

2022

POPULAR ANNUAL FINANCIAL REPORT

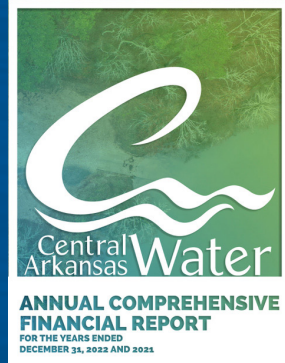


HIGH-QUALITY, AFFORDABLE,
ABUNDANT, DEPENDABLE
WATER

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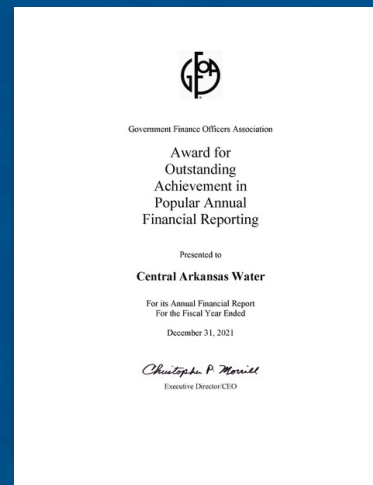
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About the PAFR



The financial information presented in this Popular Annual Financial Report (PAFR) is derived from Central Arkansas Water's (CAW) 2022 Annual Comprehensive Financial Report (ACFR) which was prepared in accordance with generally accepted accounting principles and includes financial statements audited by FORVIS. An electronic copy of the ACFR is available on the CAW website carkw.com/about/departments/finance/.

Award-Winning Results



The GFOA established the Popular Annual Financial Reporting Awards Program (PAFR Program) in 1991 to allow governmental entities to extract information from their ACFR to produce annual financial reports specifically designed to be readily accessible and

easily understandable to the general public and other interested parties without a background in public finance.

Central Arkansas Water has received the Popular Annual Financial Reporting Award for each year since the Utility began participating in the program with its 2017 report. CAW has most recently received the award for the 2021 fiscal year.



A Message from Our Chief Financial Officer



We are pleased to present CAW's 2022 PAFR. This report offers an easy-to-read snapshot of CAW's 2022 activities and is part of our continuous effort to enhance customer confidence, experience and understanding. The PAFR includes an unaudited summary of 2022 financial activities and operational milestones.

As the largest water supplier in the state of Arkansas, CAW plays an integral role in the quality of life for residents and the economic health of the communities it serves. The utility's primary purpose is protecting public health by providing outstanding water services. This includes protecting the environment through world-class, cost-effective water resource management, leadership, and partnerships. The information contained herein highlights how CAW has strived to accomplish this mission over the last year.

Thank you for your interest in CAW. Follow our progress in 2023 at carkw.com and stay connected with us via social media. Find us by searching Central Arkansas Water on Facebook and LinkedIn, @CARKW on Twitter and @centralARwater on Instagram.

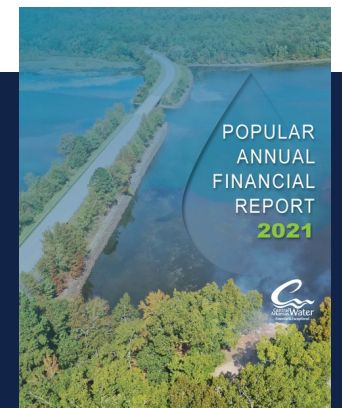
Sincerely,

Jeff Mascagni,
CPA, CGFM, CPFO
Chief Financial Officer



Government Finance Officers Association
Triple Crown Winner - 2021

- ▶ Certificate of Achievement for Excellence in Financial Reporting
- ▶ Popular Annual Financial Reporting Award
- ▶ Distinguished Budget Presentation Award



CAW SENIOR 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

VISION

To be a resilient and trusted utility.

MISSION

Deliver high-quality, affordable, abundant, dependable water services.

PURPOSE

Protect public health by providing outstanding water services.

CAW will be resilient when its workforce (HIVIP Employees) is able to provide uninterrupted and safe water services in the midst of foreseen and unforeseen threats (System Reliability) without harm to the environment (Environmental Sustainability) in a fiscally sound manner (Financial Viability).

CAW will be trusted when it has conveyed the value of water to and achieved strong support from customers, community leadership, and regulatory agencies (Community Support).

MEET THE VISIONARIES CAW'S BOARD OF COMMISSIONERS



Kevin Newton
Chair



Jay Barth, PhD
Vice Chair



Carmen Smith
Secretary / Treasurer



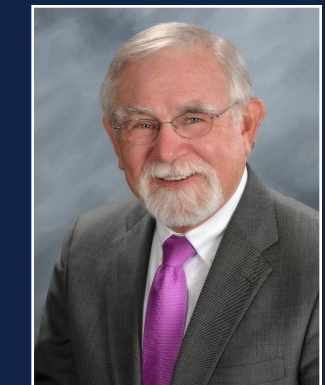
Jay Hartman
Member



Kandi Hughes
Member



Anthony Kendall
Member



Jim McKenzie
Member

ABOUT THE BOARD OF COMMISSIONERS

The Central Arkansas Water Board of Commissioners consists of seven members that represent customers and the communities that we serve. Four members represent the City of Little Rock and three members represent the City of North Little Rock. Commission terms are for seven years. Remaining members make appointments to fill vacancies that occur on the Board. Confirmation of appointments is by the Little Rock City Board of Directors and North

Little Rock City Council. Regularly scheduled meetings of the Central Arkansas Water Board of Commissioners are normally held on the second Thursday of each month at 2:00 pm. If the first day of the month falls on a Wednesday or Thursday, then the meetings will be held on the third Thursday of the month. All meetings are held at the Central Arkansas Water main office, James T. Harvey Administration Building, 221 E. Capitol Avenue, Little Rock, 3rd floor board room.



