Total capital assets, nondepreciable	139,626,225	27,193,420	(75,089)	(55,427,511)	111,317,045
Capital Assets, Depreciable					
Building and improvements	67,986,688	65,554	-	30,183,036	98,235,278
Land improvements	2,832,752	62,370	-	18,175	2,913,297
Water source	37,087,551	-	-	(3,345,332)	33,742,219
Purification	43,306,480	25,992	-	1,770,885	45,103,357
Pumping	33,338,528	112,456	-	3,315,786	36,766,770
Distribution	419,813,215	1,242,716	(122,730)	12,851,520	433,784,721
Other equipment	36,655,974	522,930	(15,657)	10,633,441	47,796,688
Total capital assets, depreciable	641,021,188	2,032,018	(138,387)	55,427,511	698,342,330
Less Accumulated Depreciation					
Building and improvements	34,687,463	1,673,488	-	-	36,360,951
Land improvements	1,078,496	147,738	-	-	1,226,234
Water source	18,724,673	547,218	-	-	19,271,891
Purification	27,722,906	1,477,498	-	-	29,200,404
Pumping	20,974,819	1,026,548	-	-	22,001,367
Distribution	137,527,731	6,928,715	(122,730)	-	144,333,716
Other equipment	32,182,945	1,557,375	(224)	-	33,740,096
Total accumulated depreciation	272,899,033	13,358,580	(122,954)	-	286,134,659
Total Capital Assets, Net	<u>\$ 507,748,380</u>	<u>\$ 15,866,858</u>	<u>\$ (90,522)</u>	<u>\$ -</u>	<u>\$ 523,524,716</u>

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

	Balance 12/31/2020	Capital Assets from merged entity	Additions	Disposals	Transfers, Net	Balance 12/31/2021
Capital Assets, Nondepreciable						
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
Capital Assets, Depreciable						
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
Less Accumulated Depreciation						
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
Total Capital Assets, Net	<u>\$ 488,601,798</u>	<u>\$ 2,486,502</u>	<u>\$ 17,065,337</u>	<u>\$ (405,257)</u>	<u>\$ -</u>	<u>\$ 507,748,380</u>

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, 2022 and 2021

Note 8: LEASE ASSETS

Lease assets activity for the year ended December 31, 2022 was:

	Balance 12/31/2021	Additions	Disposals	Balance 12/31/2022
Lease Assets				
Land - right-to-use lease asset	\$ 1,045,768	\$ -	\$ -	\$ 1,045,768
Equipment - right-to-use lease asset	85,434	-	-	85,434
Total Lease Assets	<u>1,131,202</u>	<u>-</u>	<u>-</u>	<u>1,131,202</u>
Less Accumulated Amortization				
Right-to-use lease assets	(47,666)	(47,666)	-	(95,332)
Total accumulated depreciation	<u>(47,666)</u>	<u>(47,666)</u>	<u>-</u>	<u>(95,332)</u>
Total Lease Assets, Net	<u>\$ 1,083,536</u>	<u>\$ (47,666)</u>	<u>\$ -</u>	<u>\$ 1,035,870</u>

Lease assets activity for the year ended December 31, 2021 was:

	Balance 12/31/2020	Additions	Disposals	Balance 12/31/2021
Lease Assets				
Land - right-to-use lease asset	\$ 1,045,768	\$ -	\$ -	\$ 1,045,768
Equipment - right-to-use lease asset	85,434	-	-	85,434
Total Lease Assets	<u>1,131,202</u>	<u>-</u>	<u>-</u>	<u>1,131,202</u>
Less Accumulated Amortization				
Right-to-use lease assets	-	(47,666)	-	(47,666)
Total accumulated depreciation	<u>-</u>	<u>(47,666)</u>	<u>-</u>	<u>(47,666)</u>
Total Lease Assets, Net	<u>\$ 1,131,202</u>	<u>\$ (47,666)</u>	<u>\$ -</u>	<u>\$ 1,083,536</u>

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

Note 9: LONG-TERM DEBT

The following is a summary of long-term obligation transactions for the Utility for the years ended December 31, 2022 and 2021:

	Balance December 31, 2021	Additions	Deductions	Balance December 31, 2022	Amounts Due Within One Year	Amounts Due Greater Than One Year
Long-term debt						
Revenue bonds	\$ 103,685,000	\$ -	\$ (5,745,000)	\$ 97,940,000	\$ 4,500,000	\$ 93,440,000
Notes from direct placements	53,323,139	6,298,848	(216,186)	59,405,801	133,785	59,272,016
Issuance premiums	3,037,913	-	(405,614)	2,632,299	-	2,632,299
Total long-term debt	160,046,052	6,298,848	(6,366,800)	159,978,100	4,633,785	155,344,315
Other long-term liabilities	1,855,136	-	(1,201,827)	653,309	16,917	636,392
Total other noncurrent liabilities	1,855,136	-	(1,201,827)	653,309	16,917	636,392
Total long-term liabilities	\$ 161,901,188	\$ 6,298,848	\$ (7,568,627)	\$ 160,631,409	\$ 4,650,702	\$ 155,980,707

	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	157,582,545	1,476,893	7,566,010	(6,579,396)	160,046,052	4,824,981	155,221,071
Other long-term liabilities	4,339,592	-	-	(2,484,456)	1,855,136	1,181,178	673,958
Total other noncurrent liabilities	4,339,592	-	-	(2,484,456)	1,855,136	1,181,178	673,958
Total long-term liabilities	\$ 161,922,137	\$ 1,476,893	\$ 7,566,010	\$ (9,063,852)	\$ 161,901,188	\$ 6,006,159	\$ 155,895,029

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
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Revenue bonds and notes from direct placements at December 31, 2022, 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	\$ 175,000
2012A Water Revenue Bonds	2.00% – 4.00%	2032	17,515,000	9,955,000
2014 Refunding Water Revenue Bonds	2.00% – 5.00%	2024	10,850,000	2,610,000
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	13,810,000
2018B Water Revenue Bonds	3.25% – 5.00%	2038	20,000,000	17,095,000
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	5,525,000
Total revenue bonds			<u>149,690,000</u>	<u>97,940,000</u>
Notes from direct placements				
2010A Water Revenue Bond	1.00% ⁽¹⁾	2032	13,400,000	8,348,121
2011A Water Revenue Bond	2.25% ⁽¹⁾	2034	4,000,000	2,881,725
2017A Water Revenue Bond	1.50% ⁽¹⁾	2041	5,000,000	4,491,473
2019A Water Revenue Bond	1.50% ⁽¹⁾	2043	37,000,000	36,023,815
2020A Water Revenue Bond	0.75% ⁽¹⁾	2042	6,050,000	4,502,272
2021A Water Revenue Bonds	2.55%	2033	200,000	154,477
2021B Water Revenue Bonds	0.75% ⁽¹⁾	2032	1,383,953	1,045,680
2022A Water Revenue Bonds	2.25%	2053	1,365,887	1,365,887
2022B Water Revenue Bonds	1.75%	2045	592,351	592,351
Total notes from direct placements			<u>\$ 68,992,191</u>	<u>\$ 59,405,801</u>

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

(a) Revenue Bonds

2010C Water Revenue Bonds

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

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

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, 2022 and 2021

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, 2022 and 2021

(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
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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.

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.

2022A Water Revenue Bond

The Series 2022A 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 Ridgefield Estates. This Bond is secured solely by a lien on and pledge of the Ridgefield Estates water surcharge, 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 2053.

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
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2022B Water Revenue Bond

The Series 2022B Bond was issued through the ANRC and ADFA from monies in the Revolving Loan Fund to finance the cost of the Wilson Pump Station #1A project. The Series 2022B 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 beginning in 2025, with the final payment scheduled in 2045.

