NEW ISSUE **RATING: Moody's: "Aa2"**
BOOK-ENTRY ONLY **(See "BOND RATING" herein)**

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings, and court decisions existing on the date thereof, subject to the matters described under the caption "TAX EXEMPTION" herein, including the alternative minimum tax on corporations. Bond Counsel is also of the opinion that the Bonds and interest thereon are exempt from all state, county, and municipal taxation in the State of Arkansas under existing law. See the caption "TAX EXEMPTION" herein.

Central Arkansas Water
Essential & Exceptional

$12,920,000
CENTRAL ARKANSAS WATER
CAPITAL IMPROVEMENT AND REFUNDING WATER REVENUE BONDS
SERIES 2020B

Dated: Date of Delivery **Due: October 1, as shown below**

The Bonds are issuable only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, to which principal, premium, if any, and interest payments on the Bonds will be made so long as Cede & Co. is the registered owner of the Bonds. Individual purchases of the Bonds will be made only in book-entry form, in denominations of $5,000 or integral multiples thereof. Individual purchasers ("Beneficial Owners") of Bonds will not receive physical delivery of bond certificates. See the caption "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds shall bear interest from the date of delivery, payable on April 1 and October 1 of each year, commencing April 1, 2021. All such interest payments shall be payable to the persons in whose name such Bonds are registered on the bond registration books maintained by Regions Bank, Little Rock, Arkansas, as trustee (the "Trustee"), as of the fifteenth day preceding the applicable interest payment date. Principal of and premium, if any, on the Bonds shall be payable at the principal corporate trust office of the Trustee. So long as DTC or its nominee is the registered owner of the Bonds, disbursement of such payments to DTC Participants is the responsibility of DTC, and the disbursement of such payments to Beneficial Owners is the responsibility of DTC Participants or Indirect Participants, as more fully described herein.

Pursuant to the terms and provisions of a Trust Indenture dated as of the date of delivery of the Bonds (the "Indenture"), between Central Arkansas Water, a public body corporate and politic of the State of Arkansas (the "Issuer"), and the Trustee, payment of the principal of and premium, if any, and interest on the Bonds is secured by a pledge of the Stabilized Net Revenues (as defined herein) of the consolidated water system of the Cities of Little Rock and North Little Rock, Arkansas (the "Water System"). The pledge of Stabilized Net Revenues securing the Bonds is made on a parity basis with the pledge thereof securing the Issuer's Refunding Water Revenue Bond, Series 2010A (the "Series 2010A Bond"); Refunding Revenue Bonds, Series 2010C (Watershed Protection Project) (the "Series 2010C Bonds"); Water Revenue Bond, Series 2011A (Wye Mountain Extension Project) (the "Series 2011A Bond"); Capital Improvement Water Revenue Bonds, Series 2012A (the "Series 2012A Bonds"); Refunding Water Revenue Bonds, Series 2014 (the "Series 2014 Bonds"); Refunding Water Revenue Bonds, Series 2016 (that portion remaining after the partial refunding by Series 2020D Bonds) (the "Series 2016 Bonds"); the 1.5% Water Revenue Bond (Wilson Pump Station Project), Series 2017A (the "Series 2017A Bond"); Water Revenue Bond, Series 2018B (the "Series 2018B Bonds"); Water Revenue Bond (Ozark Point Water Treatment Plant Project), Series 2019A (the "Series 2019A Bond"); and any subsequently issued Parity Debt (as defined herein) including, the Issuer's proposed Capital Improvement and Refunding Water Revenue Bonds, Series 2020C (Green Bonds), of even date herewith in the original principal amount of $31,825,000 (the "Series 2020C Bonds"); and the Issuer's proposed Refunding Water Revenue Bonds, Series 2020D (Taxable), of even date herewith in the original principal amount of $7,140,000 (the "Series 2020D Bonds"). The pledge of Stabilized Net Revenues securing the Bonds is senior to the pledge in favor of the Issuer's Acquisition and Construction Water Revenue Bonds (Maumelle Water System Acquisition Project), Series 2016 (the "Subordinate 2016 Bonds") and the Issuer's Water Revenue Bond (Paron-Owensville Water Authority (POWA) Project), Series, 2020A (the "Subordinate 2020A Bonds").

The Water System is owned and operated by the Issuer. The Issuer has covenanted in the Indenture to establish and maintain rates for Water System services which shall yield Stabilized Net Revenues in each forthcoming fiscal year at least equal to the sum of (i) 120% of the aggregate debt service due on the Parity Debt, the Bonds, and any other Parity Debt during the forthcoming fiscal year, and (ii) 100% of the amounts, if any, required to be deposited in any debt service reserve fund or account securing the Series 2010A Bond, the Series 2010C Bonds, the Series 2011A Bond, the Series 2012A Bonds, the Series 2014 Bonds, the Series 2016 Bonds, the Series 2017A Bond, the Series 2018B Bonds, the Series 2019A Bonds, the Series 2020C Bonds, the Series 2020D Bonds, the Bonds, or any additional Parity Debt during the forthcoming fiscal year. See the caption "SECURITY FOR THE BONDS" herein. The Bonds are subject to optional redemption prior to maturity as more fully described under the caption "THE BONDS—Redemption" herein.

The Bonds are special obligations of the Issuer secured by and payable solely from the Stabilized Net Revenues of the Water System and other amounts available under the Indenture. The Bonds do not constitute an indebtedness of the Issuer, the City of Little Rock, the City of North Little Rock, or the State of Arkansas within the meaning of any constitutional or statutory debt limitation or restriction. The issuance of the Bonds shall not directly, indirectly, or contingently obligate the City of Little Rock, the City of North Little Rock, or the State of Arkansas to levy or pledge any taxes whatsoever or to make any appropriation for the payment of the Bonds. The Issuer has no power of taxation.

See inside front cover for maturity schedule.

The Bonds are offered for sale when, as, and if issued and received by Morgan Stanley & Co., LLC, the Underwriter, subject to review by Stephens Inc., Municipal Advisor, and to the final approving opinion of Wright, Lindsey & Jennings LLP, Little Rock, Arkansas, Bond Counsel, and to certain other conditions referenced to in the Official Notice of Sale. It is expected that the Bonds will be available for delivery in New York, New York, on or about November 24, 2020.

The date of this Official Statement is November 3, 2020

MATURITY SCHEDULE

$12,920,000
CENTRAL ARKANSAS WATER
CAPITAL IMPROVEMENT AND REFUNDING
WATER REVENUE BONDS
SERIES 2020B

Maturity (October 1)	Principal Amount	Interest Rate	Yield	CUSIP*
2028	$ 485,000.00	5.000%	0.900%	15239M HW5
2029	510,000.00	5.000%	1.050%	15239M HX3
2030	535,000.00	5.000%	1.160%	15239M HY1
2031	565,000.00	3.000%	1.400%	15239M HZ8
2032	580,000.00	3.000%	1.500%	15239M JA1
2033	1,030,000.00	4.000%	1.600%	15239M JB9
2034	1,075,000.00	2.000%	1.750%	15239M JC7
2035	1,095,000.00	2.000%	1.800%	15239M JD5
2036	1,115,000.00	2.000%	1.900%	15239M JE3
2037	1,140,000.00	2.000%	2.000%	15239M JF0
2038	1,160,000.00	2.000%	2.100%	15239M JG8
2039	1,185,000.00	2.125%	2.150%	15239M JH6
2040	1,210,000.00	2.125%	2.200%	15239M JJ2
2041	1,235,000.00	2.125%	2.240%	15239M JK9

USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman, or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer, the Municipal Advisor, or the Underwriter.

Certain information set forth herein has been obtained from the Issuer and other sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and it is not to be construed as a representation by the Municipal Advisor or the Underwriter.

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or other matters described herein since the date hereof. See "APPENDIX C—Form of Continuing Disclosure Agreement" herein for a description of the undertakings of the Issuer to provide certain information on a continuing basis.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

None of the Issuer, the Municipal Advisor, or the Underwriter make any representation or warranty with respect to the information contained in this Official Statement regarding DTC or its book-entry-only system described in "APPENDIX F—Book-Entry Only System" as such information has been provided by DTC.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

The agreements of the Issuer and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchaser of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS

AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. See the caption "FORWARD-LOOKING STATEMENTS" herein.

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The cover page hereof, the section entitled "Selected Data from the Official Statement," this Table of Contents, and the Appendices attached hereto are part of this Official Statement.

COMMISSION

CARMEN SMITH Commissioner	ANTHONY KENDALL Chair	JIM MCKENZIE Vice Chair
JAY HARTMAN Commissioner	KEVIN NEWTON Secretary/Treasurer	JAY BARTH, Ph.D Commissioner
	KANDI HUGHES Commissioner	

ADMINISTRATION

C. TAD BOHANNON Chief Executive Officer	BLAKE WEINDORF, P.E., BCEE Chief Operating Officer
JEFF MASCAGNI, CPA, CGFM Chief Financial Officer	JEREMY SPARKS, CCMP Chief Innovation Officer

ACCOUNTANTS

BKD LLP
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Little Rock, Arkansas 72203

BOND COUNSEL

WRIGHT, LINDSEY & JENNINGS LLP
200 West Capitol Avenue, Suite 2300
Little Rock, Arkansas 72201

MUNICIPAL ADVISOR

STEPHENS INC.
111 Center Street
Little Rock, Arkansas 72201

SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.

The Issuer	Central Arkansas Water (the "Issuer") is a public body corporate and politic organized and existing under the laws of the State of Arkansas. The Issuer owns and operates the consolidated water system (the "Water System") of the Cities of Little Rock and North Little Rock, Arkansas, together with extension and the improvements thereto. The Issuer is governed by a seven-member Board of Commissioners. For more information regarding the Issuer, see the caption "THE ISSUER" herein.
Authority for Issuance	The Issuer's Capital Improvement and Refunding Water Revenue Bonds, Series 2020B (the "Bonds"), are being issued pursuant to Amendment 65 to the Arkansas Constitution and the Consolidated Waterworks Authorization Act of 2001, Ark. Code Ann. §§ 25-20-301 *et seq.* and Resolution 2020-18 of the Board of Commissioners of the Issuer, adopted October 28, 2020. See the caption "INTRODUCTION" herein.
The Bonds	The Bonds shall mature on the dates and in the amounts set forth on page 2 of this Official Statement. See the caption "THE BONDS" herein.
Payment of Interest	Interest on the Bonds will accrue from the date of delivery of the Bonds and is payable on April 1, 2021, and semiannually thereafter on each succeeding April 1 and October 1 of each year until stated maturity or prior redemption. See the caption "THE BONDS" herein.

Security

The Bonds are special obligations of the Issuer secured by and payable solely from the Stabilized Net Revenues of the Water System. "Stabilized Net Revenues" means, for any period, an amount equal to all of the Revenues received during such period, less Operation and Maintenance Costs during such period, less amounts transferred into the Rate Stabilization Account pursuant to the authorization of the Commission, plus amounts transferred out of the Rate Stabilization Account pursuant to authorization by the Commission. "Revenues" are defined as all revenues, fees, income, rents, and receipts derived by the Issuer from the Water System, including, without limitation, any proceeds from the sale of any property of the Water System permitted under the Indenture, including the proceeds of any insurance covering business interruption loss. Revenues also includes all interest, profits, or other income derived from the investment of any moneys held pursuant to the Indenture, and any indenture securing the Parity Debt or Subordinate Indebtedness and required to be paid into the Revenue Fund and the proceeds of any interest subsidy with respect to the Bonds, Parity Debt, or Subordinate Indebtedness paid to or for the account of the Issuer by any governmental body or agency. Revenues shall not include: (a) Grant Aid; (b) proceeds received on insurance resulting from casualty damage to assets of the Water System; (c) rentals or other charges derived by the Issuer under and pursuant to a lease or leases relating to Special Purpose Facilities; (d) the proceeds of the sale of Bonds, Parity Debt, or Subordinate Indebtedness or other obligations issued for Water System purposes; (e) the proceeds of the Watershed Protection Fee; or (f) franchise fees. **From and after the Stabilized Net Revenues Adjustment Date, the preceding sentence within the definition of "Revenues" shall read as follows: Revenues shall not include (a) Grant Aid; (b) proceeds received on insurance resulting from casualty damage to assets of the Water System; (c) rentals or other charges derived by the Issuer under and pursuant to a lease or leases relating to Special Purpose Facilities; (d) the proceeds of sale of Bonds, Parity Debt, Subordinate Indebtedness or other obligations issued for Water System purposes; (e) the proceeds of the Watershed Protection Fee; (f) franchise fees; or (g) Special Debt Retirement Charge Revenues**. "Operation and Maintenance Costs" means all actual operation and maintenance costs related to the Water System incurred by the Issuer in any particular Fiscal Year or period to which said term is applicable or charges made therefor during such Fiscal Year or period, including amounts reasonably required to be set aside in reserves for items of Operation and Maintenance Costs the payment of which is not then immediately required. See the caption "SECURITY FOR THE BONDS" herein

Use of Proceeds

Proceeds from the sale of the Bonds will be used (a) to accomplish various capital improvements to the Water System including (1) the acquisition, construction, installation, relocation, or replacement of water distribution and transmission pipes and related appurtenances, (2) improvements to water pumping and treatment facilities, (3) the acquisition, construction, renovation, or redevelopment of administrative building, source facilities, and other properties, and (4) for such other purposes as may be deemed appropriate by the Issuer from time to time; (b) to finance the refunding of the Issuer's Capital Improvement and Refunding Water Revenue Bonds, Series 2015; (c) to fund a debt service reserve; and (d) to pay the costs of issuing the Bonds. See the captions "SOURCES AND USES OF FUNDS," and the "IMPROVEMENTS" herein.

Redemption Provisions

The Bonds are subject to optional redemption on and after October 1, 2027, at the election of the Issuer. "THE BONDS—Redemption" and "THE BONDS—Mandatory Sinking Fund Redemption herein."

Tax Exemption

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings, and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein.

Rating

Moody's Investors Service, Inc. ("Moody's") has given the Bonds the rating of "Aa2." See the caption "RATING" herein.

Book-Entry-Only System

The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000, or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. The principal of and interest on the Bonds at maturity or on a prior redemption date will be payable by the Trustee to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds See "APPENDIX F—BOOK-ENTRY-ONLY SYSTEM" attached hereto.

Trustee

The initial Trustee for the Bonds is Regions Bank, Little Rock, Arkansas (see the caption "THE BONDS—Registration and Exchange" herein).

Continuing Disclosure of Information	Pursuant to the provisions of a Continuing Disclosure Agreement, dated as of the date of delivery of the Bonds (the "Continuing Disclosure Agreement"), the Issuer has undertaken certain obligations with respect to providing ongoing disclosure of certain financial and operating data concerning the Issuer and the Issuer's Water System, and of the occurrence of certain material events. See the caption "THE BONDS—General" herein. See the caption "CONTINUING DISCLOSURE" herein and "APPENDIX C—FORM OF CONTINUING DISCLOSURE AGREEMENT" attached hereto.
Payment Record	The Issuer has never defaulted on the payment of its bonded indebtedness.
Legality	Delivery of the Bonds is subject to the rendering of an opinion as to legality by Wright, Lindsey & Jennings LLP, Bond Counsel.

For additional information regarding the Issuer, please contact:

Jeff Mascagni, Chief Financial Officer
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Phone: (501) 377-1339
Email: jeff.mascagni@carkw.com

OFFICIAL STATEMENT
$12,920,000
CENTRAL ARKANSAS WATER
CAPITAL IMPROVEMENT AND REFUNDING WATER REVENUE BONDS
SERIES 2020B

INTRODUCTION TO THE OFFICIAL STATEMENT

The following introductory statement is subject in all respects to the more complete information set forth in this Official Statement. All descriptions and summaries of documents hereinafter set forth are qualified in their entirety by reference to each such document. Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in APPENDIX A, "DEFINITIONS OF CERTAIN TERMS."

This Official Statement, including the cover page and the Appendices hereto, is furnished in connection with the offering of $12,920,000 Capital Improvement and Refunding Water Revenue Bonds, Series 2020B (the "Bonds"), by Central Arkansas Water (the "Issuer").