CAW IS RELIABLE

CAW operates two water treatment plants, Jack Wilson Water Treatment Plant (WTP) and Ozark Point WTP, both of which are needed to meet peak customer demands. Ozark Point WTP has served local communities since the 1880's, when it was just two settling basins. During the plant's history, it has been expanded with new technology, reaching a design flow rate of 24 million gallons of water per day (MGD) by 2016. However, in the fall of 2016, a comprehensive performance evaluation was conducted, and results indicated that the current design was limiting the plant's ability to consistently meet optimization goals. To ensure system reliability, CAW determined repair and rehabilitation of Ozark Point WTP was necessary and began designing and constructing extensive improvements in 2018. While CAW relies on both treatment plants to meet peak demand, the Utility's Engineering Department worked with contractors to stagger construction to ensure treatment needs were met. The \$37 million project was completed in April 2022 and has resulted in an 18% reduction in sludge flow as compared to the previous configuration. These improvements are expected to allow Ozark Point WTP to continue serving CAW's customers for another 100 years.

CAW IS SUSTAINABLE

In April 2022, CAW brought its first large scale solar project online. The solar field located in Cabot contains 11,000 solar panels with a production capacity of 4.8MW. This field currently supplies approximately 20% of the Utility's 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 LED lighting and better building cooling controls at the main JTH office reducing energy demand by 5.5% and completing energy assessment with CLEAResult for four locations.



CAW IS COMMUNITY

During 2022, CAW held its first Girls in STEM (Science, Technology, Engineering, and Mathematics) education camp. CAW received a grant from the American Water Works Association 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 from Little Rock Water Reclamation Authority and provided tours of local facilities.

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 a rewarding career path right out of high school and bolster the water industry in Arkansas with qualified entry-level candidates.

2022 BY THE NUMBERS

Monthly Average Call Volume

17,136

Safety Training Hours

3,324 

Total Square miles in CAW service area

721

TOTAL NUMBER OF CUSTOMERS ACCOUNTS

139,467

Total Miles of pipe in the CAW system

2,684

Number of meters with GPS location collected in 2022

1,394

Miles of pipe installed or replaced

1,568

22.81

New connections added to the system

Water quality sample sites

214

Distribution work orders

56,639

\$5.7 Million

Water revenue bonds

Acres burned	1,620
Acres reforested	155
Acres purchased	306

Maximum treatment capacity (MGD)

157

Maximum daily consumption (MG)