The following schedule shows the annual debt service of the revenue bonds and notes from direct placements outstanding at December 31, 2022:

Year Ending December 31,	Total to be Paid	Revenue Bonds		Direct Placements	
		Principal	Interest	Principal	Interest
2023	\$ 7,445,973	4,500,000	\$ 2,766,370	133,785	\$ 45,818
2024	8,223,469	3,635,000	2,616,589	1,307,308	664,572
2025	9,995,040	3,700,000	2,471,639	2,565,254	1,258,147
2026	10,118,403	3,810,000	2,366,051	2,709,470	1,232,882
2027	10,121,103	3,915,000	2,263,751	2,771,890	1,170,462
2028 - 2032	53,309,897	21,045,000	9,403,634	17,318,530	5,542,733
2033 - 2037	59,041,670	30,020,000	8,686,204	16,847,546	3,487,920
2038 - 2042	51,854,528	27,315,000	7,901,938	14,982,857	1,654,733
2043 - 2045	938,390	-	-	769,161	169,229
	<u>\$ 211,048,473</u>	<u>\$ 97,940,000</u>	<u>\$ 38,476,176</u>	<u>\$ 59,405,801</u>	<u>\$ 15,226,496</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.

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
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In addition, the Utility must establish and maintain debt service reserve accounts as follows:

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

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

The Utility is also required to maintain working capital in an amount sufficient to ensure efficient operation and maintenance of the water system, and such reserve must not be less than an amount reasonably estimated to pay the operations and maintenance costs of the water system for the next three calendar months. The Utility was in compliance with all debt covenants for the years ended December 31, 2022 and 2021.

(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, 2022 and 2021). 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, 2022, the first allocation has 17 payments remaining with an expected final payment date in 2039, while the second allocation has 27 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, 2022 and 2021). The final payment of principal and interest occurred 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.

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
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(g) Brushy Island Public Water Authority (the Authority) Revenue Bonds

2005B Water Revenue Bonds

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

Changes in long-term debt for the years ended December 31, 2022 and 2021, are as follows:

	Balance December 31, 2021	Additions	Deductions	Balance December 31, 2022	Amounts Due Within One Year	Amounts Due Greater Than One Year
Long-term debt						
Note from direct placement	\$ 254,118	\$ -	\$ (153,705)	\$ 100,413	\$ 58,619	\$ 41,794

	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

The following schedule shows the annual debt service of the note from direct placement outstanding at December 31, 2022:

Year Ending December 31,	Total to be Paid	Direct Placement	
		Principal	Interest
2023	\$ 63,640	\$ 58,619	\$ 5,021
2024	43,884	41,794	2,090
	<u>\$ 107,524</u>	<u>\$ 100,413</u>	<u>\$ 7,111</u>

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
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(h) Perla Water USDA Rural Development Bond

1997 Water and Sewer Revenue Bonds

The Series 1997 Bonds were issued in an original issue amount of \$80,000 at an interest rate of 4.875% to finance the cost of construction and installation of betterments and improvements to the water and sewer systems to serve the City of Perla, Arkansas. The Series 1997 Bonds are special obligations of the Authority, payable solely from net revenues of the water and sewer systems, as defined in the related bond agreements. Principal and interest payments are due monthly on the 25th, with the final payment scheduled in July 2037.

Changes in long-term debt for the years ended December 31, 2022 and 2021, are as follows:

	Balance December 31, 2021	Additions	Deductions	Balance December 31, 2022	Amounts Due Within One Year	Amounts Due Greater Than One Year
Long-term debt						
Note from direct placement	\$ 49,799	\$ -	\$ (1,925)	\$ 47,874	\$ 2,314	\$ 45,560

	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	\$ 52,186	\$ -	\$ (2,387)	\$ 49,799	\$ 2,300	\$ 47,499

The following schedules shows the annual debt service of the USDA rural development bond outstanding at December 31, 2022:

Year Ending December 31,	Total to be Paid	Principal	Interest
2023	\$ 4,596	\$ 2,314	\$ 2,282
2024	4,596	2,429	2,167
2025	4,596	2,550	2,046
2026	4,596	2,677	1,919
2027	4,596	2,813	1,783
2028 - 2032	22,980	16,293	6,687
2033 - 2037	21,004	18,798	2,206
	<u>\$ 66,964</u>	<u>\$ 47,874</u>	<u>\$ 19,090</u>

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
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Note 10: LEASE LIABILITIES

The Utility has equipment and land leases with terms that expire in 2024 through 2071. The measurement of the lease payable is based on the present value of lease payments expected to be paid during the lease term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee.

Incremental borrowing rates plus an additional 2.5% were used to measure lease payables. These rates varied from 4.75% - 6.25% for the year ended December 31, 2022. Lease liabilities recorded under lease contracts as of December 31, 2022 and 2021, were \$1,060,218 and \$1,094,998, respectively.

The following is a summary of lease liabilities for the Utility for the years ended December 31, 2022 and 2021:

	Balance December 31, 2021	Additions	Deductions	Balance December 31, 2022	Amounts Due Within One Year	Amounts Due Greater Than One Year
Long-term lease liabilities						
Long-term lease liability - land	\$ 1,034,749	\$ -	\$ (8,410)	\$ 1,026,339	\$ 8,687	\$ 1,017,652
Long-term lease liabilities - equipment	60,249	-	(26,370)	33,879	19,997	13,882
Total long-term lease liabilities	<u>\$ 1,094,998</u>	<u>\$ -</u>	<u>\$ (34,780)</u>	<u>\$ 1,060,218</u>	<u>\$ 28,684</u>	<u>\$ 1,031,534</u>

	Balance December 31, 2020 (Restated)	Additions	Deductions	Balance December 31, 2021	Amounts Due Within One Year	Amounts Due Greater Than One Year
Long-term lease liabilities						
Long-term lease liability - land	\$ 1,045,768	\$ -	\$ (11,019)	\$ 1,034,749	\$ 8,410	\$ 1,026,339
Long-term lease liabilities - equipment	85,434	-	(25,185)	60,249	26,370	33,879
Total long-term lease liabilities	<u>\$ 1,131,202</u>	<u>\$ -</u>	<u>\$ (36,204)</u>	<u>\$ 1,094,998</u>	<u>\$ 34,780</u>	<u>\$ 1,060,218</u>

The future principal and interest payments for lease liabilities as of December 31, 2022 are as follows:

Years Ending December 31,	Principal	Interest	Total
2023	\$ 28,684	\$ 34,383	\$ 63,067
2024	20,231	33,398	53,629
2025	11,797	32,647	44,444
2026	9,572	32,319	41,891
2027	9,888	32,002	41,890
2028-2032	54,365	155,070	209,435
2033-2037	64,048	145,361	209,409
2038-2042	75,336	134,043	209,379
2043-2047	88,614	120,729	209,343
2048-2052	104,178	105,124	209,302
2053-2057	122,614	86,639	209,253
2058-2062	144,228	64,967	209,195
2063-2067	169,652	39,474	209,126
2068-2072	157,011	10,232	167,243
	<u>\$ 1,060,218</u>	<u>\$ 1,026,388</u>	<u>\$ 2,086,606</u>

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Note 11: RISK MANAGEMENT

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

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

Note 12: COMMITMENTS AND CONTINGENCIES

(a) Construction Contracts

The Utility has commitments totaling \$13,932,798 and \$8,862,765 at December 31, 2022 and 2021, 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 \$252,000 and \$543,000 at December 31, 2022 and 2021, 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 13: 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.

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Contributions. Plan members hired after July 1, 2005, are required to contribute a percentage of their annual covered salary, and the Utility is required to contribute a percent of covered salary at an actuarially determined rate. This percentage was 5.00% at the beginning of 2022 and increased to 5.25% on July 1, 2022 as part of an incremental increase to 7.00% as of July 1, 2029 per Act 365 of 2021. The contributions are deducted from the employee's wages or salary and remitted by the Utility to the APERS Plan on a semi-monthly basis. The applicable employer contribution rates were 15.32% (July 1, 2018 to December 31, 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, 2022 and 2021, were \$3,378,811 and \$3,294,596, 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, 2022 and 2021, the Utility reported a liability of \$28,449,939 and \$8,279,840, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and 2021, 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, 2022 and 2021, the Utility's proportion was 1.05511473% and 1.07693708%, respectively.

Contributions payable to APERS at December 31, 2022 and 2021, totaled approximately \$156,000 and \$65,000, respectively, and are included in payroll and related liabilities in the statements of net position.