The Issuer is a public body corporate and politic organized and existing under the laws of the State of Arkansas, including, particularly, the Consolidated Waterworks Authorization Act of 2001, Ark. Code Ann. §§ 25-20-301 *et seq.* (the "Act"). Pursuant to the provisions of the Act, the Issuer owns and operates the consolidated water system (the "Water System") of the Cities of Little Rock, North Little Rock, Arkansas, together with extensions and improvements thereto. The Issuer is authorized under Amendment 65 to the Constitution of the State ("Amendment 65") and the Act to issue and sell its revenue bonds for the purpose of financing and refinancing the cost of acquiring, constructing, and equipping improvements, betterments, and extensions to the Water System.

The Bonds are to be issued and secured by the Issuer pursuant to a resolution of its Board of Commissioners (the "Commission") adopted on October 28, 2020 (the "Authorizing Resolution"), and pursuant to a Trust Indenture dated as of the date of delivery of the Bonds (the "Indenture"), between the Issuer and Regions Bank, Little Rock, Arkansas, as trustee (the "Trustee"), (a) to accomplish various capital improvements to the Water System including (1) the acquisition, construction, installation, relocation, or replacement of water distribution and transmission pipes and related appurtenances, (2) improvements to water pumping and treatment facilities, (3) the acquisition, construction, renovation, or redevelopment of administrative building, source facilities, and other properties, and (4) for such other purposes as may be deemed appropriate by the Issuer from time to time; (b) the finance the refunding of Issuer's Refunding Water Revenue Bonds, Series 2015 (the "Series 2015 Bonds"); (c) to fund a debt service reserve; and (d) to pay the costs of issuing the Bonds. See the captions "SOURCES AND USES OF FUNDS" and the "IMPROVEMENTS" herein.

The Bonds are special obligations of the Issuer, payable solely from the Stabilized Net Revenues of the Water System defined as, for any period, an amount equal to all of the Revenues received during such period, less Operation and Maintenance Costs during such period, less amounts transferred to and plus amounts transferred from the Rate Stabilization Account (as defined herein) (the "Stabilized Net Revenues"), and any other amounts available under the Indenture. The Bonds do not constitute an indebtedness of the City of Little Rock, the City of North Little Rock, or the State of Arkansas within the meaning of any constitutional or statutory debt limitation or restriction. The issuance of the Bonds shall not directly, indirectly, or contingently obligate the City of Little Rock, the City of North Little Rock, or the State of Arkansas to levy or pledge any taxes whatsoever or to make any appropriation for the payment of the Bonds. The Issuer has no power of taxation.

The pledge of Stabilized Net Revenues securing the Bonds is made on a parity basis with the pledge of Stabilized Net Revenues securing payments with respect to the Issuer's Refunding Water Revenue Bond, Series 2010A (the "Series 2010A Bond"); Refunding Revenue Bonds, Series 2010C (Watershed Protection Project) (the "Series 2010C Bonds"); Water Revenue Bond, Series 2011A (Wye Mountain Extension

Project) (the "Series 2011A Bond"); Capital Improvement Water Revenue Bonds, Series 2012A (the "Series 2012A Bonds"); Refunding Water Revenue Bonds, Series 2014 (the "Series 2014 Bonds");Refunding Water Revenue Bonds, Series 2016 (that portion remaining after the partial refunding by Series 2020D Bonds) (the "Series 2016 Bonds"); 1.5% Water Revenue Bond (Wilson Pump Station Project), Series 2017A (the "Series 2017A Bond"); Water Revenue bonds, Series 2018B (the "Series 2018B Bonds"); and Water Revenue Bond (Ozark Point Water Treatment Plant Project), Series 2019A (the "Series 2019A Bond"); and including, the Issuer's proposed Capital Improvement and Refunding Water Revenue Bonds, Series 2020C (Green Bonds), of even date herewith in the original principal amount of $31,825,000 (the "Series 2020C Bonds"); and the Issuer's proposed Refunding Water Revenue Bonds, Series 2020D (Taxable), of even date herewith in the original principal amount of $7,140,000 (the "Series 2020D Bonds"). The pledge of Stabilized Net Revenues securing the Bonds is senior to the pledge of the portion of Stabilized Net Revenues designated as Long Term Debt Surcharge Revenues (as defined in Appendix A hereto), which secure the Issuer's Acquisition and Construction Water Revenue Bonds (Maumelle Water System Acquisition Project), Series 2016 (the "Subordinate 2016 Bonds") and to the pledge of the portion of the Net POWA Revenues, which secure the Issuer's Water Revenue Bond (POWA Project), Series 2020A (the "Subordinate 2020A Bonds"). Other than the pledge of Stabilized Net Revenues securing the Series 2010A Bonds, the Series 2010C Bonds, the Series 2011A Bonds, the Series 2012A Bonds, the Series 2014 Bonds, the Series 2016 Bonds, the Series 2017A Bond, the Series 2018B Bonds, the Series 2019A Bond, the Series 2020C Bonds, the Series 2020D Bonds, and the Bonds, as of the Closing Date, there is no other debt of the Issuer, the City of Little Rock, or the City of North Little Rock secured by a pledge of the Revenues of the Water System on a prior or parity basis with the pledge of Stabilized Net Revenues securing the payment of debt service on the Bonds.

In the Indenture, the Issuer has covenanted to establish and maintain rates for Water System services which shall yield Stabilized Net Revenues in each forthcoming Fiscal Year at least equal to the sum of (i) 120% of the aggregate debt service due on the Parity Debt, the Bonds, and any other Parity Debt during the forthcoming Fiscal Year, and (ii) 100% of the amounts, if any, required to be deposited in any debt service reserve fund or account securing the Series 2010A Bond, the Series 2010C Bonds, the Series 2011A Bond, the Series 2012A Bonds, the Series 2014 Bonds, the Series 2016 Bonds, the Series 2017A Bond, the Series 2018B Bonds, the Series 2019A Bond, the Series 2020C Bonds, the Series 2020D Bonds, the Bonds, or any additional Parity Debt during the forthcoming Fiscal Year. See the caption "SECURITY FOR THE BONDS" herein.

The Issuer has covenanted to issue no additional indebtedness secured on a senior basis to the Bonds as to the revenues of the Water System. Parity Debt may be issued and secured on a parity basis with the Bonds and Subordinated Indebtedness may be issued and secured on a junior basis to the Bonds under certain circumstances set forth in the Indenture. See the captions "THE BONDS—Parity Debt" and "THE BONDS—Subordinated Indebtedness" herein. For information regarding the Issuer's future plans for additional indebtedness, see the captions "SECURITY FOR THE BONDS—Plans for Additional Parity Debt" and "THE WATER SYSTEM—Projected Capital Expenditures" herein.

The Bonds are subject to optional redemption prior to maturity as more fully described herein under the caption "THE BONDS—Redemption."

Pursuant to the provisions of a Continuing Disclosure Agreement, dated as of the date of delivery of the Bonds (the "Continuing Disclosure Agreement"), the Issuer has undertaken certain obligations with respect to providing ongoing disclosure of certain financial and operating data concerning the Water System and the Issuer and of the occurrence of certain material events. See the caption "CONTINUING DISCLOSURE" herein and "APPENDIX C—FORM OF CONTINUING DISCLOSURE AGREEMENT" attached hereto.

Initially, the Bonds will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the beneficial owners. The principal of and interest on the Bonds at maturity or upon prior redemption will be payable by the Trustee to Cede & Co., which will distribute the amounts paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "APPENDIX F—BOOK-ENTRY-ONLY SYSTEM" attached hereto.

Descriptions of the Issuer, the Water System, the Bonds, and the Indenture are included in this Official Statement. A copy of the Continuing Disclosure Agreement is contained in APPENDIX C. Copies of the Indenture are available from the Issuer. All references herein to the Bonds are qualified in their entirety by reference to the definitive form thereof and the information with respect thereto included in the Indenture. Certain financial and statistical data contained herein has been provided by the Issuer from its audited and unaudited records. All other information contained herein has been obtained from other sources which are believed to be reliable, but the adequacy, accuracy, or completeness of such information is not guaranteed by, and it is not to be construed as a representation by, the Issuer, Bond Counsel, the Municipal Advisor, or the Underwriter.

THE BONDS

Description. The Bonds will be dated the date of delivery of the Bonds, and will bear interest payable semiannually on April 1 and October 1 of each year, commencing April 1, 2021, at the rates set forth on the inside cover page hereof. The Bonds will mature on October 1 in the years and in the principal amounts set forth on the inside cover page hereof.

The Bonds are issuable only in the form of fully registered bonds and, when issued, will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, to which principal, premium, if any, and interest payments on the Bonds will be made so long as Cede & Co. is the registered owner of the Bonds. Individual purchases of the Bonds will be made only in book-entry form, in denominations of $5,000 or integral multiples thereof. Individual purchasers ("Beneficial Owners") of Bonds will not receive physical delivery of bond certificates. See APPENDIX F, "BOOK-ENTRY ONLY SYSTEM."

All interest payments on the Bonds shall be payable to the persons in whose name such Bonds are registered on the bond registration books maintained by the Trustee as of the fifteenth day next preceding the applicable interest payment date (the "Record Date"). Principal of and premium, if any, on the Bonds shall be payable at the principal corporate trust office of the Trustee. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bonds to the extent of the sum or sums so paid. So long as DTC or its nominee is the registered owner of the Bonds, disbursement of such payments to DTC Participants is the responsibility of DTC, and the disbursement of such payments to Beneficial Owners is the responsibility of DTC Participants or Indirect Participants, as more fully described herein.

Redemption. The Bonds are subject to optional redemption on and after October 1, 2027, at the election of the Issuer, in whole or in part on any date for which timely notice of redemption can be given under the terms of the Indenture, in inverse order of maturities unless the Trustee is otherwise directed by the Issuer, in which case, in such order of maturities as the Issuer may direct (and within each maturity as selected by the Trustee), at par plus accrued interest to the redemption date.

Partial Redemption of Bonds. If less than all of the Bonds maturing on any single date are called for redemption, the Trustee shall select the particular Bonds to be redeemed from the Outstanding Bonds maturing on that date and not previously called for redemption in such manner as in the Trustee's sole discretion it shall deem appropriate and fair; provided, however, that the portion of any Bond to be redeemed shall be in a Principal amount equal to a denomination in which the Bonds are authorized to be issued. So long as DTC or its nominee is the sole Registered Owner of the Bonds, the particular Bonds or portions thereof to be redeemed within a maturity shall be selected in such manner as DTC shall determine. In the case any Outstanding Bond is in a denomination greater than $5,000, each $5,000 of face value of such Bond shall be treated as a separate Bond in the denomination of $5,000.

Notice of Redemption. (a) When Bonds (or portions thereof) are to be redeemed, the Issuer shall give or cause to be given notice of the redemption of the Bonds to the Trustee no later than 65 days prior to the redemption date or such shorter time as may be acceptable to the Trustee. In the case of an optional redemption, the notice may state (i) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Trustee no later than the redemption date or (ii) that the Issuer retains the right to rescind such notice on or prior to the scheduled redemption date (in either case, a "Conditional Redemption"), and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded as described in (c) below. The Trustee, at the expense of the Issuer, shall send notice of any redemption, identifying the Bonds to be redeemed, the redemption date, and the method and place of payment by first class mail to each holder of a Bond called for redemption to the holder's address listed on the Bond Register. Such notice shall be sent by the Trustee by first class mail between 30 and 60 days prior to the scheduled redemption date. If notice is given as stated, failure of any Bondholder to receive such notice, or any defect in the notice, shall not affect the redemption or the validity of the proceedings for the redemption of the Bonds.

(b) On or before the date fixed for redemption moneys shall be deposited with the Trustee to pay the principal of and interest accrued to the redemption date on the Bonds called for redemption. Provided such moneys are deposited, the Bonds shall cease to bear interest on the redemption date and shall no longer be entitled to the benefits of the Indenture (other than for payment and transfer and exchange) and shall no longer be considered Outstanding.

(c) Any Conditional Redemption may be rescinded in whole or in part at any time prior to the redemption date if the Issuer instructs the Trustee to rescind the redemption notice. The Trustee shall give prompt notice of such rescission to the affected Bondholders. Any Bonds subject to Conditional Redemption where redemption has been rescinded shall remain Outstanding, and the rescission shall not constitute an Event of Default. Further, in the case of a Conditional Redemption, the failure of the Issuer to make funds available in part or in whole on or before the redemption date shall not constitute an Event of Default, and the Trustee shall give immediate notice to the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain Outstanding.

Parity Debt. The Issuer has covenanted to issue no additional indebtedness secured on a senior basis to the bonds as to revenues of the Water System. The Issuer may issue indebtedness ("Parity Debt") from time to time secured by the Stabilized Net Revenues on a parity basis with the Series 2010A Bonds, the Series 2010C Bonds, the Series 2011A Bonds, the Series 2012A Bonds, the Series 2014 Bonds, the Series 2016 Bonds, the Series 2017A Bond, the Series 2018B Bonds, the Series 2019A Bond, the Series 2020C Bonds, the Series 2020D Bonds, and the Bonds, provided that (a) there is no Event of Default existing with respect to the Bonds or any outstanding Parity Debt, and (b) the average annual Stabilized Net Revenues for the immediately two preceding Calendar Years exceed an amount equal to not less than the sum of (i) 120% of the average annual Debt Service on any Outstanding Parity Debt, and (ii) the maximum annual Debt Service on the proposed Parity Debt. Until such time as the Issuer has insured indebtedness secured by the Watershed Protection Fee, the Issuer may include the revenues granted by the Watershed Protection Fee when computing Stabilized Net Revenues for purposes of the preceding sentence.

Notwithstanding the test required by the preceding paragraph, the Issuer may issue Parity Debt for the purpose of refunding any outstanding Bonds, or Parity Debt if the refunded Bonds, or Parity Debt, as the case may be, are defeased on the date of delivery of the refunding Parity Debt and if the annual Debt Service of the refunding Parity Debt does not exceed the annual Debt Service of the refunded Bonds, or Parity Debt in any Fiscal Year by more than $5,000.

Subordinated Indebtedness. The Issuer may incur Subordinated Indebtedness without limit as to amount. The Subordinate 2016 Bonds and Subordinate 2020A Bonds constitute Subordinate Indebtedness.

Short-Term Indebtedness. The Issuer may incur Short-Term Indebtedness, secured by and payable from Stabilized Net Revenues on a parity basis with the Bonds and any Parity Debt, if immediately after the incurrence of such Short-Term Indebtedness the outstanding principal amount of all Short-Term Indebtedness does not exceed 10% of budgeted net Revenues (Revenues less Operation and Maintenance Costs) as shown on the Issuer's annual budget for the current Fiscal Year.

Special Purpose Bonds. The Issuer may issue Special Purpose Bonds, notes, or obligations from time to time for the purpose of financing Special Purpose Facilities or those matters that may be funded by the Watershed Protection Fee. Said Special Purpose Bonds, notes, or obligations shall be payable solely from (i) the rentals or other charges derived by the Issuer from the Special Purpose Facilities, or (ii) the Watershed Protection Fee. See the caption "SUMMARY OF THE INDENTURE—Special Purpose Bonds" herein.

Special Debt Retirement Charge Indebtedness. From and after the Stabilized Net Revenues Adjustment Date, the Issuer may issue or incur Special Debt Retirement Charge Indebtedness that is not Subordinate Indebtedness on the date issued or incurred.

Transfer or Exchange. The Bonds may be transferred on the books of registration kept by the Trustee by the registered owner in person or by the registered owner's duly authorized attorney, upon surrender thereof, together with a written instrument of transfer duly executed by the registered owner or the registered owner's duly authorized attorney. Upon surrender for transfer of any Bond at the principal corporate office of the Trustee, the Issuer shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds of the same series and in the same aggregate principal amount and of any authorized denomination or denominations.

Transfers of registration or exchanges of Bonds shall be without charge to the holders of such Bonds, but any taxes or other governmental charges required to be paid with respect to the same shall be paid by the holder of the Bond requesting such transfer or exchange as a condition precedent to the exercise of such privilege.

The Issuer and the Trustee shall not be required to transfer or exchange any Bond or portion thereof that has been selected for redemption and also shall not be required to transfer or exchange any Bond or portion thereof during the period in which the Trustee is selecting Bonds for redemption or during the 15 days preceding and principal payment or redemption date.