106.1

Meters replaced through meter change-out program

4,792



WHERE YOUR DOLLAR GOES

O&M/PILOT
\$0.48

Capital Improvements
\$0.43

Debt Service
\$0.09



O&M — \$0.47

PILOT — \$0.01

Land — \$0.06

Distribution Infrastructure — \$0.25

Treatment Infrastructure — \$0.09

IT Equipment — \$0.03

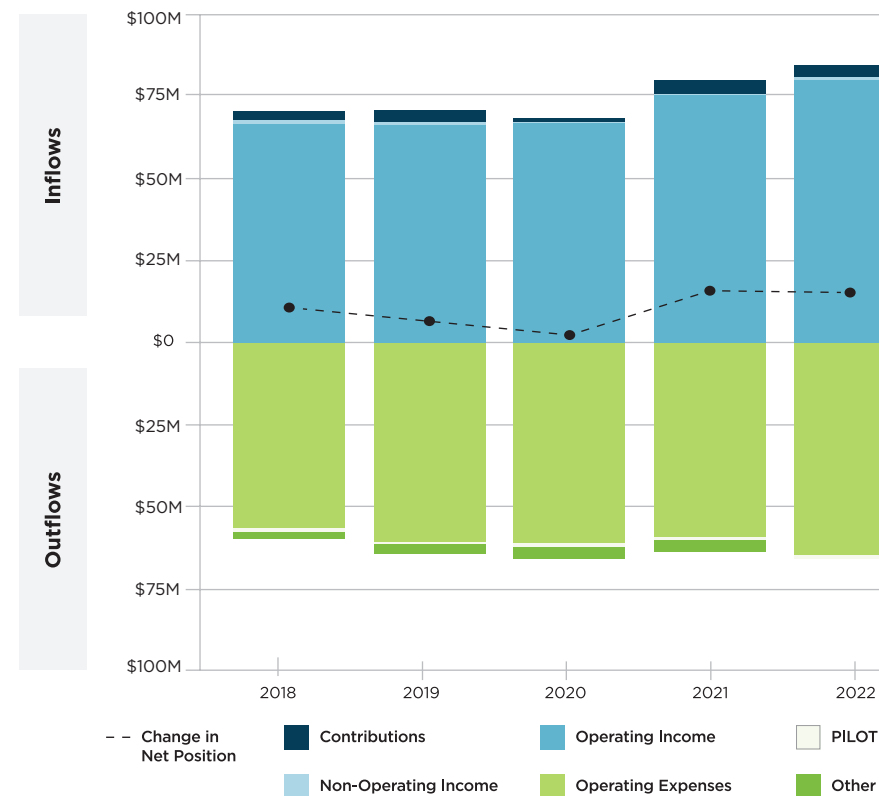
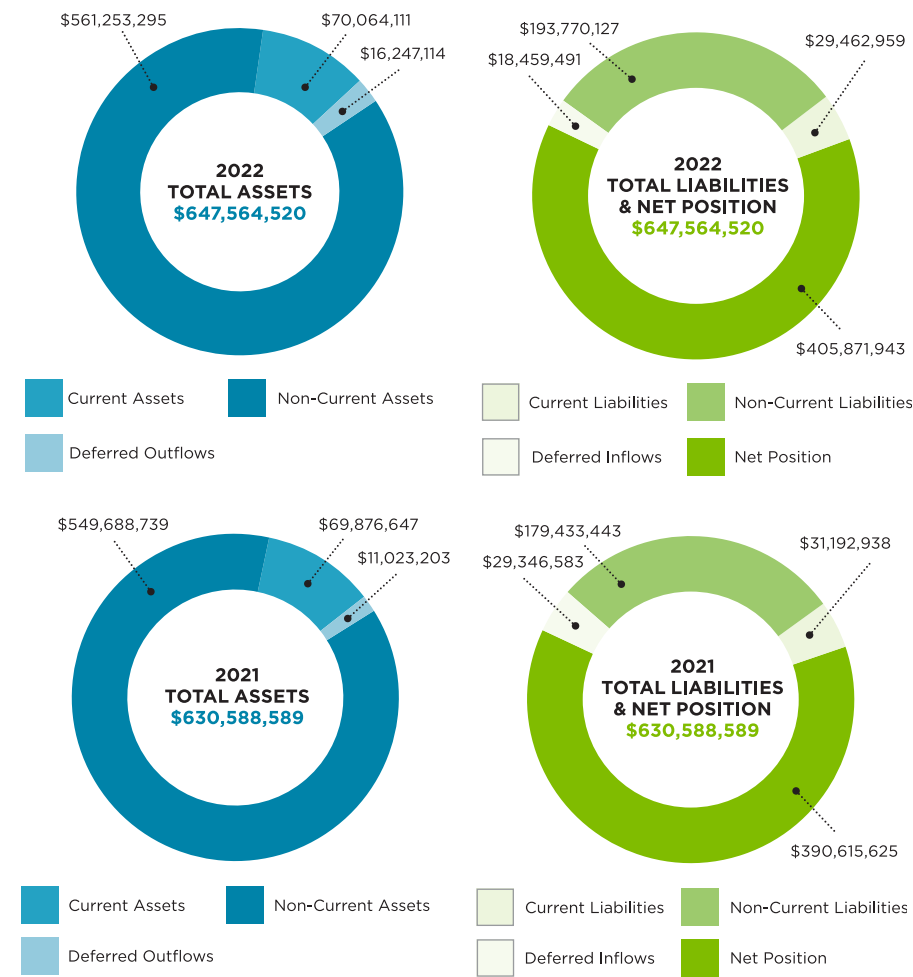
Debt Payments — \$0.09

Statement of Net Position (14)

DECEMBER 31, 2022 & 2021	FY 2022	FY 2021
ASSETS (1)		
Current Unrestricted Assets (3)	56,992,040	57,267,682
Current Restricted Assets (3)	13,072,071	12,608,965
Noncurrent Assets	561,253,295	549,688,739
TOTAL ASSETS	631,317,406	619,565,386
DEFERRED OUTFLOWS OF RESOURCES (6)		
TOTAL DEFERRED OUTFLOWS OF RESOURCES	16,247,114	11,023,203
LIABILITIES (8)		
Current Unrestricted Liabilities (4)	16,390,888	18,581,005
Current Restricted Liabilities (4)	13,072,071	12,611,933
Noncurrent Liabilities	193,770,127	179,433,443
TOTAL LIABILITIES	223,233,086	210,626,381
DEFERRED INFLOWS OF RESOURCES (5)		
TOTAL DEFERRED INFLOWS OF RESOURCES	18,459,491	29,346,583
NET POSITION (10)		
Net Investment in Capital Assets (9)	382,461,139	373,589,816
Restricted (13)	10,976,033	10,459,371
Unrestricted (17)	12,434,771	6,566,438
TOTAL NET POSITION	405,871,943	390,615,625