For the years ended December 31, 2022 and 2021, the Utility recognized the actuarially determined pension expense of approximately \$2,890,479 and (\$423,000), respectively. At December 31, the Utility reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

December 31, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ -	\$ -
Changes in proportion and differences between employer contributions and proportionate share of contributions	181,394	346,559
Differences between expected and actual experience	682,893	343,489
Net difference between projected and actual investment earnings on pension plan investments	6,001,558	-
Utility contributions subsequent to the measurement date	1,701,998	-
	<u>1,701,998</u>	<u>-</u>
Total	<u>\$ 8,567,843</u>	<u>\$ 690,048</u>

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December 31, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
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	<u>1,660,573</u>	<u>-</u>
Total	<u>\$ 2,300,887</u>	<u>\$ 15,122,949</u>

Deferred outflows of resources resulting from the Utility's contributions subsequent to the measurement date totaling approximately \$1,702,000 at December 31, 2022, relate to contributions made between July 1 and December 31 of 2022. The Utility will recognize these amounts as a reduction in the net pension liability in the year ending December 31, 2023.

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,	
2023	\$ 1,243,517
2024	794,478
2025	(47,624)
2026	<u>4,185,426</u>
Total	<u>\$ 6,175,797</u>

Actuarial Assumptions. The total pension liability in the June 30, 2022, 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.

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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, 2022, are summarized in the table below:

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

The target allocation for the June 30, 2021, measurement date was as follows:

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

Discount Rate. The discount rate used to measure the total pension liability at June 30, 2022 and 2021, 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, 2022 and 2021, 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:

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		Utility's Proportionate Share of Net Pension Liability
2022	Discount Rate	
1% decrease	6.15%	\$ 45,230,207
Current discount rate	7.15%	\$ 28,449,939
1% increase	8.15%	\$ 14,596,325

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

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

(b) IRS Section 401(a)

An Employee Savings Plan under IRS Code 401(a) established by Little Rock Municipal Water Works was transferred to the Utility on July 1, 2001. Employee participation in this plan is mandatory. At December 31, 2022, 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 \$217,000 and \$223,000 for the years ended December 31, 2022 and 2021 respectively, and the Utility matched those amounts for the years ended December 31, 2022 and 2021, 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.

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- 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, 2022 and 2021, is as follows:

Membership	2022	2021
Active members	134	134
Inactive members receiving benefits	<u>82</u>	<u>82</u>
Total members	<u><u>216</u></u>	<u><u>216</u></u>

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

For fiscal year 2022, the Utility contributed a total of \$1,181,000 to the plan for current premiums. Of the \$1,181,000, \$783,000 was contributed to the OPEB Trust and approximately \$398,000 was for health insurance premium activity. 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.

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.

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- 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, 2022, was based on a valuation date and measurement date of December 31, 2021, with update procedures used to roll forward the total OPEB liability to the measurement date of December 31, 2022. The net OPEB liability at December 31, 2021, was based on the valuation performed at December 31, 2021. A single discount rate of 4.31% and 2.25% was used to measure the total OPEB liability as of December 31, 2022 and 2021, 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 3.00% for December 31, 2022 and 0.16% for December 31, 2021.

This single discount rate was based on an expected rate of return on OPEB plan investments of 4.31% and 2.25% at December 31, 2022 and 2021, respectively.

The significant assumptions used to actuarially determine the OPEB plan's total OPEB liability at December 31, 2022 and 2021, 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; 4.31 percent at 12/31/2022
Mortality:	Pub-G 2010 Mortality Table (headcount basis), projected generationally with Scale MP 2021

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Changes in Net OPEB Liability

	Increases (Decreases)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balance at December 31, 2021	<u>\$ 20,783,108</u>	<u>\$ 7,516,290</u>	<u>\$ 13,266,818</u>
Changes for the year:			
Service cost	410,814	-	410,814
Interest	467,760	-	467,760
Differences between expected and actual experience	-	-	-
Contributions – employer	-	1,181,000	(1,181,000)
Changes in assumptions	(5,603,965)	-	(5,603,965)
Net investment income	-	(26,083)	26,083
Benefit payments	<u>(398,393)</u>	<u>(398,393)</u>	<u>-</u>
Net changes	<u>(5,123,784)</u>	<u>756,524</u>	<u>(5,880,308)</u>
Balance at December 31, 2022	<u><u>\$ 15,659,324</u></u>	<u><u>\$ 8,272,814</u></u>	<u><u>\$ 7,386,510</u></u>

	Increases (Decreases)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balance at December 31, 2020	<u>\$ 25,386,583</u>	<u>\$ 6,755,795</u>	<u>\$ 18,630,788</u>
Changes for the year:			
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	<u>(376,228)</u>	<u>(376,228)</u>	<u>-</u>
Net changes	<u>(4,603,475)</u>	<u>760,495</u>	<u>(5,363,970)</u>
Balance at December 31, 2021	<u><u>\$ 20,783,108</u></u>	<u><u>\$ 7,516,290</u></u>	<u><u>\$ 13,266,818</u></u>

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Below is a table providing the sensitivity of the net OPEB liability to changes in the discount rate as of December 31, 2022 and 2021. In particular, the table presents the plan's net OPEB liability if it were calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the assumed rate:

Net OPEB Liability at December 31,	Discount Rate	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
2022	4.31%	\$ 9,794,545	\$ 7,386,510	\$ 5,432,060
2021	2.25%	\$ 17,054,643	\$ 13,266,818	\$ 10,238,285

Below is a table providing the sensitivity of the net OPEB liability to changes in the health care trend rate as of December 31, 2022 and 2021. 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%)
2022	\$ 5,149,755	\$ 7,386,510	\$ 10,209,069
2021	\$ 9,765,091	\$ 13,266,818	\$ 17,801,835

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. The Utility recognized OPEB expense of \$379,933 and \$1,126,332 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021:

December 31, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,433,645	\$ 3,943,680
Changes of assumptions	5,797,747	7,973,315
Net difference between projected and actual earnings on OPEB plan investments	<u>355,040</u>	<u>-</u>
Total	<u>\$ 7,586,432</u>	<u>\$ 11,916,995</u>

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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 investments	<u>298,792</u>	<u>-</u>
Total	<u>\$ 8,592,234</u>	<u>\$ 7,843,556</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,

2023	\$ (340,851)
2024	(359,148)
2025	(391,189)
2026	(427,676)
2027	(468,476)
Thereafter	<u>(2,343,223)</u>
Total	<u>\$ (4,330,563)</u>

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

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

December 31, 2022	
Investment	Fair Value
U.S. Treasury Obligations	\$ 7,494,324
December 31, 2021	
Investment	Fair Value
U.S. Treasury Obligations	\$ 1,481,075

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Note 14: PRIVATE-PURPOSE TRUST FUNDS

The following tables include financial information for the private-purpose trust funds as of and for the years ended December 31, 2022 and 2021:

	Private-Purpose Trust Funds					
	2022			2021		
	Brushy Island Trust Funds	Perla Water Trust Funds	Total	Brushy Island Trust Funds	Perla Water Trust Funds	Total
Assets						
Cash and cash equivalents	\$ 166,932	\$ 281,357	\$ 448,289	\$ 152,508	\$ 30,481	\$ 182,989
Restricted cash and cash equivalents	398	-	398	71,060	-	71,060
Accounts receivable	8,893	78,171	87,064	9,467	50,689	60,156
Accrued interest receivable	136	-	136	116	-	116
Inventory	-	3,208	3,208	-	3,208	3,208
Capital assets, net	1,486,746	833,119	2,319,865	1,520,058	586,009	2,106,067
Total assets	1,663,105	1,195,855	2,858,960	1,753,209	670,387	2,423,596
Liabilities						
Accounts payable	-	523,059	523,059	-	493,284	493,284
Accrued expenses	-	48,652	48,652	-	57,980	57,980
Long-term obligations	100,413	47,874	148,287	254,118	49,799	303,917
Accrued interest payable	418	195	613	1,059	45	1,104
Due to Central Arkansas Water	-	457,928	457,928	-	-	-
Consumer deposits	4,175	-	4,175	4,375	63,866	68,241
Total liabilities	105,006	1,077,708	1,182,714	259,552	664,974	924,526
Net Position						
Restricted for:						
Held in receivership	1,558,099	118,147	1,676,246	1,493,657	5,413	1,499,070
Total net position	\$ 1,558,099	\$ 118,147	\$ 1,676,246	\$ 1,493,657	\$ 5,413	\$ 1,499,070