So long as DTC or its nominee is the sole registered owner of the Bonds, transfers of beneficial interests in the Bonds shall be in accordance with the rules and procedures of DTC and its direct and indirect participants. See APPENDIX F, "BOOK-ENTRY ONLY SYSTEM."

SECURITY FOR THE BONDS

General. The Bonds are special obligations of the Issuer secured by and payable solely from the Stabilized Net Revenues of the Water System and other amounts available under the Indenture. The Bonds do not constitute an indebtedness of the Issuer, the City of Little Rock, the City of North Little Rock, or the State of Arkansas within the meaning of any constitutional or statutory debt limitation. The issuance of the Bonds shall not directly, indirectly, or contingently obligate the City of Little Rock, the City of North Little Rock, or the State of Arkansas to levy or pledge any taxes whatsoever or to make any appropriation for the payment of the Bonds. The Issuer has no power of taxation.

Under the Indenture, "Stabilized Net Revenues" means, for any period, an amount equal to all of the Revenues received during such period, less Operation and Maintenance Costs during such period, less all amounts transferred into the Rate Stabilization Account pursuant to the authorization of the Commission, plus amounts transferred out of the Rate Stabilization Account pursuant to authorization by the Commission. As noted in the definition of Revenues set forth in the following paragraph, Revenues will not include any Special Debt Retirement Charge Revenues received after the Stabilized Net Revenues Adjustment Date.

"Revenues" are defined as all revenues, fees, income, rents, and receipts derived by the Issuer from the Water System, including, without limitation, any proceeds from the sale of any property of the Water System permitted under the Indenture, including the proceeds of any insurance covering business interruption loss. Revenues also includes all interest, profits, or other income derived from the investment of any moneys held pursuant to the Indenture, and any indenture securing the Parity Debt or Subordinated Indebtedness and required to be paid into the Revenue Fund and the proceeds of any interest subsidy with respect to the Bonds, Parity Debt, or Subordinated Indebtedness paid to or for the account of the Issuer by any governmental body or agency. Revenues shall not include: (a) Grant Aid; (b) proceeds received on insurance resulting from casualty damage to assets of the Water System; (c) rentals or other charges derived by the Issuer under and pursuant to a lease or leases relating to Special Purpose Facilities; (d) the proceeds of the sale of Bonds, Parity Debt, or Subordinated Indebtedness or other obligations issued for Water System purposes; (e) the proceeds of the Watershed Protection Fee; or (f) franchise fees. **From and after the Stabilized Net Revenues Adjustment Date, the preceding sentence within the definition of "Revenues" shall read as follows: Revenues shall not include (a) Grant Aid; (b) proceeds received on insurance resulting from casualty damage to assets of the Water System; (c) rentals or other charges derived by the Issue under and pursuant to a lease or leases relating to Special Purpose Facilities; (d) the proceeds of the sale of Bonds, Parity Debt, Subordinate Indebtedness or other obligations issued for Water System purposes; (e) the proceeds of the Watershed Protection Fee; (f) franchise fees; or (g) Special Debt Retirement Charge Revenues.** "Operation and Maintenance Costs" means all actual operation and maintenance costs related to the Water System incurred by the Issuer in any particular Fiscal Year or period to which said term is applicable or charges made therefor during such Fiscal Year or period, including amounts reasonably required to be set aside in reserves for items of Operation and Maintenance Costs the payment of which is not then immediately required.

Rate Covenant. The Issuer covenants and agrees in the Indenture to establish, fix, prescribe, continue, and collect (directly or through leases, use agreements, or other agreements, licenses, or ordinances) rates and charges for the sale of water furnished by the Issuer which, together with other income, are reasonably expected to yield available revenues at least equal to the Rate Covenant Requirement for the forthcoming Fiscal Year. The term "Rate Covenant Requirement" means: Stabilized Net Revenues at least equal to the sum of (i) 120% of the aggregate Debt Service for the forthcoming Fiscal Year for the Bonds and any Parity Debt, (ii) 100% of the amounts, if any, required by the Indenture to be deposited into the Debt Service Reserve Fund, and (iii) 100% of the amounts, if any, required by the terms and conditions for any Parity Debt to be deposited into applicable debt service reserve funds for such Parity Debt.

For a description of the water rates currently in effect with respect to the Water System, see the caption "THE WATER SYSTEM—Water Rates" herein. A rate adjustment was enacted in December 20, 2018, which increased rates effective January 1, 2019, January 1, 2020, January 1, 2021, and January 1, 2022.

Debt Service Reserve Fund. From the proceeds of the sale of the Bonds, there shall be deposited into the Debt Service Reserve Fund an amount equal the Debt Service Reserve Requirement. Under the Indenture, "Debt Service Reserve Requirement" is defined as an amount equal to the lesser of (i) 5% of the principal amount of the Bonds as issued, or (ii) fifty percent (50%) of maximum annual Debt Service on the Bonds.

In the event the Trustee draws funds from the Debt Service Reserve Fund to pay principal of or interest on the Bonds, the Issuer shall restore the funds therein in 12 consecutive monthly payments. If a surplus shall exist in the Debt Service Reserve Fund over and above the Debt Service Reserve Requirement, such surplus shall be deposited into the Bond Fund.

The moneys on deposit in the Debt Service Reserve Fund shall be used to the extent necessary to prevent a default in the payment of Accrued Debt Service on the Bonds. Whenever the amount on deposit in the Debt Service Reserve Fund, together with the amount on deposit in the Bond Fund, is sufficient to pay in full all Outstanding Bonds, the funds on deposit in the Debt Service Reserve Fund shall be transferred to the Bond Fund and such amounts may be used, together with other available funds, to provide for the payment at maturity or to redeem prior to maturity all, but not less than all, of the Outstanding Bonds.

Plans for Additional Parity Debt. See the caption "THE WATER SYSTEM—Project Capital Expenditures" for a discussion of the Issuer's plans for additional Parity Debt. The unforeseen lack of availability of resources or the unexpected need for capital expenditures beyond those currently anticipated could result in the necessity of issuing additional Parity Debt or Subordinated Indebtedness to provide adequate funding sources. See the caption "THE BONDS—Parity Debt."

PLAN OF FINANCE

The Issuer expects to deliver on or about the same day as the Bonds, two other series of bonds to complete its plan of finance. The Series 2020C Bonds are expected to refund the Water Revenue Bond, Series 2018A (the "Series 2018A Bond") and provide funds for projects as described in its corresponding preliminary official statement. The Series 2020C Bonds are expected to be Climate Bond Certified. The Series 2020D Bonds are expected to partially advance refund the Refunding Water Revenue Bonds, Series 2016 as more fully described in its corresponding preliminary official statement.

THE IMPROVEMENTS

The Issuer will apply a portion of the proceeds of the Bonds to finance capital improvements that will include (1) the acquisition, construction, installation, relocation, or replacement of water distribution and transmission pipes and related appurtenances; (2) improvements to water pumping and treatment facilities; (3) the acquisition, construction, renovation, or redevelopment of administrative building, source facilities, and other properties; and (4) for such other purposes as may be deemed appropriate by the Issuer from time to time.

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THE REFUNDING

The Issuer will apply a portion of the proceeds of the Bonds to currently refund certain outstanding bonds of the System including the Refunding Water Revenue Bonds, Series 2015 (the "Bonds Refunded").

SOURCES AND USES OF FUNDS

The proceeds of the Bonds (exclusive of accrued interest) are expected to be used as follows:

Sources of Funds	**Issue Summary**
Par Amount of Bonds	$12,920,000.00
Reoffering Premium	653,282.35
Transfers from Prior Issue DSR Funds	301,275.00
Transfers from Prior Issue Debt Service Funds	99,412.54
Total Sources:	$13,973,969.89

Uses of Funds	
Deposit to Project Fund	$ 7,980,000.00
Deposit to Series 2015 Refunding Escrow Account	5,233,412.90
Deposit to Debt Service Reserve Fund	631,918.75
Costs of Issuance (including Underwriter's Discount)	128,638.24
Total Uses:	$13,973,969.89

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DEBT SERVICE REQUIREMENTS

As of the Closing Date, the Series 2010A Bond, the Series 2010C Bonds, the Series 2011A Bond, the Series 2012A Bonds, the Series 2014 Bonds, the Subordinate 2016 Bonds, the Series 2016 Bonds, the Series 2017A Bond, the Series 2018B Bonds, the Series 2019A Bond, the Subordinate 2020A Bonds, the proposed Series 2020C Bonds, the proposed Series 2020D Bonds, and the Bonds will constitute the only debt obligations secured by Revenues, Net Revenues, or Stabilized Net Revenues of the Water System. The following table details estimated amounts required to pay scheduled principal of and interest on the Series 2010A Bond, the Series 2010C Bonds, the Series 2011A Bonds, the Series 2012A Bonds, the Series 2014 Bonds, the Subordinate 2016 Bonds, the Series 2016 Bonds, the Series 2017A Bond, the Series 2018B Bonds, the Series 2019A Bond, the Subordinate 2020A Bonds, the proposed Series 2020C Bonds, the proposed Series 2020D Bonds, and the Bonds during each Calendar Year:

Year	Subordinate 2016 and 2020A Bonds Principal and Interest	Parity Debt Principal and Interest	Bonds Principal and Interest	Total Debt Service
2021	$ 1,039,138	$ 7,226,362	$ 290,701	$ 8,556,200
2022	1,042,488	7,660,052	340,888	9,043,427
2023	1,400,141	8,497,378	340,888	10,238,406
2024	1,397,516	8,666,314	340,888	10,404,717
2025	1,402,441	8,581,439	340,888	10,324,767
2026	1,400,041	8,588,251	340,888	10,329,179
2027	1,401,591	8,589,401	340,888	10,331,879
2028	1,402,022	8,016,058	825,888	10,243,967
2029	1,394,678	8,021,433	826,638	10,242,748
2030	1,399,353	8,018,283	826,138	10,243,773
2031	1,398,353	8,014,643	829,388	10,242,383
2032	1,396,753	8,017,205	827,438	10,241,395
2033	1,399,006	7,576,284	1,260,038	10,235,327
2034	1,395,100	7,606,547	1,263,838	10,265,484
2035	1,394,991	7,606,901	1,262,338	10,264,229
2036	1,393,584	7,612,081	1,260,438	10,266,103
2037	1,395,750	7,607,033	1,263,138	10,265,921
2038	1,396,387	7,609,058	1,260,338	10,265,783
2039	1,396,012	7,607,148	1,262,138	10,265,298
2040	1,394,625	7,622,028	1,261,956	10,278,609
2041	1,391,616	5,440,427	1,261,244	8,093,287
2042	1,391,863	4,894,884	-	6,286,747
2043	127,188	1,181,112	-	1,308,300
2044	-	-	-	-
2045	-	-	-	-
Total	$30,150,633	$170,260,320	$17,826,976	$218,237,929

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DEBT SERVICE COVERAGE

The following table shows Stabilized Net Revenues available to pay Debt Service on the Series 2010A Bond, the Series 2010C Bonds, the Series 2011A Bonds, the Series 2012A Bonds, the Series 2014 Bonds, the Series 2016 Bonds, the Series 2017A Bond, the Series 2018B Bonds, the Series 2019A Bond, the proposed Series 2020C Bonds, the proposed Series 2020D Bonds, and the Bonds for the twelve months ended December 31, 2019, calculated on the basis of the audited financial statements of the Issuer (attached hereto as APPENDIX D) audited by BKD, LLP, independent certified public accountants, Little Rock, Arkansas as well as annualized information based on the eight months ended August 31, 2020 based on the Issuer's unaudited internal financial statements. The table further shows the extent to which maximum annual Debt Service on the Series 2010A Bonds, the Series 2010C Bonds, the Series 2011A Bond, the Series 2012A Bonds, the Series 2014 Bonds, the Series 2016 Bonds, the Series 2017A Bond, the Series 2018B Bonds, the Series 2019A Bond, Series 2020C Bonds, the Series 2020D Bonds and the Bonds is covered by such amount:

	2019 Audited	Annualized December 31, 2020 Unaudited
Net Revenues Available for Debt Service	$17,810,795	$18,404,159
Watershed Protection Fees	$1,323,160	$1,853,877
Transfer to Rate Stabilization Account	$0	$0
Stabilized Net Revenues	$19,133,955	$20,258,036
Maximum Annual Debt Service Requirement	9,007,201	9,007,201
Debt Service Coverage	2.12	2.25

*Net Revenues Available for Debt Service means Revenues of the Water System less Operation and Maintenance Costs (excluding depreciation, interest, and amortization expenses), as calculated in accordance with generally accepted accounting principles applicable to municipal water systems. For 2019, Revenues includes proceeds from the sale of capital assets in the amount of $131,565 and investment income in the amount of $1,269,965. Operation and maintenance costs include transfers to the cities of Little Rock and North Little Rock in the aggregate amount of $791,064.

THE STABILIZED NET REVENUES AVAILABLE FOR DEBT SERVICE ON THE BONDS AND THE PARITY DEBT SET FORTH ABOVE ARE BASED ON THE HISTORICAL RESULTS OF OPERATION OF THE WATER SYSTEM. FUTURE STABILIZED NET REVENUES AVAILABLE FOR DEBT SERVICE ON THE PARITY DEBT WILL DEPEND ON NUMEROUS FACTORS, AND THERE CAN BE NO ASSURANCE THAT FUTURE STABILIZED NET REVENUES AVAILABLE FOR DEBT SERVICE ON THE PARITY DEBT WILL APPROXIMATE HISTORICAL RESULTS.

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THE ISSUER

General. Central Arkansas Water (the "Issuer") is a public body corporate and politic organized and existing under the laws of the State of Arkansas, including, particularly, the Act. Pursuant to the provisions of the Act, the Issuer was created as provided in a Consolidation Agreement dated as of March 5, 2001, as amended (the "Consolidation Agreement"), among the Cities of Little Rock and North Little Rock, Arkansas (the "Cities"), the Board of Commissioners of the Little Rock Municipal Water Works ("LRMWW"), and the Board of Commissioners of the North Little Rock Water Department ("NLRWD"), to own and operate the Water System. The Issuer is authorized under Amendment 65 and the Act to issue and sell its revenue bonds for the purpose of financing the cost of acquiring, constructing and equipping improvements, betterments, and extensions to the Water System. The Bonds are to be issued and secured by the Issuer pursuant to the Authorizing Resolution.

Summary of the Consolidation Agreement. Purpose. The Consolidation Agreement was entered into for the purpose of setting forth the terms and provisions controlling the merger of LRMWW and NLRWD into the Issuer and the ongoing operation of the Water System by the Issuer.

Setting of Water Rates. The Issuer is authorized to establish and revise water rates with respect to use of the Water System. For a description of current water rates, including the schedule of water rates approved for collection within the Water System, see the caption "THE WATER SYSTEM—Water Rates" herein.

Before a change in rates may take effect, the Commission must give a minimum of three months' notice to the Cities and must hold at least one public hearing on the proposed rate changes. A change in water rates may not be implemented if the governing bodies of both Cities vote disapproval of such rate change.

Conveyance of Assets. At the time of the merger creating the Issuer, the Cities, LRMWW, and NLRWD conveyed all assets and liabilities relating to the Water System to the Issuer. The Cities retained the right to non-Water System related uses with respect to certain of said properties (*e.g.*, recreational uses, leases of marinas, contracts for the placement of communications equipment on water towers, etc.). Revenues from leases of marinas are allocated 100% to the Issuer. Revenues derived from leases for the placement of communications equipment on water towers entered into prior to January 1, 2006, are allocated 85% to the relevant City and 15% to the Issuer; revenues derived from communications equipment leases entered into after December 31, 2005, are allocated equally between the relevant City and the Issuer.

Proceeds from the sale of any real or personal property utilized in connection with the administration, source, or treatment functions of the Issuer are required to be paid to and utilized by the Issuer for capital expenditures relating to the Issuer's administration, source, or treatment facilities. Proceeds from the sale of any real or personal property utilized in connection with the distribution function of the Issuer are required to be paid to and utilized by the Issuer for capital expenditures relating to the Issuer's distribution facilities in the same City in which the distribution facilities being sold were located.

Franchise Fees. Each of the Cities is authorized to charge a reasonable franchise fee for the Issuer's use of the streets, highways, and other public places within the Cities; provided, however, that no franchise fee shall exceed 10% of the Issuer's operating revenues that are attributable to the gross income from water sales within the particular City. The Issuer is authorized to collect from its customers residing within the respective City an amount which equals the franchise fee assessed by such City. This is the Issuer's current practice.