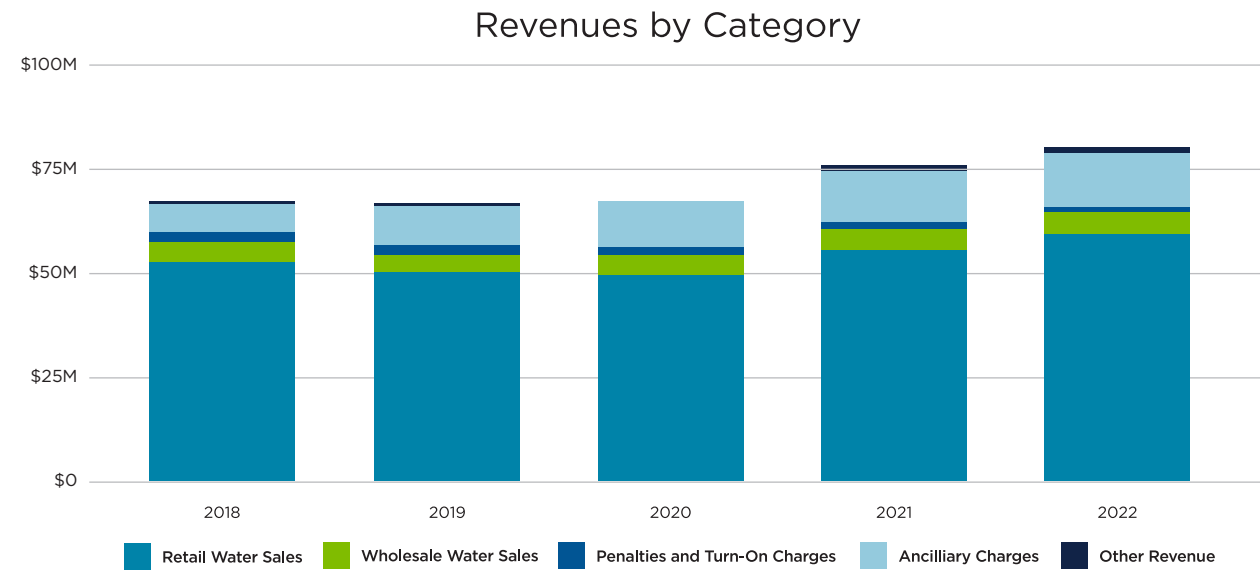
Statement of Revenues, Expenses and Changes in Net Position (15)

DECEMBER 31, 2022 & 2021	FY 2022	FY 2021
Operating Revenues (12)	80,080,964	75,532,048
Operating Expenses (11)	65,091,294	59,586,602
Operating Income	14,989,670	15,945,446
Transfers to Cities of Little Rock and North Little Rock (16)	(822,036)	(795,408)
Gain on Disposal of Capital Assets (7)	46,310	281,258
Investment Income, Net	1,074,101	47,001
Bond and Other Interest Expense, Net	(3,593,931)	(3,721,772)
Intergovernmental	32,798	214,223
Income before Contributions and Special Items	11,726,912	11,970,748
Contributions	3,529,406	3,845,608
Change in Net Position (2)	15,256,318	15,816,356
Total Net Position, Beginning	390,615,625	373,624,610
Net Position of Merged Entities, Beginning	-	1,174,659
Total Net Position, Beginning as Adjusted	390,615,625	374,799,269
Total Net Position, Ending	405,871,943	390,615,625



- Assets**
Resources with present service capacity that CAW currently controls.
- Change in Net Position**
The difference between revenues and expenses, which is similar to Net Income in a for-profit business.
- Current Assets**
Assets that can be converted to cash, sold, or consumed within one year of the financial statement date.
- Current Liabilities**
Debts that are due within one year of the financial statement date.
- Deferred Inflows of Resources**
Acquisitions of net assets by CAW that are applicable to future reporting periods.
- Deferred Outflows of Resources**
Consumptions of net assets by CAW that are applicable to future reporting periods.
- Gain on Disposal of Capital Assets**
The excess amount received over the current net book value of an asset.
- Liabilities**
Debt of CAW to sacrifice resources that it has little or no discretion to avoid.
- Net Investment in Capital Assets**
Consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt that was used to purchase, construct, or improve those assets.
- Net Position**
The residual of all other elements presented in a Statement of Net Position. This is similar to Equity in a for-profit business.
- Operating Expenses**
Costs that occur as a result of the day-to-day operations. These expenses include payroll, materials, and repairs.
- Operating Revenues**
Revenues that occur due to normal operations. These include water sale, fees, and billing service fees.
- Restricted Net Position**
Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- Statement of Net Position**
A statement of the financial position of a governmental entity. It is similar to a Balance Sheet in a for-profit entity.
- Statement of Revenues, Expenses and Changes in Net Position**
A statement of the financial activity of a governmental entity. It is similar to an Income Statement in a for-profit business.
- Transfers to Cities of Little Rock and North Little Rock**
Payments made to the cities in lieu of property taxes.
- Unrestricted Net Position**
The net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources not included in the Net Investment of Capital Assets or Restricted Net Position.