	2022			2021		
	Brushy Island Trust Funds	Perla Water Trust Funds	Total	Brushy Island Trust Funds	Perla Water Trust Funds	Total
Additions						
Water sales	\$ 88,539	\$ 630,373	\$ 718,912	\$ 122,524	\$ 571,265	\$ 693,789
Intergovernmental revenue	-	375,000	375,000	-	-	-
Debt service fees	109,301	-	109,301	112,731	-	112,731
Net investment income (loss)	1,637	-	1,637	152	-	152
Total additions	199,477	1,005,373	1,204,850	235,407	571,265	806,672
Deductions						
Transfers to Central Arkansas Water	88,339	-	88,339	122,349	-	122,349
Administrative expenses	1,318	843,016	844,334	315	526,724	527,039
Depreciation	33,312	46,997	80,309	33,312	36,741	70,053
Interest	12,066	2,626	14,692	14,929	2,387	17,316
Total deductions	135,035	892,639	1,027,674	170,905	565,852	736,757
Change in Fiduciary Net Position	64,442	112,734	177,176	64,502	5,413	69,915
Net position - beginning of year	1,493,657	5,413	1,499,070	1,429,155	-	1,429,155
Net position - end of year	\$ 1,558,099	\$ 118,147	\$ 1,676,246	\$ 1,493,657	\$ 5,413	\$ 1,499,070

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NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

Note 15: FIDUCIARY FUNDS

The Brushy Island Trust Fund and Perla Water Trust Fund did not hold investment securities for the years ended December 31, 2022 and 2021. 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:

		2022			
		Maturities in Years			
Type	Fair Value	Less than 1	1–5	6–10	More than 10
Classified as Investments					
Restricted:					
U.S. Treasury obligations	\$ 7,494,324	\$ 5,086,247	\$ 2,408,077	\$ -	\$ -
		<u>\$ 5,086,247</u>	<u>\$ 2,408,077</u>	<u>\$ -</u>	<u>\$ -</u>
Exchange-traded funds	273,543				
Money market fund	493,353				
	<u>\$ 8,261,220</u>				
		2021			
		Maturities in Years			
Type	Fair Value	Less than 1	1–5	6–10	More than 10
Classified as Investments					
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>				

At December 31, 2022 and 2021, 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, 2022 and 2021, the Trust Fund's restricted investment in this fund totaled \$493,353 and \$4,193,530, respectively.

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

(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, 2022 and 2021

(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 16: CHANGE IN ACCOUNTING PRINCIPLE

For the fiscal year ended December 31, 2022, the Utility implemented GASB 87, Leases. As required when presenting prior period comparative statements, the financial statements of the fiscal year ended December 31, 2021, have been retrospectively restated. The effects of the restatement are as follows:

	As Previously Reported	2021 as restated	Effect of Change
Statement of Net Position:			
Lease receivables - current portion	\$ -	\$ 265,751	\$ 265,751
Other receivables	2,166,668	2,218,647	51,979
Total unrestricted current assets	56,949,952	57,267,682	317,730
Total current assets	69,558,917	69,876,647	317,730
Long-term lease receivables	-	6,225,578	6,225,578
Lease assets, net of accumulated amortization	-	1,083,536	1,083,536
Total capital and lease assets, net	507,748,380	515,057,494	7,309,114
Total noncurrent assets	542,379,625	549,688,739	7,309,114
Total assets	611,938,542	619,565,386	7,626,844
Lease liability - current portion	-	34,780	34,780
Accrued interest payable	967,595	970,563	2,968
Total current liabilities payable from restricted assets	12,608,965	12,611,933	2,968
Total current liabilities	31,155,190	31,192,938	37,748
Long-term lease liability	-	1,060,218	1,060,218
Total noncurrent liabilities	178,373,225	179,433,443	1,060,218
Total liabilities	209,528,415	210,626,381	1,097,966
Deferred lease inflows	-	6,282,282	6,282,282
Total deferred inflows of resources	23,064,301	29,346,583	6,282,282
Total liabilities and deferred inflows of resources	232,592,716	239,972,964	7,380,248
Net investment in capital assets	373,343,220	373,589,816	246,596
Total net position	390,369,029	390,615,625	246,596
Total liabilities, deferred inflows and net position	622,961,745	630,588,589	7,626,844

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

	As Previously Reported	2021 as restated	Effect of Change
Statement of Revenues, Expenses and Changes in Net Position			
Other revenue	876,357	835,288	(41,069)
Total operating revenues	75,573,117	75,532,048	(41,069)
Administrative expenses	5,402,244	5,396,432	(5,812)
Information services expenses	4,070,511	4,065,855	(4,656)
Finance expenses	2,780,139	2,776,569	(3,570)
Engineering expenses	1,698,946	1,695,767	(3,179)
Water production expenses	12,902,542	12,901,944	(598)
Distribution expenses	13,097,133	13,043,970	(53,163)
Depreciation and amortization expense	13,552,232	13,599,898	47,666
Total operating expenses	59,609,914	59,586,602	(23,312)
Operating income	15,963,203	15,945,446	(17,757)
Bond and other interest expense, net	(3,986,125)	(3,721,772)	264,353
Net nonoperating expenses	(4,239,051)	(3,974,698)	264,353
Change in net position	15,569,760	15,816,356	246,596
Statement of Cash Flows:			
Cash receipts from customers	\$ 75,260,648	\$ 75,497,213	\$ 236,565
Cash payments to suppliers for goods and services	(16,122,458)	(16,620,049)	(497,591)
Cash (payments) receipts from other sources	876,340	906,249	29,909
Net cash provided by operating activities	23,617,850	23,386,733	(231,117)
Principal paid on long-term debt and leases	(8,598,619)	(8,634,823)	(36,204)
Interest paid on long-term debt and leases	(3,420,672)	(3,153,351)	267,321
Net cash used in capital and related financing activities	(28,109,054)	(27,877,937)	231,117
Operating income	15,963,203	15,945,446	(17,757)
Depreciation and amortization	13,552,232	13,599,898	47,666
Accounts receivable - customers, net	(783,654)	(835,633)	(51,979)
Lease receivables	-	288,544	288,544
Deferred inflows on leases	-	(497,591)	(497,591)

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Required Supplementary Statements



Central Arkansas Water
REQUIRED SUPPLEMENTARY INFORMATION
TEN YEAR SUMMARY OF UTILITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
2013 – 2022 (Unaudited)

	2022	2021	2020	2019	2018	2017	2016	2015
Utility's proportion of the net pension liability	1.06%	1.08%	1.07%	1.06%	1.03%	1.02%	0.95%	0.94%
Utility's proportionate share of the net pension liability	\$ 28,449,939	\$ 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	\$ 21,490,379	\$ 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	132.38%	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	78.31%	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 eight 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
2013 – 2022 (Unaudited)

Measurement Date June 30:	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 3,378,811	\$ 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>3,378,811</u>	<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 liability	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Utility's covered payroll	\$ 22,136,911	\$ 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	15.32%	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 eight 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, 2022