Payments in Lieu of Taxes. The Issuer is obligated to pay to each of the Cities annually an amount that is equal to the *ad valorem* taxes that would have been payable to such City in respect of the Issuer's real property and improvements (including property and improvements leased to the Issuer by the Cities) located within the corporate limits of the Cities, had such real property and improvements been subject to *ad valorem* taxation. Under present Arkansas law, assessed value is equal to 20% of fair market value.

Termination; Disposition of Property upon Termination. The Consolidation Agreement may be terminated (and the merger unwound) at any time by the governing bodies of the Cities upon the enactment of substantially identical ordinances of the Cities, by two-thirds majorities and within 60 days of each other. Such ordinances must provide fully for the payment of any outstanding bonds or other indebtedness of the Issuer.

If the Consolidation Agreement is terminated, unless the parties otherwise agree, all assets and liabilities of the Issuer shall be distributed to the Cities as follows:

(i) any unique property that was conveyed by the City of Little Rock or LRMWW to the Issuer, and any improvements to such properties made by the Issuer ("LR Contributed Assets"), shall be conveyed, together with any directly associated liabilities and obligations, to the City of Little Rock;

(ii) any unique property that was conveyed by the City of North Little Rock or NLRWD to the Issuer, and any improvements to such properties made by the Issuer ("NLR Contributed Assets"), shall be conveyed, together with any directly associated liabilities and obligations, to the City of North Little Rock;

(iii)(A) any property purchased by the Issuer from Issuer revenues or not readily identifiable as LR Contributed Assets or NLR Contributed Assets, (B) monies or investments of the Issuer, or rights to payment, and (C) any other assets, liabilities, or obligations that are not readily classified as or associated with LR Contributed Assets or NLR Contributed Assets, shall be conveyed, pro rata, to the City of Little Rock and the City of North Little Rock, based on the relative percentages of revenues that the Issuer received in the most recently completed calendar year from customers located within the respective City.

Board of Commissioners. Pursuant to the Act and the Consolidation Agreement, a board of seven commissioners (the "Commission") directs the affairs of the Issuer. The Consolidation Agreement provides that four members of the Commission shall be residents of the City of Little Rock and three members of the Commission shall be residents of the City of North Little Rock. Members serve seven-year staggered terms. Vacancies on the Commission are filled by a vote of remaining Commission members, subject to confirmation by the governing bodies of the Cities. Commission members may be removed at any time, for cause, by action of the Commission or by the mayors of the Cities acting in concert. The present members of the Commission, their principal occupations, and dates of term expiration are as follows:

Name	**Occupation**	**Term Expires (June 30)**
Anthony Kendall, Chair	Vice President of Human Resources (Baptist Health)	2021
Jim McKenzie, Vice-Chair	Retired (Metroplan)	2027
Kevin Newton, Secretary-Treasurer	President of C.B.M. Construction Co., Inc.	2026
Carmen Smith, Commissioner	Corporate Counsel (Datapath, Inc.)	2024
Jay Hartman, Commissioner	Manager of Customer Relations (Entergy Arkansas, Inc.)	2023
Jay Barth, Ph.D., Commissioner	Chief Education Officer, City of Little Rock	2025
Kandi Hughes, Commissioner	Attorney, Southwest Power Pool	2022

Management. The day-to-day management of the Issuer is the responsibility of the Chief Executive Officer of the Issuer and his administrative staff. The Chief Executive Officer is appointed by the Commission and has the authority to select the members of the administrative staff.

Key members of the administrative staff and a brief biography of each follow:

C. Tad Bohannon. Mr. Bohannon was named Chief Executive Officer of CAW on January 21, 2016. Previously, Mr. Bohannon served as Chief Legal Counsel of Central Arkansas Water beginning in February 2014. Mr. Bohannon is responsible for the overall administration and operation of the Issuer's seven departments (Administration Customer Service, Distribution, Engineering, Finance, Information

Services, and Water Production). Prior to joining Central Arkansas Water, Mr. Bohannon was a partner at Wright, Lindsey & Jennings, LLP and he had served as an outside legal advisor to Central Arkansas Water in several different capacities, including general counsel, for over 20 years. Mr. Bohannon holds a Bachelor of Arts Degree from Hendrix College, a Juris Doctorate from the University of Arkansas at Little Rock School of Law, a Master in Taxation from Washington University, and a Master of Business Administration from Saïd Business School, University of Oxford. Mr. Bohannon is licensed to practice law in the States of Arkansas and Texas and numerous federal courts. Mr. Bohannon is a member of the American Bar Association, the Arkansas Bar Association, the Texas Bar Association, the Pulaski County Bar Association, the Water Environment Federation, and the American Water Works Association. Mr. Bohannon was listed in both *The Best Lawyers in America* and *Chambers, USA, America's Leading Lawyers for Business* from 2008 until he left the practice of law. Mr. Bohannon frequently presents at water association meetings, teaches "Local Government" at the local law school, and serves on numerous community boards.

Blake Weindorf, P.E., BCEE. Mr. Weindorf was named Chief Operating Officer of Central Arkansas Water in January 2020. He is responsible for managing the day-to-day operational activities of the utility and ensuring the required resources and assets are in place to deliver high-quality water and dependable service. The COO is responsible for the development, design, and implementation of business processes and systems that effectively and efficiently deliver water and service to customers. The COO directly supervises the Engineering, Distribution, Watershed, and Water Production Departments. Blake has more than 21 years of experience in the water and wastewater industry, 17 of which have been with CAW. Previously, he worked at Garver Engineers planning and designing municipal water treatment and distribution systems as well as municipal wastewater collection and treatment facilities. While at CAW, he has served at all major operating locations across the utility in various leadership capacities including as Senior Engineer, Assistant Director of Distribution, Director of Distribution, and now as COO. As senior engineer he successfully managed over $35 million in Capital Improvement Projects; and was project manager for many cross-departmental projects. While Assistant Director and Director of Distribution he was responsible for the department's $18.5 million budget and 145 employees ensuring the continuous supply of drinking water to 136,000 metered accounts by directing utility maintenance activities at two treatment plants, 30 tanks, 29 pump stations, and more than 2,500 miles of water main. Blake has a Bachelor of Science in Civil Engineering from Louisiana Tech University. He is a Registered Professional Engineer and a Board-Certified Environmental Engineer; he also maintains a Class 4 Water Treatment and Class 4 Distribution Operator's License. He is an active member of American Water Work Assoc. (AWWA), the Little Rock Engineers Club, and Arkansas Water Works & Water Environment Assc (AWW&WEA). He has served as Chair of the Southwest Section AWWA in 2013; received the 2016 Glen T. Kellogg Leadership Award and the 2019 George Warren Fuller Award from the Southwest Section AWWA. Additionally, he currently serves as a Director on AWWA's Board of Directors representing the Southwest Section. He served as Chair of AWW&WEA; the Arkansas Water Conference, in 2019. Blake has been published in various AWWA Journals and has been a speaker at numerous AWWA conferences and events. He is also the current Chair of the Arkansas Water/Wastewater Agency Response Network (ARWARN); and serves on the Arkansas Utility Protection Services (ArkUPS) board of directors as well as the Pulaski Area Geographic Information System (PAGIS) board of directors.

Jeff Mascagni, C.P.A., CGFM. Mr. Mascagni was named Chief Financial Officer of Central Arkansas Water in June 2014. In such position, he is responsible for the Customer Service, Finance, and Information Services departments. During his tenure with CAW, Mr. Mascagni has overseen treasury management activities, cost of service rate studies, budgetary activities, customer service technology transformations, mergers and acquisitions, and development of the CAFR for the utility. Prior to joining Central Arkansas Water, he was an audit manager at a regional accounting firm specializing in audits of government and not-for-profit entities. While at Central Arkansas Water, he worked with rate consultants in the development of rate models during rate studies in 2008, 2012, 2014, 2015, and 2018. These models were used to set rates from through 2022. He was responsible for modifying the utility's annual budget document and CAFR to comply with Government Finance Officer Association (GFOA) requirements. Central Arkansas Water has received the GFOA Distinguished Budget Presentation Award ten consecutive years, the Certificate of Achievement for Excellence in Financial Reporting ten consecutive years, and the Award for Outstanding Achievement in Popular Financial Reporting for two consecutive years. Mr. Mascagni holds a Bachelor of Science in Accounting and a Master of Business Administration from Arkansas State University. Mr. Mascagni was recognized by Arkansas Business as a 2017 CFO of the Year finalist and he is a graduate of Leadership Arkansas Class XII. He is a Certified Public Accountant and a Certified Government Financial Manager. He is a Past President of the Association of Government Accountants (AGA) Central Arkansas Chapter and has been a speaker at numerous AGA and AWWA conferences and events.

Jeremy A. Sparks, CCMP. Mr. Sparks was named Chief Innovation Officer of Central Arkansas Water in August 2018. In such position, he is responsible for Human Resources, Public Affairs, and the Environment Health and Safety sections of the Administration department. In addition, he oversees the strategic planning process and directs all organizational change and continuous improvement initiatives. Mr. Sparks is a Six Sigma Master Black Belt and a change agent certified by Prosci and the Association of Change Management Professionals (CCMP). A native of southeast Arkansas, Mr. Sparks earned his commission in the United States Air Force shortly after 9/11 and held numerous leadership positions to include Chief of Plans and Actions and Joint Forces Headquarters Commander. In 2013, Mr. Sparks transitioned from active duty joining Tyson Foods where he spent five years leading the largest organizational change management department in Fortune 100. During that time, Mr. Sparks helped guide the $8.4 billion Hillshire Brands acquisition and led multiple SAP/ERP projects. Mr. Sparks holds a Bachelor of Arts in Communication from the University of Arkansas-Monticello and a Master of Business Administration from Trident University. He is also a graduate of the US Army Command and General Staff College and Leadership Arkansas Class XII. Mr. Sparks was recognized by Arkansas Business as 40 Under 40 and he received the Alumni Award for Achievement & Merit from the University of Arkansas–Monticello. Mr. Sparks continues to serve in the Air National Guard and as a Commissioner for the Keep Arkansas Beautiful Commission.

Employee Relations and Benefits. As of December 31, 2019, the Issuer employed a total of approximately 325 persons. None of the employees of the Issuer are members of any collective bargaining group. The Issuer considers its employee relations to be excellent.

Pension benefits are provided to all regular full-time employees of the Issuer through a defined benefit plan administered through the Arkansas Public Employees Retirement System ("APERS"). All employees of the Issuer hired after July 1, 2005, who meet eligibility requirements for participation in the APERS retirement plan must contribute 5% of their pre-tax earnings to the plan (in addition to a contribution by the Issuer). The Issuer's contribution rate at December 31, 2019 was 15.32%. Pursuant to the requirements of GASB 68 Central Arkansas Water reflects a portion of the unfunded pension liability of APERS. That portion relates to the number of Central Arkansas Water's employees and retirees who are participants in APERS as compared to all participants in APERS. The unfunded pension liability for APERS as of 2020 has not yet been determined. Central Arkansas Water employees and retirees make up approximately one percent of all employees and retirees in the APERS. For a detailed description of the pension plans benefiting Issuer employees, see Note 10 to the audited financial statements of the Issuer attached as APPENDIX D hereto. Retired employees of the Issuer are provided certain medical and life insurance coverage. As of December 31, 2019, 239 current and former employees of The Issuer were eligible to receive these benefits, which are funded based on the annual required contribution ("ARC"), an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board ("GASB") Statement No. 45. Annual Other Post Employment Benefit ("OPEB") costs amounted to $995,303 and $1,070,493 for the years ended December 31, 2019 and 2018, respectively. Annual contribution amounts are expected to be funded from current operations of the Issuer.

THE ISSUER'S WATER SYSTEM

The Issuer owns, operates, and maintains the consolidated water treatment and distribution system (the "Issuer's Water System") of the Cities of Little Rock and North Little Rock, Arkansas (the "Cities"), together with extension and improvements thereto. The service area for the Issuer's Water System can generally be defined as Pulaski County, although retail service is provided to the Wye Mountain Water Facilities Board in Perry County and wholesale service is provided to customers in Perry, Saline, Grant, Lonoke, White, and Faulkner counties.

On March 1, 2016, the Issuer acquired the water system and related assets previously operated by the Maumelle Suburban Improvement District No. 500 of Pulaski County, Arkansas (the "Maumelle Water System"). The Maumelle Water System serves all of the residential, commercial, and industrial users of the City of Maumelle, Arkansas. The Maumelle Water System consisted of a water treatment plant and treated water storage and distribution system. The Maumelle Water System is now connected to the Issuer's Water System, and the Maumelle water treatment plant has been closed. The Issuer can deliver over 11,000,000 gallons per day to the customers within the Maumelle Water System. There are two storage tanks with a storage capacity of over 4,750,000 gallons, 665 fire hydrants, and two (2) booster pump stations. The Maumelle Water System has approximately 502,000 feet of water mains.

On June 1, 2020, the Issuer acquired the water system and related assets previously operated by the Paron-Owensville Water Authority of the State of Arkansas (the "POWA Water System"). The POWA Water System serves the towns and communities of Paron, Ford, Owensville, Reform, and Rubicon. The POWA Water System consists of a water treatment plant, treated water storage, and distribution system. The Issuer can deliver over 750,000 gallons per day to the customers within the POWA Water System. There are five (5) standpipe storage tanks with a storage capacity of over 593,000 gallons, 102 fire hydrants, and three (3) booster pump stations. The POWA Water System has approximately 701,000 feet of water mains.

The Issuer's Water System in total consists of two (2) source lakes, one (1) reservoir, three (3) water treatment plants with a combined capacity of 157 Million Gallons per Day ("MGD"), thirty-five (35) pump stations, thirty-nine (39) tanks, over 2,660 miles of water mains, approximately 153,000 services, 13,210 Fire Hydrants, and 37,350 valves.

Customers. As of December 31, 2019, the Water System served a total of approximately 137,000 customers. The following table classifies Water System customers for the years indicated:

Customer Type	2014	2015	2016	2017	2018	2019
Residential	108,426	109,007	116,601	117,015	117,637	118,354
Commercial	11,411	11,419	11,592	11,824	12,145	12,249
Large Volume	53	47	133*	52	45	48
Sprinkler	3,782	3,955	4,083	4,082	4,037	3,976
Private Fire Service	1,850	1,880	2,266	2,145	2,194	2,295
Wholesale	9	9	9	9	9	9
Raw Water	3	3	3	3	3	3
Totals:	125,534	126,320	134,687	135,130	136,070	136,934

Source: Issuer records.
*Includes Maumelle Water System large volume customers.

The Water System's ten largest customers, based upon revenues produced during the twelve months ended December 31, 2019, were as follows:

Customer	Total 2019 Revenues	Percentage of Total
Jacksonville Water Works	$1,647,510	2.43%
Bryant Water Dept.	1,256,862	1.85%
Salem Water Users PWA	1,171,906	1.73%
Cabot Waterworks	242,877	0.36%
University of Arkansas for Medical Science	234,180	0.35%
Arkansas Department of Corrections	205,814	0.30%
3M Company	193,430	0.29%
Kimberly-Clark	192,562	0.28%
Baptist Medical Center, Little Rock	166,929	0.25%
Shannon Hills Water Department	161,208	0.24%

Source: Issuer records.

Usage. The following table shows historical water usage statistics for the Water System:

Year	Average Daily Use in Million Gallons	Maximum Days' Use in Million Gallons
2014	55.5 MG	88.3 MG
2015	57.9	98.9
2016	59.3	93.1
2017	57.5	87.1
2018	61.2	100.7
2019	59.6	88.7

Source: Issuer records.

Water Sources; Treatment, Storage, and Distribution of Water. The Water System's raw water supply is comprised of (1) Lake Winona, an Issuer-owned surface water impoundment located in northwestern Saline County, having a safe average daily yield of 27 "MGD" and a maximum daily yield of 24 MGD, and (2) Lake Maumelle, an Issuer-owned surface water impoundment located in western Pulaski County, having a safe average daily yield of 93 MGD and a maximum daily yield of 130 MGD. "Safe average daily yield" means how much water can be taken from a lake each day for a full year and the lake recover to eventually refill. This is determined by the characteristics of a lake and its watershed. "Maximum daily yield" means how much water can be taken from a lake on a given day. At Lake Winona, the maximum daily yield is determined by pipeline capacity, and at Lake Maumelle, the maximum daily yield is determined by the pumps and pipeline capacity.