Where the Money Comes From

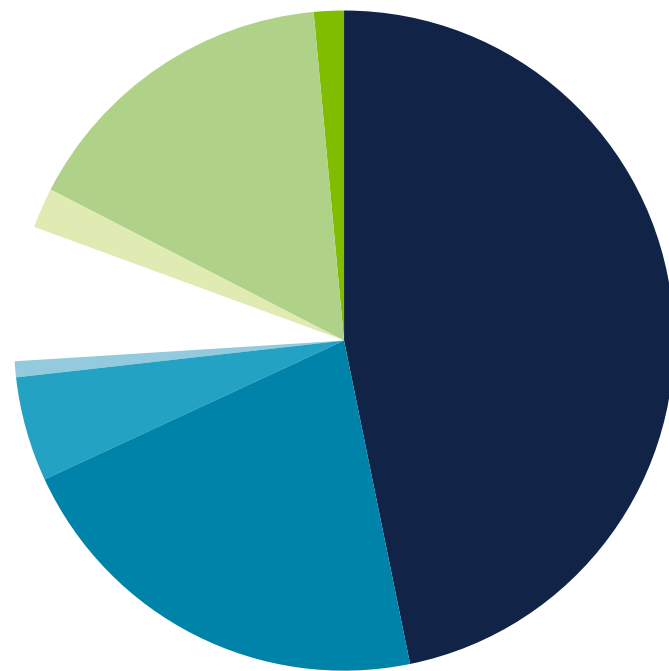


2022 Operating Revenue

Approximately 81% of all Central Arkansas Water operating revenues comes from water sales. Retail water sales accounted for 74.0% of total operating revenues with wholesale water sales making up another 6.6%. These percentages have been on the increase since FY 2020 as a result of increased water consumption.

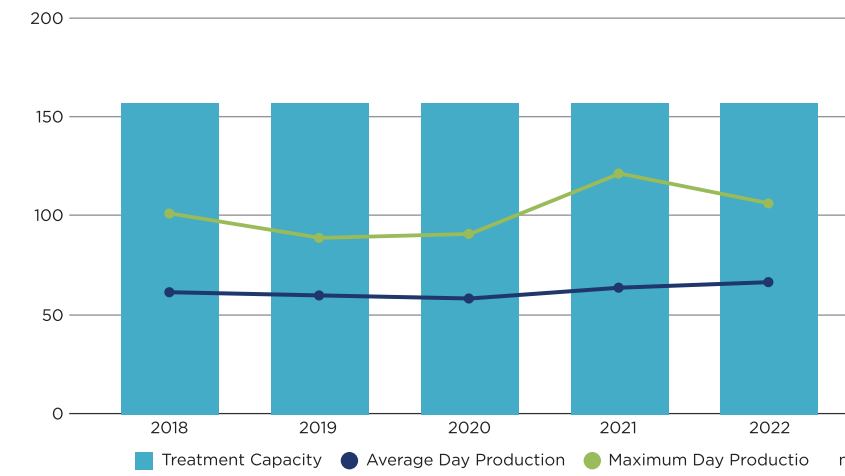
- Little Rock Water Sales
- North Little Rock Water Sales
- Maumelle Water Sales
- POWA Water Sales
- Wholesale Water Sales
- Penalties and Turn-On Charges
- Ancillary Charges
- Other Revenue

Total operating revenues for 2022 were \$80,081,000. Increased consumption was the major driver in the \$4.5 million, or 6.0%, increase over 2021 revenues. As evidenced in the following graph, Little Rock water sales accounted for just under half of the operating revenue for 2022 at 46.8%. North Little Rock water sales and ancillary charges, with 21.3% and 16.0%, respectively, were the next largest segments of operating revenue.