	2022	2021	2020	2019	2018	2017	2016
Total OPEB liability							
Service cost	\$ 410,814	\$ 544,451	\$ 360,342	\$ 275,654	\$ 319,030	\$ 266,786	\$ 284,194
Interest	467,760	491,584	642,325	718,448	656,990	595,466	566,116
Differences between expected and actual experience	-	(2,943,797)	-	(2,647,739)	-	2,662,481	-
Changes of assumptions	(5,603,965)	(2,319,485)	5,054,267	2,029,641	(1,520,535)	1,935,094	(530,347)
Benefit payments	<u>(398,393)</u>	<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	(5,123,784)	(4,603,473)	5,670,126	(142,593)	(1,000,021)	5,018,938	(70,698)
Total OPEB liability – beginning	<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>	<u>15,910,830</u>
Total OPEB liability – ending (a)	<u>\$ 15,659,325</u>	<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	\$ 1,181,000	\$ 1,169,000	\$ 1,175,000	\$ 1,181,000	\$ 927,000	\$ 844,935
Net investment income	(26,083)	(44,278)	45,784	108,413	49,464	8,485	28,577
Benefit payments	<u>(398,393)</u>	<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	756,524	760,496	827,976	764,816	774,958	494,596	482,851
Plan fiduciary net position – beginning	<u>7,516,290</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>	<u>3,410,597</u>
Plan fiduciary net position – ending (b)	<u>\$ 8,272,814</u>	<u>\$ 7,516,290</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)	\$ 7,386,511	\$ 13,266,819	\$ 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	52.83%	36.17%	26.61%	30.07%	26.00%	21.04%	24.58%
Covered payroll	\$ 23,921,850	\$ 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	30.88%	58.05%	84.18%	67.35%	76.81%	90.39%	69.80%

Notes to the Schedule

Changes of assumptions. In 2022, the assumed discount rate was raised from 2.25% to 4.31% per GASB 75. 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 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) – SCHEDULE OF THE UTILITY’S CONTRIBUTIONS
Year Ended December 31, 2022

Plan Years Ending December 31:	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 1,102,755	\$ 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	1,181,000	1,169,000	1,175,000	1,181,000	927,000	844,935
Contribution deficiency (excess)	(78,245)	272,840	(45,132)	(68,476)	365	141,588	(145,030)
Covered payroll	23,921,850	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	4.94%	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: 25 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; 4.31% at 12/31/2022
Retirement age: Expected retirement ages of general employees are based on information provided by Arkansas Public Employees Retirement System.
Mortality: PUB-G 2010 Table projected generationally with MP 2021

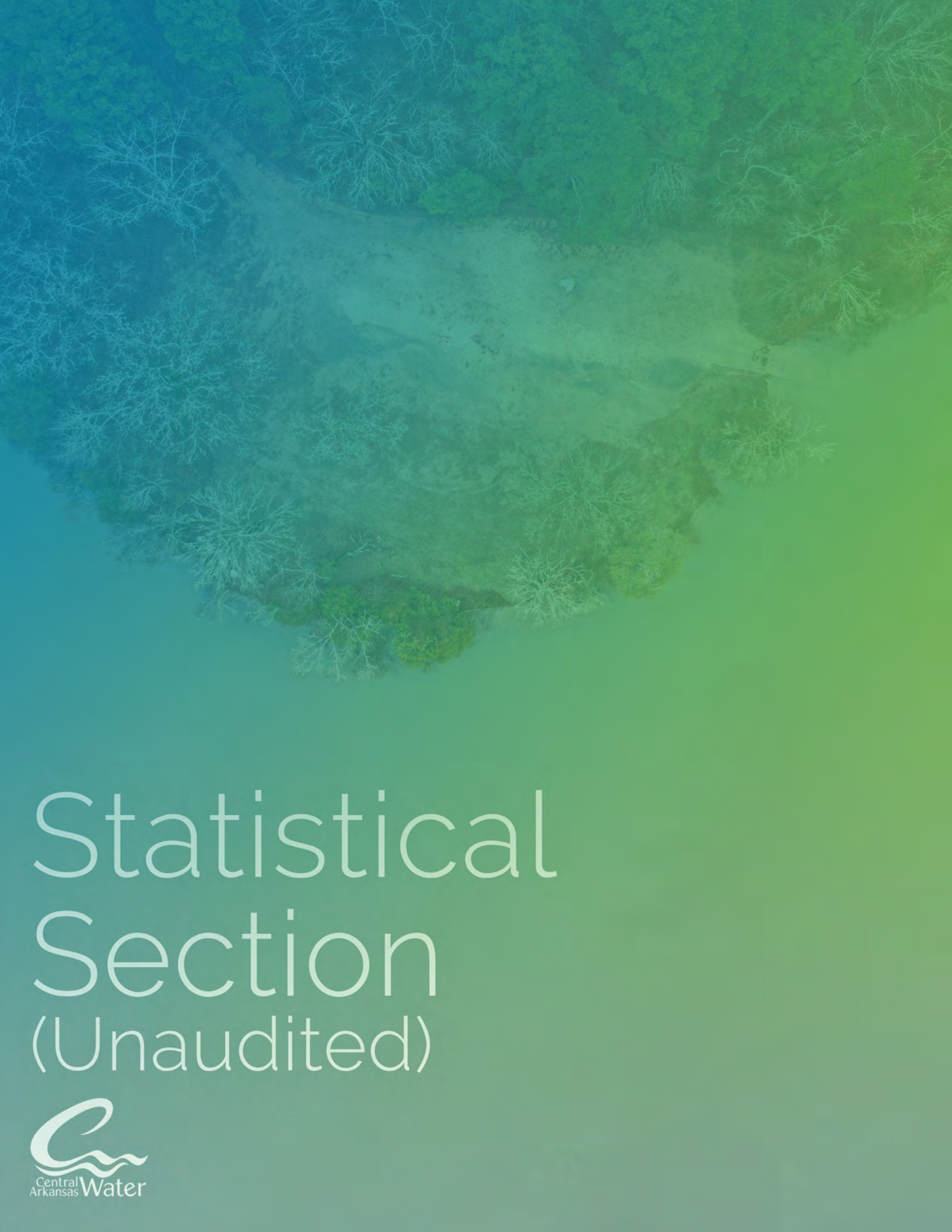
OPEB schedules under GASB Statement 75 included in the required supplementary information are intended to show information for ten years. GASB Statement 75 was implemented in 2018; therefore, only seven years of information are shown, and additional years' information will be added as it becomes available.

Central Arkansas Water
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLAN (OPEB) – TEN YEAR SCHEDULE OF INVESTMENT RETURNS
Year Ended December 31, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Annual money-weighted rate of return, net of investment expense	-0.3%	-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 seven years of information are shown, and additional years' information will be added as it becomes available.

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Statistical Section (Unaudited)



Central Arkansas Water

STATISTICAL SECTION INDEX

This section of the Utility's 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 91

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 96

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 101

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

Operating Information 103

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

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Financial Trends



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Central Arkansas Water

TEN YEAR SUMMARY OF REVENUES, EXPENSES AND RATE INCREASES

2013–2022 (Unaudited)

	2013	2014	2015	2016
Operating Revenues				
Water Sales	\$ 45,998,541	\$ 45,070,592	\$ 47,459,563	\$ 51,325,094
Penalties	859,938	916,613	878,500	885,551
Turn-on charges	1,101,038	1,010,229	989,227	1,091,867
Ancillary charges	3,083,148	2,917,964	3,005,354	5,549,781
Watershed protection fees	1,012,991	1,012,005	1,017,055	1,025,064
Other Revenue	1,990,277	670,741	731,607	818,766
Total Revenues	54,045,933	51,598,144	54,081,306	60,696,123
Operating Expenses				
Administration	2,364,744	2,471,360	2,598,576	2,668,488
Distribution	10,495,249	10,659,085	10,256,858	13,313,139
Engineering	1,773,172	1,821,276	1,694,457	1,803,704
Finance	2,585,870	2,548,209	2,582,474	3,103,823
Customer service	4,176,286	4,458,680	4,436,408	4,954,842
Information services	2,902,303	3,133,821	3,050,213	3,186,317
Water production	7,889,209	7,717,004	8,011,935	8,239,835
Watershed protection	-	-	-	-
Water quality	1,936,431	1,911,167	2,024,136	2,050,733
POWA operating expenses	-	-	-	-
General	2,017,004	1,971,006	2,112,725	3,057,387
Depreciation and amortization	11,068,273	10,786,930	11,246,626	12,149,744
Total Operating Expenses	47,208,541	47,478,538	48,014,408	54,528,012
Nonoperating Revenues Expenses				
Transfers to Cities of LR and NLR	(608,436)	(658,776)	(659,088)	(676,408)
Gain (loss) on disposal of capital assets	249,854	26,456	76,092	76,664
Investment Income	111,482	199,334	194,795	237,700
Bond and other interest expense, net	(2,348,152)	(2,320,427)	(2,408,154)	(3,284,945)
Intergovernmental	-	-	-	-
Total Nonoperating Revenues (Expenses)	(2,595,252)	(2,753,413)	(2,796,355)	(3,646,989)
Contributions				
Contributions-in-aid of construction	864,644	2,253,550	3,021,520	2,148,229
Capital contributions from grantors	47,903	-	127,396	26,112
Special Item – transfer of assets from Maumelle	-	-	-	7,745,408
Total Contributions	912,547	2,253,550	3,148,916	9,919,749
Change in Net Position	\$ 5,154,687	\$ 3,619,743	\$ 6,419,459	\$ 12,440,871
% Water Rate Increase ⁽¹⁾	3.8%	3.7%	0.0%	0.0%