Lake Winona, located in the Ouachita National Forest about 35 miles west of the Little Rock downtown business district, has a maximum storage capacity of 14 billion gallons. The elevation of the lake is such that water flows by gravity to the Ozark Point Water Treatment Plant and/or Jackson Reservoir. A 39-inch diameter pipeline conveys water from Lake Winona to the City of Little Rock. Essentially uninhabited, the lake watershed covers 43 square miles and is managed under a joint agreement between the Issuer and the U.S. Forest Service. Water was first taken from Lake Winona on February 17, 1938, ending sixty years of use of Arkansas River water by the City of Little Rock. The lake currently supplies approximately 37% of the Issuer's raw water needs.

Lake Maumelle was completed in the late 1950's through the construction of a dam on the Big Maumelle River about 15 miles west of the Little Rock downtown business district. The lake, which encompasses about 13.9 square miles, has a maximum storage capacity of 72 billion gallons. The elevation of Lake Maumelle is lower than the Issuer's water treatment facilities, thus requiring pumping from the Lake Maumelle Pumping Station, which has a current firm pumping capacity of approximately 150 MGD.

Water flows from the Lake Maumelle Pumping Station through a 72-inch diameter pipeline to the Issuer's treatment facilities and through a 48-inch diameter pipeline to the Issuer's treatment facilities and to Jackson Reservoir. Lake Maumelle currently supplies approximately 63% of the Issuer's average raw water needs and more during peak periods.

In 1988, the installation of an emergency standby power generating station was completed at the Lake Maumelle Pumping Station. The power generating station features two 3,000-horsepower diesel engines, two 2,000-kilowatt generators, and variable frequency drive equipment. The generators have the capacity to run two 30 MGD pumps. This capability, coupled with gravity supply from Lake Winona, can provide up to 83 MGD during a complete power outage at the Lake Maumelle Pumping Station. In addition, water supplied from Jackson Reservoir is available to supplement this amount.

The Issuer believes its current water sources are adequate to cover the projected needs of its customers through 2100. To further its stated intention with respect to regionalization contained in the Consolidation Agreement, the Issuer participated, together with 26 other area water associations and municipalities, the Arkansas Natural Resources Commission, and the U.S. Army Corps of Engineers, in a comprehensive study regarding future water sources for central Arkansas residents. This consortium, known as the Mid-Arkansas Water Alliance ("MAWA"), is a regional initiative focused on securing the supplemental future water source needs for a seven-county region. Participating entities represent a population of approximately 750,000 persons, which is more than a quarter of the State's population. The goal of MAWA is to bring a supplemental water supply source on-line that will meet the needs of central Arkansas residents for the next 25 years. Based on the varying timetables and water needs of MAWA members, construction of source facilities will commence on timelines established by individual members and member partnerships established in the future. The most likely candidates for a future water source for MAWA are Lake Ouachita, located approximately 45 miles west of the City of Little Rock, and Greers Ferry Reservoir, located approximately 50 miles north of the City of Little Rock. Both reservoirs were built by the federal government and are operated by the U.S. Army Corps of Engineers. A new water line commenced delivering up to 6 MGD from Greer's Ferry Reservoir in August 2014 to several communities between the City of Jacksonville and the Reservoir by means of the Lonoke White Public Water Authority. In the 2010 Water Utility Master Plan Report prepared for the Issuer, Lake DeGray, located approximately 65 miles southwest of the City of Little Rock, has been determined the most likely future source of raw water for the Water System. The Issuer acquired a right of first refusal for 120 MGD from Lake DeGray in 1988. In 2013, the Issuer sold the rights to 20 MGD to the City of Hot Springs. In March 2019, the Issuer acquired water rights of 100 MGD in an agreement with the U.S. Army Corps of Engineers and Southwest Power Administration.

Jackson Reservoir, located in the City of Little Rock, has a usable storage capacity of approximately 110 million gallons. Water can flow into the reservoir from Lake Winona and Lake Maumelle and out to the Issuer's water treatment plants. The reservoir can provide the Issuer with approximately two days of emergency storage.

The Maumelle Water System's source of water was twelve (12) wells drilled into the Arkansas Alluvial Aquifer from which all water is drawn for use of customers within its service area and which is capable of delivering 6,700,000 gallons per day to its customers. Upon completion of capital improvements to connect Maumelle's Water System to the Issuer's Water System in February, 2018, these wells were taken offline and were decommissioned in 2019.

The POWA Water System's source of water is Lake Winona. Until the June 1, 2020 acquisition of the POWA Water System, POWA purchased raw water from the Issuer.

Water treatment takes place at the Issuer's Ozark Point Water Treatment Plant and Jack H. Wilson Water Treatment Plant. The Issuer believes that its current water treatment facilities are adequate to handle its needs through 2045.

The Ozark Point Water Treatment Plant is located in the central portion of the City of Little Rock. Originally constructed in 1938, the plant was expanded in 1948, 1954, and 1957. Subsequent modernization and rehabilitation of the plant were undertaken in three phases, with the latest having been completed in 2014. Renovations to the Ozark Point plant are in process and scheduled to be completed in mid-2021. The Ozark Point plant has a current approved treatment capacity of 24 MGD.

The Jack H. Wilson Water Treatment Plant is located in the western portion of the City of Little Rock. Originally constructed in 1966, the plant was expanded in 1977, 1984, and 2001 to a treatment capacity of 100 MGD. In 2008, operational modifications increased the summer season approved treatment capacity to 133 MGD. Additional improvements to the plant were completed in 2014.

The Maumelle Water Treatment Plant was located in the southwest portion of the City of Maumelle, Arkansas. Upon completion of capital improvements to connect Maumelle's Water System to The Issuer's Water System in February, 2018, The Maumelle Water Treatment Plant was taken offline and was decommissioned in 2019.

Thirty-nine (39) remote storage tanks, ranging in size from 100,000 to five million gallons and having a combined capacity of 50.5 million gallons, provide Water System static pressures from 30 to 220 psi with available fire flows of approximately 500 to 10,000 gallons per minute. The storage tanks provide a ready source of water for use in the event of fire or other emergency and allow for "smoothing out" of peaks and valleys in customer water demand. The storage facilities are of several different elevated and ground designs.

An additional 25 million gallons of treated water storage is located at the two water treatment plants.

The distribution system is made up of a network of mains and appurtenances that convey water from the treatment facilities to customers. The network includes over 2,660 miles of pipeline ranging in size from two inches to 60 inches in diameter, approximately 13,210 fire hydrants, and approximately 37,350 valves. Three (3) high service pump stations are located at the two water treatment plants and thirty-two (32) remote booster pumping stations are operated to ensure adequate water pressures at high elevations, replenish storage tanks, and provide additional capacity during periods of increased demand. The age of the Issuer's pipeline network varies from new to over 100 years old. The Issuer has implemented an ongoing rehabilitation program and over $46 million of improvements to the existing distribution network is planned over the next five years.

The Water System presently meets all U.S. Environmental Protection Agency ("EPA") and State water quality standards.

In addition to providing service to customers in the City of Little Rock and the City of North Little Rock, the Water System also provides services to the Cities of Alexander, Cammack Village, Maumelle, Sherwood, and Wrightsville, rural areas of Pulaski and Saline counties and to the Wye Mountain Water Facilities Board in Perry and Pulaski counties. Wholesale service is provided to the Cities of Bryant, Cabot, Jacksonville, and Shannon Hills, as well as to the Mid-Arkansas Utilities PWA, the Saline County Water and Sewer Public Facilities Board (Woodland Hills), the Salem Water Users Public Water Authority, the Sardis Water Association Public Water Authority, and Ridgefield Estates Water System.

Management recognizes the need for regional cooperation in planning and providing for additional water sources in the Central Arkansas area. Regionalization will likely result in the eventual addition of new customer bases to the Water System.

Watershed Protection Issues. On September 4, 2003, the Commissioners adopted a resolution establishing a plan to continue protection of the watershed of Lake Maumelle, the primary drinking water source for 17 cities and communities in central Arkansas. In June 2005, as an outgrowth of the 2003 resolution, the Issuer selected an outside consultant, Tetra Tech, Inc., to develop a comprehensive watershed management plan for Lake Maumelle. The formulation of the plan was achieved through consultation with a 22-member Policy Advisory Council, a 13-member Technical Advisory Council, and extensive water quality modeling. The plan was formally approved by the Issuer on February 23, 2007. Based on findings set forth therein, the plan states that a significant threat to Lake Maumelle is unregulated new development within the watershed. Accordingly, the primary focus of the plan was the establishment of standards for such development. As a result, Pulaski County, the most populous county in the watershed, adopted protective subdivision regulations in 2009 and 2010 and protective zoning regulations in 2013 and 2014. The Issuer agreed to partially fund the efforts of Pulaski County to implement the protective regulations and assist in ensuring that they are followed.

Additionally, in furtherance of goals established in the plan, the Commission has undertaken a policy of real property acquisition within the watershed. Since adoption of the plan in 2007, the Issuer has purchased approximately 4,283 acres fee simple ownership and approximately 528 acres of conservation easements in the Lake Maumelle watershed (the "Watershed"). The conservation easements and some fee simple purchases have been acquired voluntarily from their previous owners, while other fee simple purchases prior to 2012 have been acquired by settlements following commencement of condemnation actions. The Issuer utilized approximately $8.05 million of the proceeds of the Series 2010C Bonds to refinance its acquisition of Winrock Grass Farm, located within the watershed, and approximately $2,630,000 of the proceeds of the Series 2012A Bonds to purchase approximately 488 acres of property within the watershed from The Trust for Public Lands. The Issuer utilized approximately $3,467,000 of the proceeds of the Series 2018A Bond to purchase approximately 468 acres of property within the watershed $6,526,850 of the proceeds of the Series 2018B Bond were used to purchase approximately 698 acres of property and secure a conservation easement of approximately 200 acres within the watershed. The Issuer continues to look for opportunities to acquire real property within the watershed.

The 2013 rupture of the Pegasus pipeline in Mayflower (eight (8) miles from the watershed) heightened the attention of resources the Issuer devotes to the elimination and reduction of risk posed to Lake Maumelle by the 13.5 miles of the Pegasus pipeline that runs through the watershed.

Water Rates. Set forth in Appendix B hereto is a summary of current rates charged by the Water System, effective January 1, 2019.

Water Rates. On December 20, 2018, CAW adopted Resolution 2018-13 which amended CAW's rate schedules as set forth in Resolution 2014-10 and Resolution 2015-20, respectively. Resolution 2018-13 established new water rate schedules effective June 1, 2019, January 1, 2020, January 1, 2021, and January 1, 2022. Pursuant to the provisions of the Consolidation Agreement, the Issuer gave notice of the pendency of the amended rate schedule to the governing bodies of the cities of Little Rock and North Little Rock on January 2, 2019. The governing bodies of each city may vote to approve or disapprove the proposed new amended rate schedule or take no action and allow the new rates to become effective by the passage of ninety (90) days without objection. The cities had until April 2, 2019 to disapprove the amended rates.

Neither of the governing bodies disapproved of the new rate schedule and the new rates became effective, in accordance with the provisions of the Consolidation Agreement and Resolution 2018-13, on June 1, 2019, January 1, 2020, January 1, 2021, and January 1, 2022. A detailed description of the new rates is set forth in Appendix B hereto.

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Rate Comparison. The following is a comparison of the monthly water charges for the Issuer with the charges of other area municipalities as of July 31, 2018:

	5/8" Meter - Residential			1" Meter - Commercial		
	5 CCF	10 CCF	15 CCF	100 CCF	250 CCF	500 CCF
Utility	3,700 Gallons	7,500 Gallons	11,200 Gallons	74,800 Gallons	187,000 Gallons	374,000 Gallons
Little Rock / North Little Rock (CAW)	$ 12.98	$ 21.53	$ 30.08	$ 171.21	$ 411.21	$ 811.21
Alexander (CAW Outside Rates)	18.47	32.12	45.77	341.01	876.51	1,769.01
Arkadelphia Water	11.97	20.18	27.80	141.99	289.63	533.94
Cabot Water Works	25.34	40.00	55.54	400.46	986.50	1,971.90
City of Benton	17.83	31.41	44.63	273.54	676.33	1,342.88
City of Bentonville	19.74	33.73	47.49	297.54	716.78	1,410.56
City of Bryant	21.74	43.59	64.86	436.55	1,084.58	2,156.95
City of Conway	19.64	29.18	39.24	187.65	446.86	875.81
City of Fayetteville	18.56	33.80	48.63	253.22	622.88	1,208.70
City of Fort Smith	16.37	31.17	45.97	249.98	609.98	1,209.98
City of Hot Springs	15.02	25.35	36.08	261.72	658.97	1,311.72
Harrison Water	21.35	39.21	56.60	334.93	815.03	1,445.82
Jacksonville Water	20.27	44.48	68.04	463.82	1,098.12	2,129.46
Jonesboro Water and Light	11.25	18.85	26.25	154.82	380.22	650.56
Malvern	16.90	33.43	49.52	337.93	828.18	1,648.15
Mountain Home Water	17.96	27.65	37.08	230.36	517.75	993.32
Nashville Public Works	15.44	26.05	36.37	163.23	355.95	674.86
Pine Bluff	25.27	35.40	45.54	173.88	394.47	762.12
Rogers Water Utilities	13.47	24.83	35.89	235.96	543.19	1,037.41
Searcy Waterworks	16.80	24.75	32.48	165.40	400.95	790.73
Sherwood (CAW Outside Rates)	18.47	32.12	45.77	341.01	876.51	1,769.01
Springdale Water	12.97	24.64	36.00	228.77	569.12	1,119.95
Texarkana Water Utilities	15.89	29.61	42.96	209.22	513.51	1,017.06

Source: Central Arkansas Water Survey, July 2018

Billing Procedures, Penalties, Delinquency, and Uncollectible Accounts. The Issuer's billing policy and procedures provide that bills for water services are rendered in the net amount due. Water bills, with the exception of private fire service, are due and payable on or before the 20th day following the billing date stated on the water bill. Payments for private fire service are due in semiannual installments in advance on January 1 and July 1 of each year. Water bills not paid on or before the due date are considered delinquent and a penalty of 10% of the total current bill is assessed against the account. In the event that bills due for water service are not paid on or before the next billing date, a disconnect notice is sent with the following month's bill, stating that the previous balance must be paid by the due date of the accompanying bill to avoid service disruption. Should any delinquent bill remain unpaid, the Issuer issues a disconnect order two to three days following the due date of the second bill. The customer's deposit will be forfeited in an amount sufficient to cover the gross amount of the due bill. The forfeiture of the deposit will take place if the customer has not paid the delinquent bill plus all applicable service charges within seven days after disconnection. In such event, the Issuer may levy a reconnection charge to restore service.

The following table details historical account data for the Issuer's Water System. An inactive account is written off after 90 days. When a customer with a written off balance returns to the Issuer's

Water System, any amount previously written off must be paid in full before service can be connected or reconnected. Outside collection services are utilized in attempts to collect from inactive customer accounts.

Year	System Revenues	Bad Debt Expense	Percentage
2014	51,860,026	311,000	0.60
2015	54,369,776	335,000	0.62
2016	61,021,008	237,000	0.39
2017	62,604,741	287,000	0.46
2018	67,842,172	387,000	0.57
2019	67,835,450	397,000	0.59

Source: Issuer records.

Projected Capital Expenditures. The Issuer anticipates the cost of contemplated expansions and capital improvements to the Issuer's Water System over the next five years to be as set forth in the following table. These expansions and improvements are expected to be financed from a combination of sources, including (i) proceeds of a U.S. Forrest Service grant; and (ii) cash funds generated by the Issuer's Water System. If any anticipated source of funds should not be available, the amount or timing of the contemplated capital improvements would have to be adjusted.