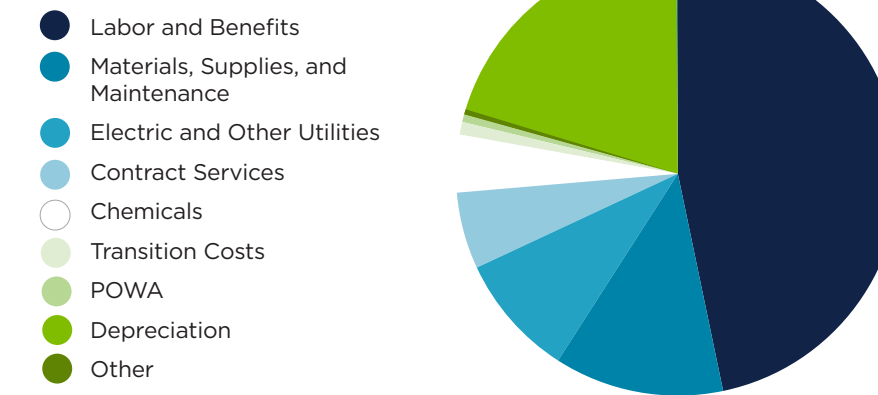


Where the Money Goes

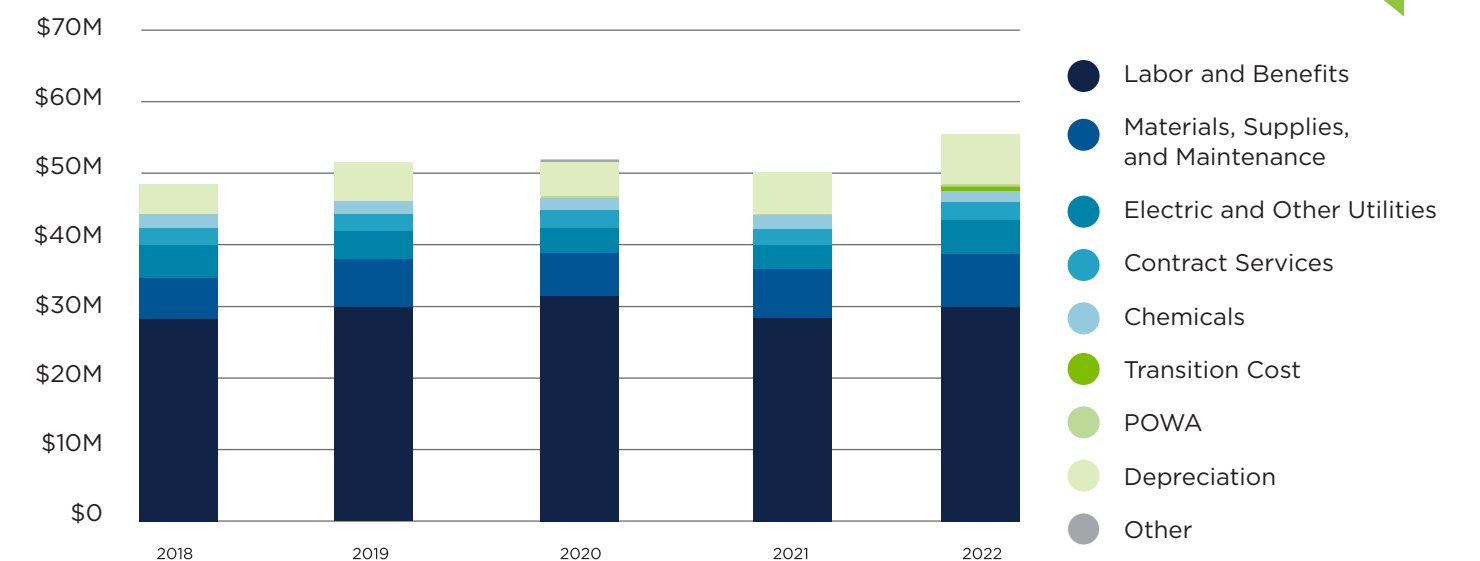
Daily Water Production in Millions of Gallons



2022 Operating Expenses



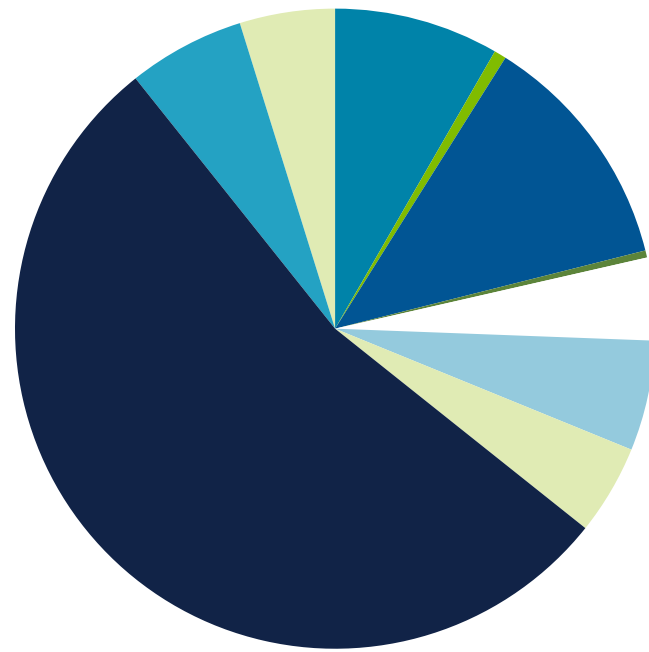
Expenses by Natural Classification



The largest portion of CAW expenditures is operating expenses. These are the expenses associated with treating and distributing water to customers. Fluctuations in consumption year over year often drive the fluctuation in operating costs.

CAW had operating expenses of \$65,091,000 during 2022. Operating expenses were \$5,481,000 higher than in 2021. This increase was primarily due to an increase in labor and benefits expense for the year which stemmed from a decreased return on investment in pension funds, thereby increasing pension expense in the year. Labor and related benefits expense accounted for the largest percentage of expenses at 46.7%, with depreciation expense and materials costs following up as second and third largest at 20.6% and 12.4% of total operating costs, respectively.