Source: Central Arkansas Water Finance Department

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

Central Arkansas Water

TEN YEAR SUMMARY OF REVENUES, EXPENSES AND RATE INCREASES (Continued) 2013–2022 (Unaudited)

2017	2018	2019	2020	2021 (Restated - Note 16)	2022
\$ 51,648,173	\$ 57,264,083	\$ 54,639,500	\$ 54,436,691	\$ 60,779,029	\$ 64,537,471
922,616	991,571	1,019,732	1,120,690	1,056,757	1,069,965
1,342,974	1,335,236	1,403,494	913,820	616,284	510,513
6,188,546	5,667,721	7,495,745	8,775,595	10,012,456	10,505,377
1,120,097	1,101,065	1,323,160	1,868,949	2,232,234	2,281,960
611,842	560,731	552,289	(190,218)	835,288	1,175,678
61,834,248	66,920,407	66,433,920	66,925,527	75,532,048	80,080,964
3,447,845	4,019,183	4,462,396	6,059,961	5,396,432	5,973,928
14,256,900	14,980,984	15,583,222	15,620,557	13,043,970	13,981,855
2,049,525	2,038,602	2,862,634	2,037,030	1,695,767	1,848,493
3,078,676	2,895,514	2,864,906	3,001,925	2,776,569	2,966,774
3,151,815	3,298,739	3,710,651	3,795,995	3,302,409	4,187,119
3,328,787	3,302,483	3,527,672	3,843,156	4,065,855	4,058,872
9,341,319	9,120,982	10,186,502	10,926,225	12,901,944	15,231,769
-	-	-	-	-	-
2,134,930	2,267,752	2,466,084	-	-	-
-	-	-	281,493	221,915	361,245
2,484,482	2,298,966	2,246,364	2,831,598	2,581,843	3,074,993
12,770,370	12,687,333	12,888,536	13,165,555	13,599,898	13,406,246
56,044,649	56,910,538	60,798,967	61,563,495	59,586,602	65,091,294
(706,716)	(709,068)	(791,064)	(802,260)	(795,408)	(822,036)
70,231	(17,965)	(496,099)	80,724	281,258	46,310
413,111	846,878	1,269,965	255,819	47,001	1,074,101
(2,043,741)	(2,031,574)	(2,162,183)	(3,707,779)	(3,721,772)	(3,593,931)
-	-	-	-	214,223	32,798
(2,267,115)	(1,911,729)	(2,179,381)	(4,173,496)	(3,974,698)	(3,262,758)
2,442,052	2,580,491	3,079,598	1,081,550	3,845,608	3,523,406
-	-	-	9,200	-	6,000
-	-	-	-	-	-
2,442,052	2,580,491	3,079,598	1,090,750	3,845,608	3,529,406
\$ 5,964,536	\$ 10,678,631	\$ 6,535,170	\$ 2,279,286	\$ 15,816,356	\$ 15,256,318
8.9%	8.9%	0.0%	0.0%	0.0%	0.0%

Central Arkansas Water
TEN YEAR SUMMARY OF NET POSITION
2013–2022 (Unaudited)

	2013	2014	2015 ⁽¹⁾	2016	2017 ⁽²⁾
Net Position					
Net Investment in capital assets	\$ 309,457,263	\$ 312,635,439	\$ 320,025,891	\$ 329,906,226	\$ 337,464,888
Restricted – expendable	7,121,040	6,059,324	7,188,147	7,683,719	9,093,839
Unrestricted	34,961,050	36,464,333	19,108,904	21,173,868	5,793,875
Total Net Position	\$ 351,539,353	\$ 355,159,096	\$ 346,322,942	\$ 358,763,813	\$ 352,352,602

Source: Central Arkansas Water Finance Department

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

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

⁽³⁾ Beginning net position was restated by the Utility during the year ended December 31, 2021, as a result of implementation of GASB Statement No. 87.

Central Arkansas Water
TEN YEAR SUMMARY OF NET POSITION (*Continued*)
2013–2022 (Unaudited)

2018	2019	2020	2021 ⁽³⁾	2022
\$ 348,267,555	\$ 357,586,670	\$ 367,648,777	\$ 373,589,816	\$ 382,461,139
10,517,702	8,806,305	8,851,333	10,459,371	10,976,033
4,245,982	3,173,434	(2,875,500)	6,566,438	12,434,771
\$ 363,031,239	\$ 369,566,409	\$ 373,624,610	\$ 390,615,625	\$ 405,871,943

Central Arkansas Water
TEN YEAR SUMMARY OF WRITE-OFFS
2013–2022 (Unaudited)

Year	Water Sales	Write-Offs	Write-Offs/ Water Sales
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%
2022	64,537,471	930,493	1.44%

Source: Central Arkansas Water Finance Department



Revenue & Debt Capacity



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Central Arkansas Water

TEN YEAR SUMMARY OF REVENUES, EXPENSES AND DEBT SERVICE COVERAGE

2013–2022 (Unaudited)

	2013	2014	2015	2016
Operating Revenues				
Water Sales	\$ 45,998,541	\$ 45,070,592	\$ 47,459,563	\$ 51,325,094
Penalties	859,938	916,613	878,500	885,551
Turn-on charges	1,101,038	1,010,229	989,227	1,091,867
Ancillary charges	3,083,148	2,917,964	3,005,354	5,549,781
Watershed protection fees	1,012,991	1,012,005	1,017,055	1,025,064
Proceeds from sale of capital assets	1,259,097	62,548	93,675	87,285
Investment income	111,482	199,334	194,795	237,700
Other revenue	1,990,277	670,741	731,607	818,766
Total Revenues	55,416,512	51,860,026	54,369,776	61,021,108
Expenses				
Administration	2,364,744	2,471,360	2,598,576	2,668,488
Distribution	10,495,249	10,659,085	10,256,858	13,313,139
Engineering	1,773,172	1,821,276	1,694,457	1,803,704
Finance	2,585,870	2,548,209	2,582,474	3,103,823
Customer service	-	-	-	-
Customer relations and public affairs	4,176,286	4,458,680	4,436,408	4,954,842
Information services	2,902,303	3,133,821	3,050,213	3,186,317
Water production	7,889,209	7,717,004	8,011,935	8,239,835
Water quality	1,936,431	1,911,167	2,024,136	2,050,733
General	2,017,004	1,971,006	2,112,725	3,057,387
POWA operating expenses	-	-	-	-
Transfers to Cities of LR and NLR	608,436	658,776	659,088	676,408
Total Expenses	36,748,704	37,350,384	37,426,870	43,054,676
Transfers to rate stabilization account ⁽²⁾	-	-	-	-
Net Revenues	\$ 18,667,808	\$ 14,509,642	\$ 16,942,906	\$ 17,966,432
Maximum Annual Debt Service on Revenue Bonds	\$ 7,909,925	\$ 7,645,191	\$ 7,600,019	\$ 7,125,431
Ratio of Net Revenues to Maximum Annual Debt Service on Revenue Bonds ⁽¹⁾	2.36	1.90	2.23	2.52

Source: Central Arkansas Water Finance Department

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

⁽¹⁾ Bond Requirement is 1.2.