Category of Improvement	2020	2021	2022	2023	2024	Totals
Lake Maumelle Watershed Protection	$1,135,000	$ 885,000	$ 885,000	$ 885,000	$ 735,000	$ 4,525,000
Equipment and Services	6,341,130	3,936,000	4,518,000	4,057,000	3,684,500	22,536,630
Water Rights	-0-	-0-	-0-	-0-	-0-	-0-
Storage and Surge Tanks	50,000	460,000	960,000	1,027,500	400,000	2,897,500
Facilities Upgrades	26,568,335	14,586,274	5,140,000	3,547,500	16,380,000	66,222,109
Transmission Mains	5,380,000	300,000	1,005,000	-0-	1,000,000	7,685,000
Distribution Mains	9,782,750	10,985,000	7,340,250	7,097,000	8,304,750	43,509,750
Totals:	$49,257,215	$31,152,274	$19,848,250	$16,614,000	$30,504,250	$147,375,989

Source: Issuer records.

Summary of Revenue and Expenses

	2015	2016	2017	2018	2019
Operating Revenue	$54,081,306	$60,696,123	$61,834,248	$66,920,407	$66,433,920
Non-Operating Revenue (Expense)	(2,796,355)	(3,646,989)	(2,267,115)	(1,911,729)	(2,179,381)
Total Revenue	$51,284,951	$57,049,134	$59,567,133	$65,008,678	$64,254,539
Operating Expenses	$36,767,782	$42,378,268	$43,440,380	$44,223,205	$47,910,431
Depreciation	11,246,626	12,149,744	12,770,370	12,687,333	12,888,536
Total Expenses	$48,014,408	$54,528,012	$56,210,750	$56,910,538	$60,798,967
Income (Loss) Before Contributions	$3,270,543	2,521,122	$3,356,383	$8,098,140	$3,455,572
Contributions	3,148,916	9,919,749	2,442,052	2,580,491	3,079,598
Change in Net Position	$6,419,459	$12,440,871	$5,798,435	$10,678,631	$6,535,170

THE CITIES

General. The Cities are each cities of the first class organized and existing under the laws of the State of Arkansas. The City of Little Rock is the seat of government of Pulaski County (the "County") and the State of Arkansas and is the largest city in the State. The City of North Little Rock is the eighth largest city in the State. The Cities are located in the central part of the State.

The Cities are served by U.S. Interstates 30, 40, 430, 440, 530, and 630, U.S. Highways 65, 67, 70, 165, and 167 and numerous State Highways. Union Pacific, and Amtrak Railroads have several lines running through the Cities, and Bill and Hillary Clinton National Airport provides daily flights to numerous destinations.

Demographics. Set forth below is a five-year summary of demographic and economic statistics within Pulaski County.

Year	Population	Median Household Income	Per Capita Personal Income	Total Personal Income	Annual Unemployment Rate
2014	392,702	45,698	46,349	18,201,484,000	5.5[4]
2015	393,107[2]	46,525[3]	45,036[1]	18,008,251,000[1]	4.6[4]
2016	393,677[2]	45,700[3]	47,961[1]	18,810,571,000[1]	3.5[4]
2017	393,956[2]	46,500[3]	49,129[1]	19,240,052,000[1]	3.4[4]
2018	392,680[2]	48,000[3]	51,185[1]	20,099,504,000[1]	3.4[4]
2019	*	52,400[3]	*	*	3.4[4]

[1] Source: https://www.bea.gov/data/income-saving/personal-income-county-metro-and-other-areas
[2]Source:
https://data.census.gov/cedsci/table?q=population%20by%20county&g=0500000US05119&tid=ACSDT1Y2018.B01003&hidePreview=false
[3] Source: http://www.countyhealthrankings.org/app/arkansas/2020/overview
[4] Source: www.data.bls.gov/lausmap/showMap.jsp
*Information not yet available

SUMMARY OF THE INDENTURE

The following statements are brief summaries of certain provisions of the Indenture. The statements do not purport to be complete, and reference is made to the Indenture, copies of which are available for examination at the offices of the Chief Executive Officer of the Water System, for a full statement thereof. General. The Bonds are being issued and secured pursuant to the terms and provisions of the Indenture. The Issuer has executed and delivered the Indenture and has agreed to perform all of its covenants and obligations under the Indenture.

Funds and Disposition of Revenues. The Indenture establishes or authorizes the establishment of the following Funds:

(1) Revenue Fund to be held by the Issuer, which so long as any of the Subordinate Series 2016 Bonds and Subordinate Series 2020A Bonds remain outstanding, shall include within a special account identified as the "Long Term Debt Surcharge Account";
(2) Bond Fund, to be held by the Trustee;
(3) Debt Service Reserve Fund, to be held by the Trustee;
(4) Cost of Issuance Fund, to be held by the Trustee;
(5) Project Fund, to be held by the Trustee; and
(6) Rebate Fund, to be held by the Trustee.

Application of Revenues. All Revenues shall be promptly deposited by the Issuer to the credit of the Revenue Fund, and the Long Term Debt Surcharge Revenues shall be deposited into the Long Term Debt Surcharge Account.

Operation and Maintenance Costs shall be paid by the Issuer from time to time as they become due and payable as a first charge upon the Revenue Fund. The Issuer shall at all times maintain on file with the Trustee a Written Certificate of the Issuer setting forth the amount of working capital reasonably required for the efficient operation and maintenance of the Water System, which amount shall be not less than an amount reasonably estimated to pay Operation and Maintenance Costs for the next 45 days. Such certificate may be revised by the Issuer from time to time.

As a second charge on the Revenue Fund the Issuer shall transfer and deposit on or before the last Business Day of each month, to the extent of money available in the Revenue Fund, into the following Funds in the following order the following amounts:

(1) Into the Bond Fund and the bond funds established for the benefit of any Parity Debt, the amount, if any, required so that the balance in the Bond Fund and the bond funds established for the benefit of Parity Debt shall equal the Accrued Debt Service on the Bonds and the Parity Debt; and

(2) Into the Debt Service Reserve Fund and the debt service reserve funds established for the benefit of any Parity Debt, in the event that the Trustee draws from the Debt Service Reserve Fund or the debt service reserve funds established for the benefit of Parity Debt to pay principal of or interest on the Bonds or any Parity Debt, the amount, if any, required to restore the balance in the Debt Service Reserve Fund or the debt service reserve funds established for Parity Debt in 12 consecutive monthly payments to the Debt Service Reserve Requirement or the reserve requirements established with respect to Parity Debt.

As a third charge on the Revenue Fund the Issuer shall transfer and deposit on or before the last Business Day of each month, but only to the extent of moneys available in the Long Term Debt Surcharge Account in the Revenue Fund, the various deposits and transfers required by the indenture securing the Subordinate 2016 Bonds, including any deposits and transfers to the bond fund and debt service reserve fund established for the benefit of the Subordinate 2016 Bonds. From and after the Stabilized Net Revenues Adjustment Date, moneys in the Long-Term Debt Surcharge Account (i) shall only be used to make deposits and transfers to the bond fund and debt service reserve fund established for the benefit of the Subordinate Bonds and (ii) shall no longer be subject to the lien and pledge securing the Bonds.

There shall be retained in the Revenue Fund, to the extent not required to be transferred to from the Revenue Fund into the Bond Fund or the Debt Service Reserve Fund or pursuant to the provisions of the indentures securing the Parity Debt and corresponding provisions securing the Subordinate 2016 Bonds, (i) the amount estimated by the Issuer in its Written Certificate to be required as working capital, plus (ii) the amount required to be deposited into the Bond Fund, the bond funds established for the Parity Debt, and the bond fund established for the Subordinate 2016 Bonds in the next succeeding month. Moneys in the Revenue Fund in excess of the amounts provided in the preceding sentence may be utilized by the Issuer for any lawful Water System purpose, including deposits to the Rate Stabilization Account.

Investment of Funds. Except as otherwise specifically provided in the Indenture, all Revenues and other moneys held by any Fiduciary under the Indenture shall be deposited and invested by such Fiduciary as directed by the Issuer in any Permitted Investments. In the event the Issuer does not provide such direction to any Fiduciary, such Fiduciary may deposit and invest such moneys held under the Indenture in any Permitted Investment, provided that such deposits shall permit the moneys so held to be available for use at the time when needed. Net income earned on any moneys or investments in the Revenue Fund and the Bond Fund shall accrue to such Fund, respectively. To the extent that the balance in the Debt Service Reserve Fund is equal to or exceeds the Debt Service Reserve Requirement, net income earned on any moneys or investments in such Fund shall be transferred to the Bond Fund.

Valuation of Funds and Accounts. The value of investments, which shall be determined as of the end of each month, shall be calculated by the Trustee according to its standard procedures.

No Encumbrances. The Issuer will not create, or permit the creation of, any new pledge, lien, charge, or encumbrance upon the Stabilized Net Revenues after the date of the Indenture except as provided in or permitted by the Indenture.

Limitation on Sale or Other Disposition of Property. Subject to the provisions of the Consolidation Agreement, except as otherwise provided in the Indenture, the Issuer will not sell, lease, or otherwise dispose of all or a substantial part of the Water System; provided, however, that to the extent permitted by law, the Issuer may lease or make contracts or grant licenses for the operation of, or grant easements or other rights with respect to, any part of the Water System if such lease, contract, license, easement, or right does not impede or restrict the operation of the Water System by the Issuer. The Issuer may, however, from time to time, sell, exchange, or otherwise dispose of any machinery, fixtures, tools, instruments, or other moveable property or any real property if the Issuer shall determine that such property is no longer needed in connection with the operation and maintenance of the Water System and the proceeds of any such disposition shall be applied to the replacement of the property so disposed of or the acquisition of property of equal or greater value or shall be deposited in the Revenue Fund.

Operation and Maintenance. The Issuer will operate the Water System continuously in an efficient and economical manner, to the extent practicable under existing conditions. The Issuer will at all times maintain, preserve, and keep the Water System in good repair, working order, and condition so that the operating efficiency thereof will be of high character. The Issuer will cause all necessary and proper repairs and replacements to be made so that the business carried on in connection with the Water System may be properly and advantageously conducted at all times in a manner consistent with prudent management, and that the rights and security of the Holders of the Bonds may be fully protected and preserved.

Insurance; Damage to Water System; Application of Insurance Proceeds. Subject in each case to the condition that insurance is obtainable at reasonable rates and upon reasonable terms and conditions:

(1) The Issuer will procure and maintain or cause to be procured and maintained insurance on the Water System and public liability insurance in such amounts and against such risks as are usually carried by municipalities operating water systems in the State of Arkansas and as are in accordance with the past practices of the Issuer and its predecessor, Little Rock Municipal Water Works;

(2) The Issuer will procure and maintain adequate fidelity insurance or bonds on the positions of Chief Executive Officer, Chief Operating Officer, Chief Finance Officer, and any other person or persons handling or responsible for funds of the Issuer related to the Water System; and

(3) The Issuer will place on file with the Trustee annually, within 180 days after the beginning of each Fiscal Year, a Written Statement of the Issuer or a certificate from its insurer(s) containing a summary of all insurance policies then in effect with respect to the Water System.

If any useful portion of the Water System shall be damaged or destroyed, the Issuer shall, as expeditiously as is practicable, continuously and diligently prosecute or cause to be prosecuted the reconstruction or replacement thereof, unless the Issuer shall file with the Trustee a Water Consultant's Certificate to the effect that such reconstruction or replacement is not in the interests of the Issuer and the Holders. The proceeds of any insurance paid on account of such damage or destruction, other than business interruption loss insurance or public liability insurance, shall be held by the Trustee in a special account and made available for, and to the extent necessary applied to, the cost of such reconstruction or replacement, if any. Any balance of such proceeds of insurance not needed to pay such cost of reconstruction or replacement shall be deposited into the Revenue Fund.

Eminent Domain. If all or any part of the Water System shall be taken by eminent domain proceedings or conveyance in lieu thereof, the net proceeds realized by the Issuer therefrom shall be deposited with the Trustee in a special fund in trust and shall be applied and disbursed by the Trustee subject to the following conditions:

(1) If such funds are sufficient to provide for the payment of the entire amount of principal due or to become due upon all of the Outstanding Bonds and Parity Debt, together with all of the interest due or to become due thereon and any redemption premiums thereon, so as to enable the Issuer to retire all of the Bonds and Parity Debt then Outstanding, either by call and redemption at the then current principal of and interest on the Bonds, and Parity Debt or by payment at maturity or partly by redemption prior to maturity and partly by payment at maturity, the Trustee shall apply such moneys to such retirement or payment, as appropriate, and to the payment of such interest. Pending the application of such proceeds for such purpose, such moneys shall be invested by the Trustee in Permitted Investments. The balance of such moneys, if any, shall be transferred to the Issuer.

(2) If such proceeds are insufficient to provide the moneys required for the purposes set forth in (1) above, the Issuer shall file with the Trustee a Written Request of the Issuer requesting the Trustee to apply such proceeds for one of the following purposes:

(A) If such Written Request requests the Trustee to apply such proceeds to the purchase, redemption, or retirement of Bonds, the Trustee shall apply such proceeds to the purchase, redemption, or retirement of Bonds then Outstanding. If more than bond or other evidence of indebtedness with a parity of security is then Outstanding, such proceeds shall be applied pro rata among all of the Bonds and Parity Debt to the purchase, redemption, or retirement of the Bonds or Panty Debt of each such series in the proportion which the principal amount of Bonds or Parity Debt of each such series then Outstanding bears to the aggregate principal amount of all Bonds and Parity Debt then Outstanding. Pending the application of such proceeds for such purpose, such moneys shall be invested by the Trustee in Permitted Investments.

(B) If such Written Request requests the Trustee to deliver such proceeds to the Issuer to apply to the cost of additions, improvements, or extensions to the Water System, the Issuer shall also file with the Trustee a Water Consultant's Certificate showing the loss in annual Revenues, if any, suffered, or to be suffered, by the Issuer by reason of such eminent domain proceedings, together with a general description of the additions, improvements, or extensions to the Water System then proposed to be acquired or constructed by the Issuer from such proceeds. If, in the opinion of the Issuer (evidenced by a Written Certificate of the Issuer filed with the Trustee), which shall be final, the additional Revenues to be derived from such additions or improvements will sufficiently offset the loss of Revenues resulting from such eminent domain proceedings so that the ability of the Issuer to meet its obligations under the Master Indenture and the Indenture will not be substantially impaired, the Trustee shall pay such proceeds to the Issuer. The Issuer, in reaching such determination, may rely upon the Water Consultant's Certificate. The Issuer shall hold such proceeds in trust and apply them to the acquisition or construction of the additions, improvements, or extensions substantially in accordance with such Water Consultant's Certificate. The Issuer shall acquire or construct such additions or improvements in a sound and economic manner and as expeditiously as is practicable. Any balance of such proceeds not required by the Issuer for such additions, improvements or extensions shall be deposited into the Revenue Fund.

(C) If such Written Request requests the Trustee to deposit such proceeds into the Revenue Fund upon the basis that such eminent domain proceedings have had no effect, or at the most a relatively immaterial effect, upon the security of the Bonds, the Issuer shall also file with the Trustee a Water Consultant's Certificate stating that such eminent domain proceedings have not substantially impaired or affected the operation of the Water System or the ability of the Water System to produce Stabilized Net Revenues at least equal to the Rate Covenant Requirement. Upon receipt of such Written Request and such Water Consultant's Certificate, the Trustee shall deposit such proceeds into the Revenue Fund.

Rates and Charges. In order to assure the maintenance of Revenues at a level sufficient to cause the prompt payment of principal of and interest on the Bonds, with a margin for contingencies and temporary unanticipated reduction in Revenues, the Issuer covenants and agrees to establish, fix, prescribe, continue, and collect (directly or through leases, use agreements or other agreements, licenses, or ordinances) rates and charges for the sale of water furnished by the Issuer which, together with other income, are reasonably expected to yield available revenues at least equal to the Rate Covenant

Requirement for the forthcoming Fiscal Year. The term "Rate Covenant Requirement" means Stabilized Net Revenues at least equal to the sum of (a) 120% of the aggregate Debt Service for the forthcoming Fiscal Year for the Bonds and any Parity Debt, (b) 100% of the amounts, if any, required by the Indenture to be deposited into the Debt Service Reserve Fund, and (c) 100% of the amounts, if any, required by the terms and conditions for any Parity Debt to be deposited into applicable debt service reserve funds for such Parity Debt.