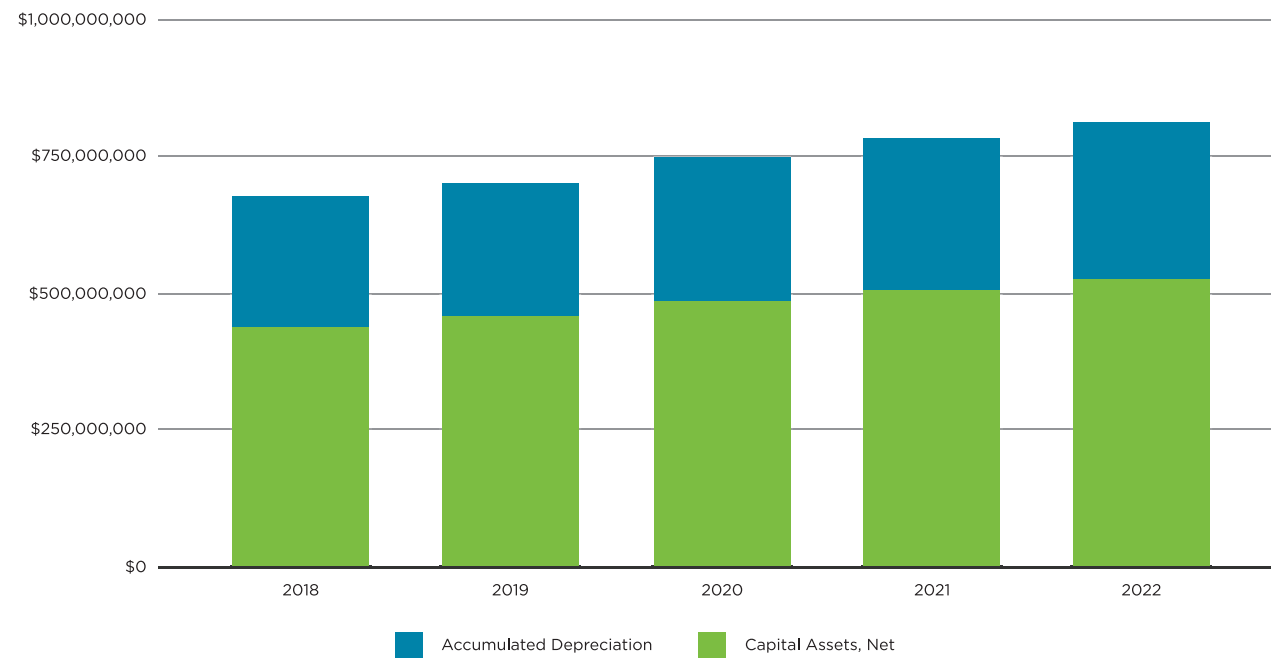
What We Own



Capital assets comprise the largest portion of CAW's total assets at 80.8% as of December 31, 2022. Capital assets are considered any asset over \$5,000 with a useful life of greater than one year. The largest portion of CAW's capital assets is distribution infrastructure at 53.6%.

● Distribution	\$433,784,721
● Building and grounds	\$98,235,278
● Land and land use rights	\$67,386,363
● Other equipment	\$47,796,688
● Purification	\$45,103,357
○ Construction in progress	\$38,956,568
● Pumping	\$36,766,770
● Water source	\$33,742,219
● Water rights	\$4,974,114
● Land improvements	\$2,913,297

Total Capital Assets



The gross amount of capital assets grew over \$29.0 million dollars from 2021 to 2022. A majority of these outflows funded the installation and/or replacement of 22.81 miles of public water mains. An increase in accumulated depreciation of \$13.2 million dollars offset these acquisitions, resulting in a net increase of capital assets of \$15.8 million dollars.