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

Central Arkansas Water

TEN YEAR SUMMARY OF REVENUES, EXPENSES AND DEBT SERVICE COVERAGE *(Continued)* 2013–2022 (Unaudited)

2017	2018	2019	2020	2021 (Restated - Note 16)	2022
\$ 51,648,173	\$ 57,264,083	\$ 54,639,500	\$ 54,436,691	\$ 60,779,029	\$ 64,537,471
922,616	991,571	1,019,732	1,120,690	1,056,757	1,069,965
1,342,974	1,335,236	1,403,494	913,820	616,284	510,513
6,188,546	5,667,721	7,495,745	8,775,595	10,012,456	10,505,377
1,120,097	1,101,065	1,323,160	1,868,949	2,232,234	2,281,960
70,231	74,887	131,565	305,273	549,165	46,310
413,111	846,878	1,269,965	255,819	47,001	1,074,101
898,993	560,731	552,289	(190,218)	835,288	1,175,678
<u>62,604,741</u>	<u>67,842,172</u>	<u>67,835,450</u>	<u>67,486,619</u>	<u>76,128,214</u>	<u>81,201,375</u>
3,447,845	4,019,183	4,462,396	6,059,961	5,396,432	5,973,928
14,256,900	14,980,984	15,583,222	15,620,557	13,043,970	13,981,855
2,049,525	2,038,602	2,862,634	2,037,030	1,695,767	1,848,493
3,078,676	2,895,514	2,864,906	3,001,925	2,776,569	2,966,774
3,151,815	3,298,739	3,710,651	3,795,995	3,302,409	4,187,119
-	-	-	-	-	-
3,328,787	3,302,483	3,527,672	3,843,156	4,065,855	4,058,872
9,341,319	9,120,982	10,186,502	10,926,225	12,901,944	15,231,769
2,134,930	2,267,752	2,466,084	-	-	-
2,650,583	2,298,966	2,246,364	2,831,598	2,581,843	3,074,993
-	-	-	281,493	221,915	361,245
706,716	709,068	791,064	802,260	795,408	822,036
<u>44,147,096</u>	<u>44,932,273</u>	<u>48,701,495</u>	<u>49,200,200</u>	<u>46,782,112</u>	<u>52,507,084</u>
-	-	-	675,000	-	2,486,000
<u>\$ 18,457,645</u>	<u>\$ 22,909,899</u>	<u>\$ 19,133,955</u>	<u>\$ 18,961,419</u>	<u>\$ 29,346,102</u>	<u>\$ 31,180,291</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>\$ 11,618,139</u>
<u>2.59</u>	<u>3.22</u>	<u>1.86</u>	<u>1.82</u>	<u>2.59</u>	<u>2.68</u>

Central Arkansas Water

TEN YEAR SUMMARY OF OUTSTANDING DEBT-TO-CUSTOMER COUNT

2013–2022 (Unaudited)

Year	Residential	Commercial	Large Volume	Wholesale	Sprinkler
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
2022	121,191	12,177	60	8	3,661

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 Construction 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, Frazier Pike, and Wye Mountain area customers is pledged to repay these debts.

**** Total debt outstanding is net of the 2016 Construction and Acquisition Water Revenue bonds, 2020A Water Revenue bond (POWA Project), 2021A Frazier Pike Water Revenue bonds, 2021B Wye Mountain Water Revenue bonds, and 2022A Ridgefield Estates Water Revenue bonds. A debt surcharge levied on the Maumelle, POWA, Frazier Pike, Wye Mountain, and Ridgefield Estates area customers is pledged to repay these debts.

Central Arkansas Water

TEN YEAR SUMMARY OF OUTSTANDING DEBT-TO-CUSTOMER COUNT *(Continued)* 2013–2022 (Unaudited)

Private Fire Service	Total Customers	Total Outstanding Debt	Total Outstanding Debt-to- Customer Count
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
2,370	139,467	\$ 136,446,839 ****	\$ 978

Central Arkansas Water

TEN YEAR SUMMARY OF TEN LARGEST WATER CUSTOMERS

2013–2022 (Unaudited)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Jacksonville Water Works	1	1	1	1	1	2	1	1	1	1
Bryant Water and Sewer	2	2	2	3	2	3	2	2	3	3
Salem Water Alliance	3	3	3	2	3	1	3	3	2	2
Mid-Arkansas Utilities	4	4	5	-	-	-	-	-	-	-
University of Arkansas for Medical Sciences	5	5	6	5	4	7	5	4	6	8
Arkansas Department of Corrections	9	6	7	6	6	8	6	7	4	6
Sage V Foods	-	7	10	-	8	-	-	-	-	-
Cabot WaterWorks	10	8	8	7	5	6	4	5	7	7
Shannon Hills Water Department	-	9	4	9	-	9	10	9	8	10
Baptist Health System	7	10	9	10	10	10	9	10	-	-
Veterans Administration Hospitals	8	-	-	-	-	-	-	-	-	-
3-M Company	-	-	-	4	9	-	7	6	5	9
Arkansas Electric Cooperative	6	-	-	-	-	-	-	-	-	4
North Little Rock Burns Park	-	-	-	8	-	-	-	-	-	-
Arkansas Military Department	-	-	-	-	-	-	-	-	-	-
Kimberly-Clark	-	-	-	-	7	5	8	8	10	5
Sardis Public Water Authority	-	-	-	-	-	-	-	-	9	-

Source: Central Arkansas Water Finance Department



Demographic & Economic Information



Central Arkansas Water
LARGEST EMPLOYERS WITHIN PULASKI COUNTY
2022 vs. 2013 (Unaudited)

Employer	Type of Business	2022			2013		
		Rank	Employees	Percentage of Total Employment	Rank	Employees	Percentage of Total Employment
State of Arkansas	Government	1	34,900	19%	1	32,200	19%
Local Government	Government	2	27,200	15%	2	28,800	17%
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%		-	
Central Arkansas Veterans HealthCare System	Medical Services	8	4,000	2%	9	3,500	2%
Little Rock School District	Education	9	3,970	2%		-	
CHI St. Vincent	Medical Services	10	3,000	2%		-	
Pulaski County Public School Districts	Education	-	-	0%	5	7,411	4%
Acxiom	Data Processing	-	-	0%	8	4,388	3%
Entergy Arkansas	Utility (Electric)	-	-	0%	10	2,738	2%
Total			108,880	58%		108,237	64%
Total Employment			186,548			172,175	

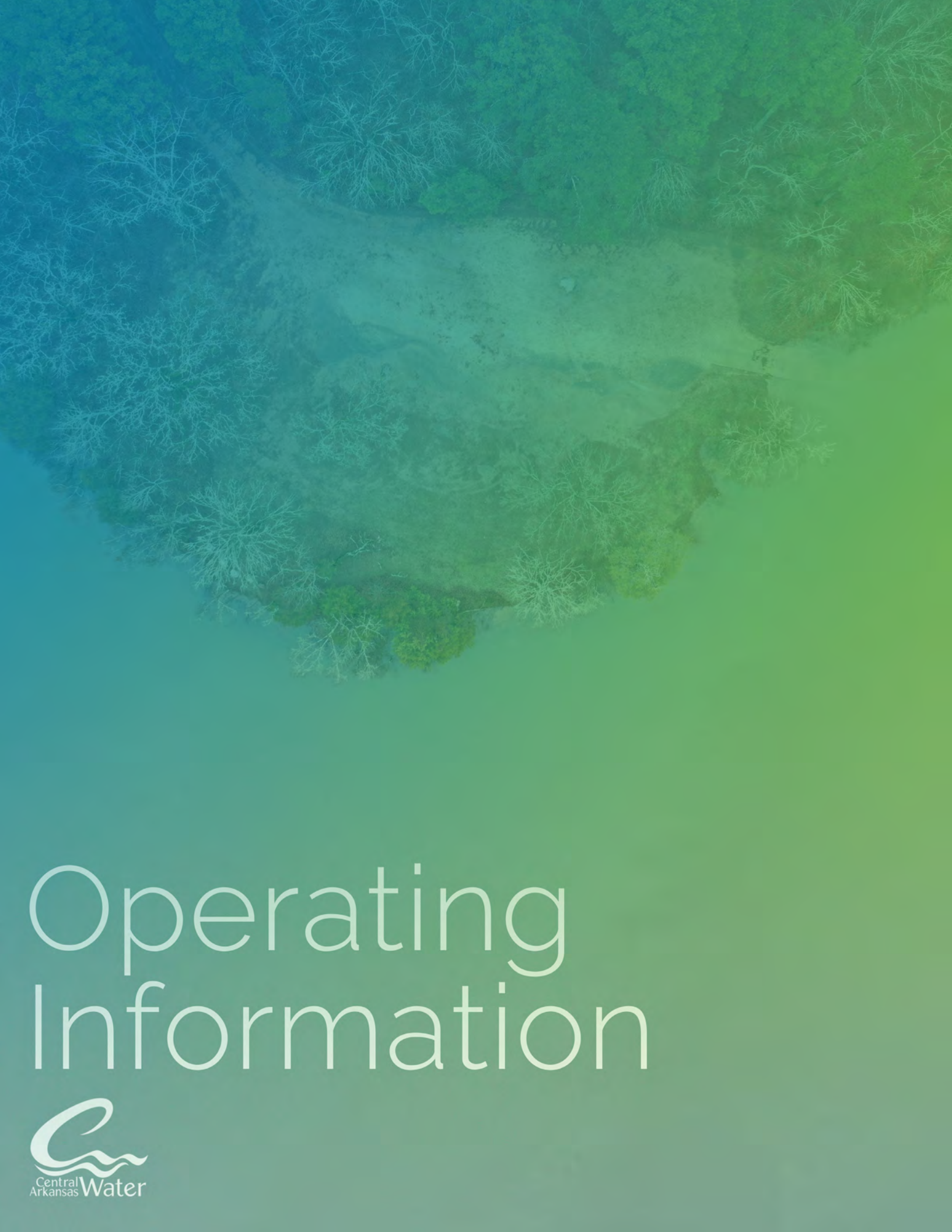
Source: Central Arkansas Water Finance Department