If the Issuer's annual financial statements relating to Revenues disclose that during the period covered by such financial statements the Stabilized Net Revenues were not at least equal to the Rate Covenant Requirement, the Issuer shall not be in default under this Section if, (i) within 60 days after the date of delivery of such financial statements the Issuer obtains recommendations from a Water Consultant as to the revision of the rates, charges, and fees necessary to produce Stabilized Net Revenues at least equal to the Rate Covenant Requirement and (ii) the Issuer, on the basis of such recommendations, revises the schedule of rates, charges, and fees insofar as is practicable and revises Operation and Maintenance Costs so as to produce Stabilized Net Revenues at least equal to the Rate Covenant Requirement.

Parity Debt. The Issuer covenants that no additional bonds may be issued under the Indenture and no additional bonds may be issued with a senior security interest in the Revenues or Stabilized Net Revenues. Parity Debt may be issued by the Issuer on a parity of security with respect to the Stabilized Net Revenues, provided that:

(1) There is no Event of Default with respect to the Bonds and no event of default under the instruments securing any Outstanding Parity Debt; and

(2) The average annual Stabilized Net Revenues for the immediately preceding two Calendar Years shall exceed an amount equal to not less than the sum of (a) 120% of the average annual Debt Service of the Outstanding Bonds and the Outstanding Parity Debt and (b) the maximum annual Debt Service on the proposed Parity Debt.

Until such time as the Issuer has issued debt secured by the Watershed Protect Fees, the Issuer may include the revenue generated from the Watershed Protection Fees when computing average annual Stabilized Net Revenues as provided above. The Issuer may issue Parity Debt to refund any Outstanding Bonds or Parity Debt without complying with the conditions described above if the refunded Bonds or Parity Debt is defeased on the date of delivery of the refunding Parity Debt and if the annual Debt Service of the refunding Parity Debt does not exceed the annual Debt Service of the refunded Bonds or Parity Debt in any Fiscal Year by more than $5,000.

Other Indebtedness. The Issuer may incur Short-Term Indebtedness, secured by and payable from Net Revenues payable on a parity basis with the Bonds and any Parity Debt, if immediately after the incurrence of such Short-Term Indebtedness the outstanding principal amount of all Short-Term Indebtedness does not exceed 10% of budgeted Net Revenues (Revenues less Operation and Maintenance Costs) as shown on the annual budget for the current Fiscal Year. The Issuer may incur Subordinated Indebtedness without limit.

Special Purpose Bonds. The Issuer may issue Special Purpose Bonds, notes, or obligations from time to time for the purpose of financing or refinancing the cost of (i) Special Purpose Facilities or (ii) those matters that may be funded by the Watershed Protection Fee.

Special Purpose Bonds, notes, or obligations shall be payable as to principal, redemption premium, if any, and interest solely from rentals or other charges derived by the Issuer under and pursuant to a lease or leases relating to the Special Purpose Facilities entered into by and between the Issuer, as lessor, and such person, firm, or corporation, either public or private, as shall lease the Special Purpose Facilities from the Issuer. No such Special Purpose Bonds, notes, or obligations shall be issued by the Issuer to finance Special Purpose Facilities unless:

(1) there shall have been filed with the Issuer a Water Consultant's Certificate stating that (a) the estimated rentals or other charges to be derived by the Issuer under and pursuant to the lease or other agreement relating to the Special Purpose Facilities will be at least sufficient to pay the principal of and interest on such Special Purpose Bonds, notes, or obligations as and when the same become due and payable, all costs of operating and maintaining such Special Purpose Facilities not paid for by the lessee thereof, and all sinking fund, reserve, or other payments required by the resolution of the Issuer authorizing such Special Purpose Bonds, notes, or obligations, (b) the acquisition or construction and operation of such Special Purpose Facilities will not adversely affect the ability of the Water System to produce Stabilized Net Revenues at least equal to the Rate Covenant Requirement; and

(2) the Issuer shall have entered into a lease which shall be for a term at least as long as the period during which such Special Purpose Bonds, notes, or obligations are outstanding and unpaid and which shall provide for annual payments to the Issuer, in addition to all rentals and other charges for the use of the Special Purpose Facilities, of ground rent in an amount which is determined by the Issuer to be a fair and reasonable rental for the land on which such Special Purpose Facilities are situated.

Special Purpose Bonds, notes, or obligations may also be issued where such Special Purpose Bonds, notes, or obligations are payable as to principal, redemption premium, if any, and interest solely from the Watershed Protection Fees. No such Special Purpose Bonds, notes, or obligations shall be issued by the Issuer to finance projects that may be financed by the Watershed Protection Fees unless there shall have been filed with the Issuer a Water Consultant's Certificate stating that the Watershed Protection Fees to be derived by the Issuer on annual basis will be at least sufficient to pay the principal of and interest on such Special Purpose Bonds, notes, or obligations as and when the same become due and payable, and all sinking fund, reserve, or other payments required by the resolution of the Issuer authorizing such Special Purpose Bonds, notes, or obligations, as the same become due.

Special Debt Retirement Charge Indebtedness. From and after the Stabilized Net Revenues Adjustment Date, the Issuer may issue or increase Special Debt Retirement Charge Indebtedness that is not Subordinate Indebtedness on the date issued or incurred.

Defeasance. All Outstanding Bonds shall, prior to the maturity or redemption date thereof, be deemed to have been paid under the Indenture if (1) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Issuer shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail notice of redemption of such Bonds on said date, (2) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Government Obligations (including any Government Obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (3) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Issuer shall have given the Trustee in form satisfactory to it irrevocable instructions to mail, first class postage prepaid, a notice to the Holders of such Bonds that the deposit required by (2) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the Indenture and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of said Bonds.

Events of Default. Each of the following events shall constitute and is referred to in the Indenture as an "Event of Default":

(a) failure by the Issuer to make the due and punctual payment of the principal of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration, or otherwise;

(b) failure by the Issuer to make the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(c) failure by the Issuer to observe any of the covenants, agreements, or conditions on its part contained in the Indenture or in the Bonds, and failure to remedy the same for a period of 60 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Issuer by the Trustee, or to the Issuer and the Trustee by the Holders of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding; or

(d) bankruptcy, reorganization, arrangement, insolvency, or liquidation proceedings, including without limitation proceedings under Chapter 9 of Title 11, United States Code (as the same may from time to time be hereafter amended), or other proceedings for relief under any federal or state bankruptcy law or similar law for the relief of debtors are instituted by or against the Issuer and, if instituted against the Issuer, said proceedings are consented to or are not dismissed within 30 days after such institution.

Acceleration; Appointment of Receiver. Upon the occurrence of an Event of Default, unless the principal of all the Bonds shall have already become due and payable:

(a) the Trustee may, or

(b) upon receipt of the written request of the Holders of not less than 25% of the aggregate principal amount of the Bonds at the time Outstanding, the Trustee shall, or

(c) the Trustee shall, if an Event of Default shall have occurred as described under paragraph (d) under the subcaption "Events of Default" above, declare upon notice in writing to the Issuer the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately. Upon such declaration, such principal and interest shall be immediately due and payable.

Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Holders, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the trust estate created by the Indenture, including, without limitation, the proceeds of the sale of the Bonds, the Revenues (subject to the rights of the trustee under the Master Indenture) and the Funds, including the investments, if any, thereof, pending such proceedings, with such powers as a court making such appointments shall confer.

Rights and Remedies of Holders. No Holder of any Bond shall have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default;

(2) the Holders of not less than 25% in aggregate principal amount of the Outstanding Bonds shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee;

(3) such Holder has offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceedings; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Bonds;

it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other such parties, or to obtain or to seek to obtain priority or preference over any other such parties or to enforce any right under the Indenture, except in the manner therein provided and for the equal and ratable benefit of all such parties in accordance with the provisions of the Indenture.

Remedies Not Exclusive; No Waiver. No remedy conferred upon or reserved to the Trustee or to the Holders of Bonds is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised at any time or from time to time, and as often as may be necessary, by the Trustee or the Holder of any one or more of the Bonds.

No delay or omission of the Trustee or of any Holder of the Bonds to exercise any right or power arising upon the happening of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given to the Trustee or to the Holders of Bonds may be exercised from time to time and as often as shall be deemed expedient by the Trustee and the Holders of the Bonds.

Modification or Amendment of Indenture. The Issuer, from time to time, and at any time, without the consent of or notice to the Holders of the Bonds, may modify or amend the Indenture as follows:

(1) To cure any formal defect, omission, inconsistency, or ambiguity in the Indenture in a manner not adverse to the Holder of any Bond or Parity Debt;

(2) To grant to or confer upon the Holders any additional rights, remedies, powers, authority, or security that may lawfully be granted to or conferred upon the Holders;

(3) To impose upon the Trustee (with its consent) for the benefit of the Holders of the Bonds any additional rights, remedies, powers, authority, security, liabilities, or duties which may be lawfully be granted, conferred, or imposed and which are not contrary to or inconsistent with the Indenture;

(4) To add to the covenants and agreements of, and limitations and restrictions upon, the Issuer in the Indenture other covenants, agreements, limitations, and restrictions to be observed by the Issuer which are not contrary or inconsistent with the Indenture;

(5) To surrender any rights or power reserved to or conferred upon the Issuer in the Indenture;

(6) To permit the issuance of Bonds in coupon form;

(7) To confirm, as further assurance, any pledge under, and subject to any claim, lien, or pledge created by the Indenture of any other money, securities, or funds;

(8) To authorize different denominations of the Bonds and to make correlative amendments and modifications to the Indenture regarding exchangeability of different denominations, redemptions of portions of Bonds of particular authorized denominations and similar amendments and modifications of a technical nature;

(9) To modify, alter, amend, or supplement the Indenture in any other respect which is not materially adverse to the Holders of the Bonds or any Outstanding Parity Debt; or

(10) Because of a change in federal law or rulings, to maintain the exclusion from gross income of the interest on the Bonds from federal income taxation.

Except for amendments for the purposes described in paragraphs (1) through (10) above, the Issuer may modify or amend the Indenture at any time with the consent of the Holders of at least a majority in principal amount of the Bonds then Outstanding.

Notwithstanding the foregoing, no modification or amendment shall (1) extend the fixed maturity of any Bond, or reduce the rate of interest thereon, or reduce the amount or change the date of any payment required or extend the time of payments of interest from their due date, or reduce the amount of the principal thereof without the consent of the Holder of each Bond so affected, (2) reduce the percentage of Holders of Bonds required by the Indenture to approve any such amendment or supplement to the Indenture, (3) remove the pledge and lien of the Indenture on Stabilized Net Revenues, or (4) without its written consent thereto, modify any of the rights or obligations of the Trustee.

CONTINUING DISCLOSURE

During the past five (5) years, the Issuer has been obligated to comply with continuing disclosure agreements involving ten (10) bond issues, of which the Issuer's Water Revenue Bonds, Series 2007 were defeased in 2016, the Issuer's Water Revenue Bonds Series 2010B were redeemed in full in 2015, and the Issuer's Refunding Water Revenue Bonds, Series 2011B were redeemed in full in 2016. Such agreements require the Issuer acting as Dissemination Agent, to file annual financial information with the Municipal Securities Rulemaking Board on its Electronic Municipal Market Access System ("EMMA") within various time periods set by those agreements. While the Issuer has not made any determination of materiality, the following summarizes a non-exhaustive discussion of the Issuer's compliance with its continuing disclosure obligations over the past five (5) years.

The Issuer filed all required annual financial information, including additional financial statement, in a timely manner.

The Issuer is obligated to file a notice of the occurrence of any significant event listed in Securities and Exchange Commissioner, Rule 15c2-12(b)(5). Included in the list of significant events are bond calls. The Issuer timely filed all notices of bond redemptions.

The Issuer also timely filed notice of a ratings upgrade for its outstanding bonds in 2016.

The Issuer has undertaken steps to ensure that all required annual financial information and significant event notices are filed in a timely manner in the future.

Set further in Appendix C hereto is a copy of the proposed Continuing Disclosure Agreement for the Bonds.

MUNICIPAL ADVISOR

Stephens Inc. has been retained by the Issuer as Municipal Advisor in certain aspects of this financing and has assisted in the preparation of this Official Statement. Stephens Inc. will receive compensation from proceeds of the Bonds for its services as Municipal Advisor. Stephens Inc. may serve from time to time as Underwriter or Municipal Advisor for bonds issued by the City of Little Rock or the City of North Little Rock or component units or related enterprises of such Cities.

UNDERWRITING

The person named on the cover page hereof (the "Underwriter") has purchased the Bonds at public sale for the price of $13,516,322.47 (principal amount plus a reoffering premium of $653,282.35 and less Underwriter's discount of $56,959.88). The Underwriter intends to offer the Bonds to the public initially at the offering prices set forth on the cover page of this Official Statement, although it may subsequently change such offering prices (or bond yields establishing such offering prices) without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public and may offer the Bonds to such dealers and other underwriters at the price below the public offering price.

The obligation of the Underwriter to accept delivery of the Bonds is subject to various conditions set forth in the Issuer's Official Notice of Sale.

TAX EXEMPTION

Federal Taxes. The delivery of the Bonds is subject to the opinion of Wright, Lindsey & Jennings LLP, Bond Counsel, to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations. A form of Bond Counsel's opinion appears in Appendix G hereto. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

Interest on the Bonds owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit, or a financial asset securitization investment trust ("FASIT"). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by Section 55 of the Code will be computed.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the Issuer made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the Issuer with the provisions of the Indenture to the issuance of the Bonds. The Indenture contains covenants by the Issuer with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed with proceeds of the refunded bonds by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds. Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings, and court decisions and the representations and covenants of the Issuer described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the Issuer as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the Issuer may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain Bonds. The initial public offering price of certain Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation, for purposes of calculating a corporation's alternative minimum tax imposed by Section 55 of the Code, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale, or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Bonds (the "Premium Bonds") may be greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

State Taxes. Bond Counsel is of the opinion that, under existing law, the interest on the Bonds is exempt from State of Arkansas income taxes, and the Bonds are not subject to property taxes in the State of Arkansas.

RATING

Moody's Investors Service, Inc. ("Moody's") has given the Bonds the rating of "Aa2." Such rating reflects only the view of such organization at the time such rating was given. An explanation of the significance of the rating may be obtained from the rating agency. There is no assurance that such rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of the rating agency circumstances so warrant. Any downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

Neither the Issuer nor the Underwriter has undertaken any responsibility subsequent to the issuance of the Bonds to assure the maintenance of the rating or to oppose any revision or withdrawal of the rating. No application has been made to any rating agency other than Moody's for a rating on the Bonds.

LEGAL MATTERS

Legal Opinions. Legal matters incident to the authorization and issuance of the Bonds are subject to the unqualified approving opinion of Wright, Lindsey & Jennings LLP, Little Rock, Arkansas, Bond Counsel, a copy of whose approving opinion will be delivered with the Bonds.

Litigation. There is no material litigation pending or threatened against the Issuer, and there is no litigation pending seeking to restrain or enjoin the issuance or delivery of the Bonds or questioning or affecting the legality of the Bonds or the proceedings and authority under which the Bonds are to be issued, or questioning the right of the Issuer to issue the Bonds.

FINANCIAL STATEMENTS

Set forth in APPENDIX D to this Official Statement are the financial statements of the Issuer as of and for the fiscal year ended December 31, 2019, which financial statements have been audited by BKD, LLP, Little Rock, Arkansas, independent certified public accountants, as indicated in their report included in APPENDIX D. The notes set forth in APPENDIX D are an integral part of the financial statements, and the statements and notes should be read in their entirety.

Set forth in Appendix E to this Official Statement are the unaudited financial statements of the Issuer as of August 31, 2020.

FORWARD-LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the Issuer, that are not purely historical are forward-looking statements, including statements regarding the Issuer's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the Issuer on the date hereof, and the Issuer assumes no obligation to update any such forward-looking statements. It is important to note that the Issuer's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners, and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Issuer. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

MISCELLANEOUS

The Issuer has furnished the information in this Official Statement relating to the operation of the Water System. The Underwriter has furnished the information in this Official Statement with respect to the public offering prices of the Bonds.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. This Official Statement is not to be construed as a contract or agreement between the Issuer and the purchasers or owners of any of the Bonds.