What We Owe

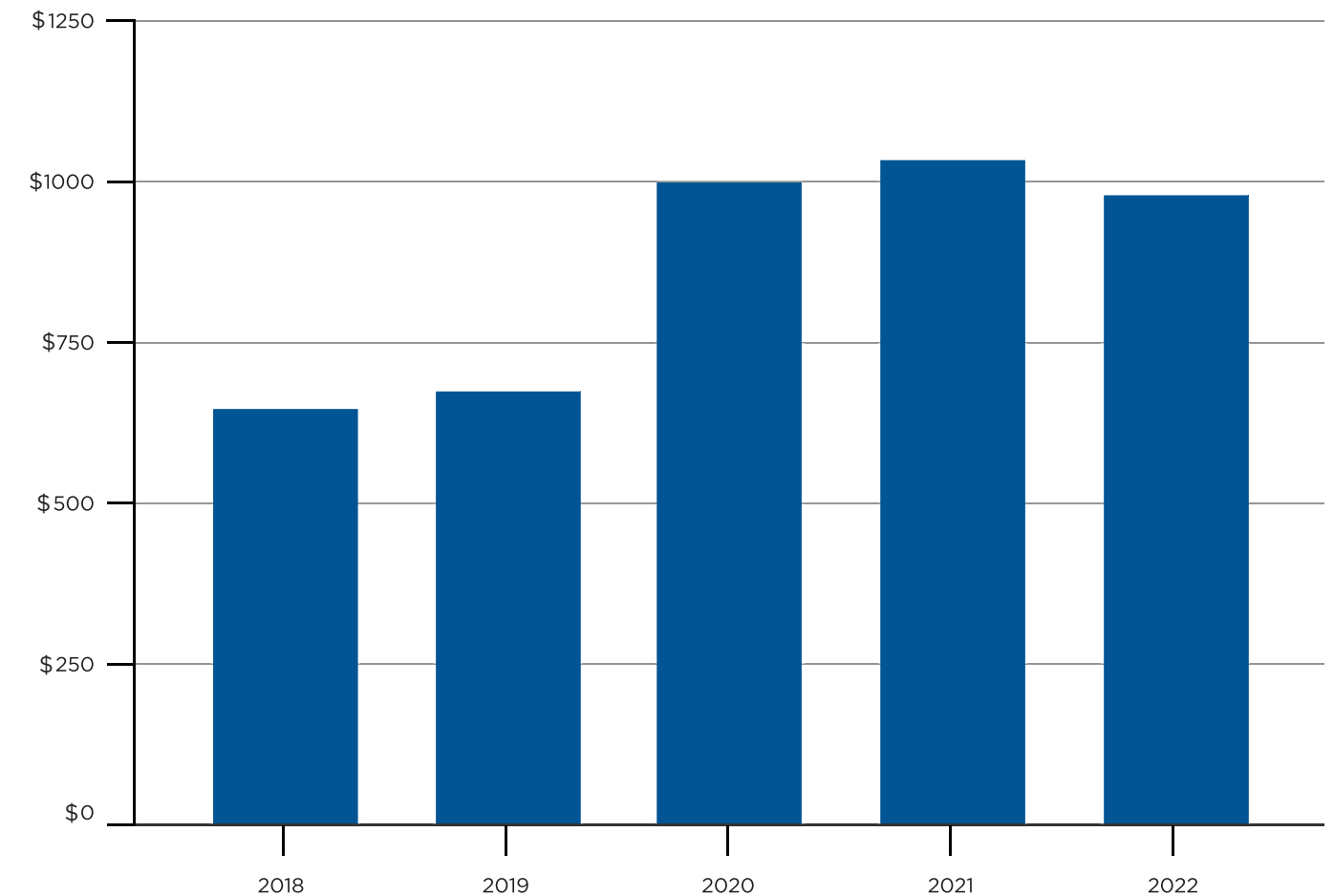
MOODY'S

CAW utilizes revenue bonds and notes from direct placements to finance large projects. At December 31, 2022 the Utility's credit rating by Moody's Investors Service was AA2. A strong credit rating allows CAW to pay less interest on debt issuances and is also a good indicator of the Utility's strong financial position and stability.

AA2 Rating

CAW began 2022 with an outstanding debt balance (excluding bonds with a debt surcharge levied specifically for repayment) of \$140,855,000. Principal payments decreased the ending balance to \$136,447,000. This decrease in outstanding debt in 2022 coupled with an increase in the number of customers led to the decrease in outstanding debt amount per customer from \$1,032 to \$978.

Total Outstanding Debt per Customer



CAW AWARDS

2001-2022

- America's Crown Communities Award, National League of Cities, 2001
- Gold Award for Exceptional Utility Performance, Association of Metropolitan Water Agencies (AMWA), 2001
- Outstanding Performance Award, Arkansas Workers' Compensation Commission, 2004 - 2021
- Big Heart Award, Watershed Human and Community Development Agency, 2005
- Public Agency of the Year, Sierra Club of Arkansas, 2006
- Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting, 2009 - 2021
- GFOA Distinguished Budget Presentation Award, 2010 - 2022
- Jack Evans Regional Leadership Award, Metroplan, 2012
- Platinum Award for Utility Excellence, AMWA, 2012
- The International Davey Award, 2012
- Diversity Award, American Water Works Association (AWWA), 2013
- Leadership in Fitness Award, AR Governor's Council on Fitness and Baptist Health, 2013
- Best Tasting Drinking Water, Central District Arkansas Water Works and Water Environment Association (AWW & WEA), 2014 - 2015
- Government Recycler of the Year Award, Arkansas Recycling Coalition, 2015
- Sustainable Water Utility Management Award, AMWA, 2015
- GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting, 2017 - 2021
- Best Tasting Drinking Water in Arkansas, AWW & WEA, 2018
- Best Places to Work in Arkansas, Arkansas Business, 2019
- Best Tasting Drinking Water, Southwest Section AWWA, 2019
- Patriot Award, Employer Support of the Guard and Reserve, 2019
- GFOA Triple Crown Award, 2019 - 2021
- Large Business of the Year, North Little Rock Chamber, 2020
- Partnership for Safe Water Director's Award, Industry Collaboration, 2020
- Utility of the Future Today Award, Water Environment Federation, 2020 - 2021
- Arkansas GIS User's Forum Excellence Award, 2021
- ATT Technology Innovation Award, 2021
- Best of the Best Drinking Water, North American Top 5 Finalist, AWWA, 2021
- Cityworks Innovate Conference Excellence in Department Practice Award, 2021
- Forest of Recognized Importance, Arkansas Tree Farm Program, 2021
- Forest of Recognized Importance, Lake Maumelle Watershed, Arkansas Forestry Association, 2021
- Sustainable Forestry Initiative Certification, 2021
- WaterNow Alliance Impact Award, CAW Board of Commissioners, 2021
- Leading Utilities of the World, 2022
- Top Project Award, Ozark Point Water Treatment Plant Improvements Phase II, Water & Wastes Digest, 2022
- Alumni Energy Champion of the Year Award, 2nd Place, Entergy, 2022

STAY CONNECTED WITH US VIA SOCIAL MEDIA

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



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P. O. Box 1789
Little Rock, AR 72203

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