Central Arkansas Water
TEN YEAR SUMMARY OF
DEMOGRAPHIC AND ECONOMIC STATISTICS WITHIN PULASKI COUNTY
2013–2022 (Unaudited)

Year	Population	Households	Median Household Income	Per Capita Personal Income	Total Personal Income (000s)	Unemployment Rate
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	398,069	164,697	\$ 55,235	\$ 35,718	\$ 21,987,341	2.9%
2022	399,145	(1)	(1)	(1)	(1)	3.0%

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

⁽¹⁾ Information is not available.



Operating Information



Central Arkansas Water
TEN YEAR SUMMARY OF NEW CONNECTIONS
2013–2022 (Unaudited)

Year	Meters	Fire Hydrants	New Pipe (in Miles)
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
2022	1,341	227	22.81

Source: Central Arkansas Water GIS

Central Arkansas Water

TEN YEAR SUMMARY OF SYSTEM HIGHLIGHTS

2013–2022 (Unaudited)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Miles of public water distribution pipe	2,358	2,366	2,372	2,497	2,506	2,518	2,527	2,663	2,672	2,684
Number of treatment plants	2	2	2	3	3	2	2	3	3	3
Maximum treatment capacity (MGD)	157.0	157.0	157.0	163.7	163.7	157.0	157.0	157.0	157.0	157.0
(MG)	106.0	88.3	98.9	98.1	92.0	101.0	88.7	90.7	121.2	106.1
Percentage of maximum capacity utilized	68%	56%	63%	60%	56%	64%	56%	58%	77%	68%

Source: Central Arkansas Water Engineering and Water Production Departments

MGD = Millions of Gallons per Day

MG = Million Gallons

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Central Arkansas Water
TEN YEAR SUMMARY OF CAPITAL ASSETS
2013–2022 (Unaudited)

	2013	2014	2015	2016	2017
Land and land use rights	\$ 46,032,162	\$ 46,192,915	\$ 47,488,299	\$ 47,892,367	\$ 48,977,583
Water Rights	-	-	-	-	-
Building and grounds	49,154,620	60,806,083	60,916,771	62,556,517	62,767,365
Land improvements	1,478,894	2,253,459	2,259,083	2,702,932	2,831,335
Water source	32,927,318	33,211,941	33,211,941	33,419,723	33,419,723
Purification	37,518,831	42,180,124	42,449,597	45,268,031	45,527,263
Pumping	25,796,891	26,233,796	26,410,016	27,159,362	27,257,925
Distribution	323,590,447	335,078,600	339,621,061	363,365,749	368,386,584
Other equipment	27,139,956	28,573,745	29,123,839	31,027,067	31,740,663
Construction in progress	21,527,876	2,150,054	8,880,044	8,044,217	21,632,031
	<u>565,166,995</u>	<u>576,680,717</u>	<u>590,360,651</u>	<u>621,435,965</u>	<u>642,540,472</u>
Less accumulated depreciation	<u>173,414,469</u>	<u>183,412,270</u>	<u>193,915,770</u>	<u>211,426,836</u>	<u>223,337,873</u>
Net Capital Assets	<u><u>\$ 391,752,526</u></u>	<u><u>\$ 393,268,447</u></u>	<u><u>\$ 396,444,881</u></u>	<u><u>\$ 410,009,129</u></u>	<u><u>\$ 419,202,599</u></u>

Source: Central Arkansas Water Finance Department

Central Arkansas Water
TEN YEAR SUMMARY OF CAPITAL ASSETS (Continued)
2013–2022 (Unaudited)

	2018	2019	2020	2021	2022
\$	58,804,602	\$ 60,324,790	\$ 64,120,441	\$ 66,083,192	\$ 67,386,363
	-	4,598,638	4,974,114	4,974,114	4,974,114
	63,294,373	63,505,997	68,216,688	69,053,560	98,235,278
	2,895,907	2,974,389	3,159,115	2,844,435	2,913,297
	33,419,723	33,419,723	33,419,723	33,419,723	33,742,219
	45,671,724	42,984,525	43,306,480	43,306,480	45,103,357
	28,272,196	28,569,649	33,317,629	33,874,536	36,766,770
	388,726,499	401,665,841	413,991,799	421,922,634	433,784,721
	33,810,257	34,899,020	36,446,689	36,629,529	47,796,688
	19,019,605	29,549,784	46,513,682	68,539,230	38,956,568
	<u>673,914,886</u>	<u>702,492,356</u>	<u>747,466,360</u>	<u>780,647,433</u>	<u>809,659,375</u>
	 235,366,005	 244,071,804	 258,864,562	 272,899,053	 286,134,659
	 <u>\$ 438,548,881</u>	 <u>\$ 458,420,552</u>	 <u>\$ 488,601,798</u>	 <u>\$ 507,748,380</u>	 <u>\$ 523,524,716</u>

Central Arkansas Water
TEN YEAR SUMMARY OF FILLED POSITIONS BY DEPARTMENT
2013–2022 (Unaudited)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Administration	11	12	11	14	15	24	31	32	30	29
Customer relations and public affairs	-	61	63	-	-	-	-	-	-	-
Customer service	-	-	-	-	-	45	45	49	48	53
Distribution	109	108	110	135	141	139	146	145	125	121
Engineering	23	22	21	22	24	24	22	21	22	23
Finance and customer service	79	-	-	69	64	-	-	-	-	-
Finance	-	17	20	-	-	21	21	20	23	23
Information services	17	17	17	16	16	14	16	15	17	18
Source and treatment	31	-	-	-	-	-	-	-	-	-
Water quality	9	-	-	13	12	14	10	-	-	-
Water quality and operations	-	40	41	-	-	-	-	-	-	-
Source and treatment/ Water production	-	-	-	31	35	38	34	46	60	60
Total	279	277	283	300	307	319	325	328	325	327

Source: Central Arkansas Water Administration and Finance Department

Central Arkansas Water

SCHEDULE OF WATER RATES FOR CAW

2022 (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

Additional Monthly Volumetric Charge (per 100 cubic feet in excess of 100 cubic feet through 5/31/2022 and in excess of zero cubic feet beginning 6/1/2022)

Customer Class	Charge			
	Inside City – LR & NLR		Outside City – LR & NLR	
	Up to 33 CCFs	Over 33 CCFs	Up to 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
2022 (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	\$ 11.00

Source: Central Arkansas Water Finance Department