Infectious Disease Outbreak – COVID-19. A novel strain of the coronavirus (which leads to the disease known as "COVID-19"), has recently spread throughout the world and has been characterized by the World Health Organization as a pandemic. In March of 2020 President Trump declared a national emergency to unlock federal funds and assistance to help states and local governments fight the pandemic. The Governor of the State of Arkansas (the "State") signed an Executive Order declaring a state of emergency in the State in response to the COVID-19 pandemic, and implemented various measures to reduce the spread of the virus. As such, businesses and individuals are altering their behaviors in a manner that is expected to have negative impacts on regional, state, and local economies. Additionally, measures taken to prevent or reduce the spread of COVID-19, uncertainty about the duration of the pandemic, and the continued economic impact have caused volatility and significant declines in the financial markets in the United States. The United States Congress passed relief and stimulus legislation intended to address the financial impact of the pandemic on the United States economy and financial markets, however, it is too early to forecast the legislation's impact on the economy. If market declines and/or volatility continues, the ability to sell or trade securities in the financial markets could be materially constrained.

The extent to which COVID-19 impacts the Issuer's operations and its financial condition will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information which may emerge concerning the severity of COVID-19, and the actions to contain COVID-19 or treat its impact, among others. In particular, the continued spread of COVID-19 in the United States and the State could have a material adverse effect on the Issuer's operations and its financial condition. Currently, many businesses in the State and in the service area of the Issuer in Pulaski County, Arkansas have closed voluntarily or are operating on a limited basis in response to COVID-19. Such closures or limited operation could lead to a reduction in demand in the services provided by the Issuer, a reduction in revenue received by the Issuer, and an increase in delinquency of customers paying their bills to the Issuer. Such occurrences could have a material adverse effect on the financial condition of the Issuer and could impact the Issuer's ability to timely pay its obligations, including the Bonds. At this time, the extent to which the financial condition of the Issuer is impacted by the COVID-19 pandemic is uncertain and cannot be predicted with confidence.

Year to date through September, total operating revenues are below budget approximately $3,050,000 or 6%. The primary factors for the reduction in operating revenues are a decline in water usage at approximately $2,350,000, a decrease in shutoff charges of approximately $300,000, and an increase in bad debts at approximately $845,000, offset by increases in non-consumption related revenues.

The Issuer suspended disconnection for seven months with account shutoffs for nonpayment resuming beginning October 1, 2020. The Issuer has not waived late penalties for customers. The Issuer expects to collect a portion of the bad debts once shutoffs resume.

The Issuer has taken additional measurers in response to COVID-19. Cost controls have resulted in expenses through September of 2020 under budget by approximately $2,100,000 or 5%. The Issuer has not furloughed employees. Approximately 18% of the Issuer's employees are working remotely at least one day a week. The customer service lobby has been closed for seven months, but the call center and drive thru have remained opened and customers can pay their bill by multiple additional methods including online.

The Issuer does not anticipate having to increase System rates as a result of COVID-19 and does not believe that the COVID-19 outbreak will materially adversely affect its ability to pay debt service on the Bonds.

ACCURACY AND COMPLETENESS OF OFFICIAL STATEMENT

The information contained in this Official Statement has been taken from sources considered to be reliable, but is not guaranteed. To the best of the knowledge of the Issuer, this Official Statement does not include any untrue statement of a material fact, nor does it omit the statement of any material fact required to be stated herein, or necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

[Remainder of page intentionally left blank.]

This Official Statement has been approved by the Issuer.

CENTRAL ARKANSAS WATER

By:*/s/Anthony Kendall*________________________________
Anthony Kendall, Chair

By:*/s/C. Tad Bohannon*________________________________
C. Tad Bohannon, Chief Executive Officer

APPENDIX A

DEFINITIONS OF CERTAIN TERMS

The following are definitions of certain terms used in this Official Statement:

"Accrued Debt Service" means, as of any date of calculation, the amount of Debt Service that has accrued with respect to any of the Bonds, calculating the Debt Service that has accrued with respect to the Bonds as an amount equal to the sum of (a) the interest on the Bonds that has accrued and is unpaid and that will have accrued by the end of the then current calendar month and (b) that portion of the principal for all Bonds payable within the 12-month period following the date of calculation for the Bonds that would have accrued (if deemed to accrue in the same manner as interest accrues) by the end of the then current calendar month.

"Act" means Act No. 982 of the Acts of Arkansas of 2001 (codified at Ark. Code Ann. §§ 25-20-301 *et seq*).

"Authorized Officer" means the Commission's Chairperson and Secretary, and the Issuer's Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, and any other person authorized by resolution of the Commission to perform the act or sign the document in question.

"Authorizing Resolution" means Resolution No. 2020-18 adopted by the Issuer October 28, 2020, authorizing the execution and delivery of the Indenture and the sale and issuance of the Bonds.

"Bond" or "Bonds" means the $12,920,000 Capital Improvement and Refunding Water Revenue Bonds, Series 2020B Bonds, issued by the Issuer in accordance with the terms and conditions of the Indenture.

"Bond Counsel" means Wright, Lindsey & Jennings LLP, Little Rock, Arkansas, or other counsel of nationally recognized standing in matters pertaining to the tax-exempt status of interest and obligations issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States.

"Bond Fund" means the fund by that name established in the Indenture.

"Bond Register" means the books for registration of the Bonds kept for the Issuer by the Trustee.

"Bonds Refunded" means the Refunding Water Revenue Bonds, Series 2015.

"Business Day" means a day of the year which is not a Saturday, Sunday, or legal holiday in New York, New York, or a day on which the Trustee and any Depository are authorized or obligated to close.

"Calendar Year" means the period commencing on January 1 of each year and terminating on the next succeeding December 31.

"Cities" means the City of Little Rock, Arkansas, and the City of North Little Rock, Arkansas, both municipalities and political subdivisions of the State of Arkansas, and their respective successors and assigns.

"Closing Date" means the date of original issuance and delivery of the Bonds to the Underwriter.

"Code" means the Internal Revenue Code of 1986, as amended and supplemented from time to time. Each reference to a section of the Code shall be deemed to include the United States Treasury

Regulations, including temporary and proposed regulations, relating to such section, which are applicable to the Indenture, including the Bonds, the use of Bond proceeds, or the Project.

"Commission" means the Issuer's Board of Commissioners, which has full and complete charge of the Issuer's Water System and the MWM Water System and authority to manage, operate, maintain, improve, and extend the Issuer's Water System and the MWM Water System.

"Consolidation Agreement" means the Consolidation Agreement, dated as of March 5, 2001, by and among the Cities, the Board of Commissioners of the Little Rock Municipal Water Works, and the Board of Commissioners of the North Little Rock Water Department, pursuant to which the Issuer was created and established, as such agreement may be amended from time to time.

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement, dated as of the date of delivery of the Bonds pursuant to which the Issuer agrees to comply with the provisions of Rule 15c2-12(b)(5) of the Securities and Exchange Commission for the benefit of the Beneficial Owners (as defined in the Continuing Disclosure Agreement) of the Bonds.

"Cost of Issuance Fund" means the fund by that name established in the Indenture.

"Costs of Issuance" means payment of the costs of issuance of the Bonds, including legal, accounting, and Municipal Advisor and underwriting fees and expenses, payments and fees due under any agreement pursuant to which the Bonds are sold, bond discount, printing and engraving costs, and fees of rating agencies incurred in connection with the authorization, sale, and issuance of the Bonds and preparation of the Indenture.

"Debt Service" means, for any particular Fiscal Year with respect to the Bonds or Parity Debt, as applicable, an amount equal to the sum of all principal and interest (net of any interest subsidy with respect to Bonds or Parity Debt paid or payable to or for the account of the Issuer by any governmental body or agency) payable during such Fiscal Year calculated on the assumption that Outstanding Bonds or Outstanding Parity Debt on the day of calculation cease to be outstanding by reason of, but only by reason of, payment or defeasance.

"Debt Service Reserve Fund" means the fund by that name established in the Indenture.

"Debt Service Reserve Requirement" means an amount then equal to the lesser of (i) 5% of the principal amount of Bonds as issued, and (ii) 50% of the maximum annual Debt Service on the Bonds.

"Depository" means any bank or trust company selected by the Issuer and satisfactory to the Trustee as a depository of moneys and securities held under the provisions of the Indenture and may include the Trustee.

"DTC" means The Depository Trust Company, New York, New York, and any successor or nominee.

"Event of Default" has the meaning specified in the Indenture.

"Fiduciary" or "Fiduciaries" means the Trustee, the Paying Agents, any Transfer Agent, any Depository, or any or all of them, as may be appropriate.

"Fiscal Year" means the annual accounting period of the Water System as from time to time in effect. As of the date of the Indenture, the Issuer's Fiscal Year is the Calendar Year.

"Fitch" means Fitch Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer, with the approval of the Trustee.

"Fund" means one of the funds and accounts confirmed or established pursuant to the Indenture, including the Bond Fund, the Cost of Issuance Fund, the Debt Service Reserve Fund, the Project Fund, the Redemption Fund and the Revenue Fund, but excluding the Rebate Fund, and for so long as any of the Parity Debt is outstanding, those "Funds" conformed or established pursuant to the indenture or lien Indentures securing such Parity Debt.

"Government Obligations" means (a) direct obligations of or obligations guaranteed by the United States of America and (b) any other evidences of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in (a).

"Grant Aid" means any grants in aid made to the Issuer by the federal government, the State, or one or both of the Cities, or any federal subsidy legally available to pay the principal of or interest on the Bonds, the Senior Debt, the Second Lien Debt, any subsequently issued Parity Debt, or Subordinated Indebtedness.

"Holder," or any similar term, means the owner of any Bond or Bonds. In the case of a fully-registered Bond, Holder means the registered owner of such Bond.

"Improvements" means (1) the acquisition, construction, installation, relocation, or replacement of water distribution and transmission pipes and related appurtenances; (2) improvements to water pumping and treatment facilities; (3) the acquisition, construction, renovation, or redevelopment of administrative building, source facilities, and other properties; and (4) for such other purpose as may be deemed appropriate by the Issuer from time to time.

"Indenture" means the Trust Indenture, dated as of the date of delivery of the Bonds by and between the Issuer and the Trustee, as originally executed or as it may from time to time be supplemented, modified, or amended in accordance therewith.

"Long Term Debt Surcharge Revenues" means 100% of the collections of the long term debt surcharge levied by the Issuer pursuant to Resolution 2015-15, as amended by Resolution 2016-06, for collection within the Maumelle Water System service area.

"Maumelle Water Management" or "MWM Water System" means the water collection, holding, treatment and distribution system and related assets currently owned, operated, and managed and acquired from the Maumelle Suburban Improvement District No. 500 of Pulaski County, Arkansas, pursuant to the Water Consolidation Agreement dated as of October 13, 2015.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer, with the approval of the Trustee.

"Operation and Maintenance Costs" means all actual operation and maintenance costs related to the Water System incurred by the Issuer in any particular Fiscal Year or period to which said term is applicable or charges made therefor during such Fiscal Year or period, including amounts reasonably required to be set aside in reserves for items of Operation and Maintenance Costs the payment of which is not then immediately required. Operation and Maintenance Costs include, but are not limited to, amounts paid by the Issuer for improvement, repair, replacement, or acquisition of any item of equipment related to the Water System; salaries and wages, employees' health, hospitalization, pension, and retirement expenses; fees and expenses for services, materials, and supplies; rents; administrative and general expenses; insurance expenses; Fiduciaries' fees and expenses and other agents' fees and expenses; legal, engineering, accounting, financing, and Municipal Advisory fees and expenses and fees and expenses of other consulting and technical services; training of personnel; taxes; payments in lieu of taxes and other governmental charges; costs of utilities services and other auxiliary services; and any other current expenses or obligations required to be paid by the Issuer under the provisions of the Indenture or by law, all to the extent properly allocable to the Water System. Such Operation and Maintenance Costs do not include depreciation or obsolescence charges or reserves therefor; amortization of intangibles or other bookkeeping entries of a similar nature; interest charges and charges for the payment of principal, or amortization, of bonded or other indebtedness of the Issuer, or costs or charges made therefor; or losses from the sale, abandonment, reclassification, revaluation, or other disposition of any properties.

"Outstanding" means, with respect to the Bonds, as of the applicable date, all Bonds which have been authenticated and delivered by the Trustee under the Indenture, except: (a) Bonds theretofore canceled by the Trustee or delivered to the Trustee for cancellation; (b) Bonds for the payment or redemption of which cash funds or Investment Securities shall have theretofore been deposited with the Trustee (whether upon or prior to the maturity or redemption date of any such Bonds); provided that, if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the provisions of the Indenture or arrangements satisfactory to the Trustee shall have been made therefor, or waiver of such notice satisfactory in form to the Trustee shall have been filed with the Trustee; and (c) Bonds in exchange for or in lieu of which other Bonds have been authenticated or delivered as permitted by the Indenture.

"Parity Debt" means the Issuer's (i) Refunding Water Revenue Bond, Series 2010A; (ii) Refunding Revenue Bonds, Series 2010C (Watershed Protection Project); (iii) Water Revenue Bond, Series 2011A (Wye Mountain Extension Project); (iv) Capital Improvement Water Revenue Bonds, Series 2012A; (v) Refunding Water Revenue Bonds, Series 2014; (vi) Refunding Water Revenue Bonds, Series 2016 (that portion remaining after the partial refunding by Series 2020D Bonds); (vii) 1.5% Water Revenue Bond (Wilson Pump Station Project), Series 2017A Bond; (viii) Water Revenue Bond, Series 2018B; (ix) Water Revenue Bond, Series 2019A (Ozark Point Water Treatment Plant Project); (x) the proposed Capital Improvement and Refunding Water Revenue Bond, Series 2020C (Green Bonds); (xi) the proposed Refunding Water Revenue Bonds, Series 2020D (Taxable); and (xii) future parity debt.

"Paying Agent" means any bank or trust company designated as paying agent for the Bonds in the Indenture, and its successor or successors.

"Payment Date" means each April 1 and October 1, commencing April 1, 2021. In the case of payment of defaulted interest, "Payment Date" also means the date of such payment established pursuant to the Indenture.

"Permitted Investment" means, to the extent permitted by law, any of the following:

(a) Government Obligations;

(b) Securities of, or other interest in, any open-end type investment company or investment trust registered under the Investment Company Act of 1940, and which is defined as a "money market fund" under 17 C.F.R. 270.2a-7, provided that the portfolio of the investment company or investment trust is limited principally to United States government obligations and to repurchase agreements fully collateralized by United States government obligations, and provided further that the investment company or investment trust shall take delivery of the collateral either directly or through an authorized custodian (*e.g.*, money market funds);

(c) Obligations of agencies and instrumentalities created by act of the United States Congress and authorized thereby to issue securities or evidences of indebtedness, regardless of guarantee of repayment by the United States Government (*e.g.*, Federal National Mortgage Association [FNMA] and Federal Home Loan Bank [FHLB]);

(d) Obligations the principal and interest of which are fully guaranteed by the United States government or an agency or an instrumentality created by the act of the United States Congress and authorized thereby to issue such guarantee (*e.g.*, Government National Mortgage Association [GNMA]);

(e) Obligations the principal and interest of which are fully secured, insured, or covered by commitments or agreements to purchase by the United States government or an agency or instrumentality created by an act of the United States Congress and authorized thereby to issue such commitments and agreements (*e.g.*, United States government guaranteed mortgages such as Federal Housing Authority [FHA], Veterans Administration [VA], and Tennessee Valley Authority [TVA]);

(f) Demand, savings, or time deposits or accounts of any depository institution chartered by the United States, any state of the United States, or the District of Columbia, provided funds invested in such demand, savings, or time deposits or accounts are fully insured by the Federal Deposit Insurance Corporation (FDIC) (certificates of deposit and time savings deposits in excess of the $250,000 FDIC limit will require collateral amounting to 105% of the investments value from that institution on the excess over the FDIC limit);

(g) 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 any political subdivision thereof, provided that the repurchase agreement shall provide for the taking of delivery of the collateral, either directly or through an authorized custodian (government backed repurchase agreements);

(h) General obligations of the states of the United States and of the political subdivisions, municipalities, commonwealths, territories, or insular possessions thereof;

(i) Pre-refunded 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;

(j) Revenue bond issues of any state of the United States or any municipality or any political subdivision thereof;

(k) Corporate debt obligations, including commercial paper, of any corporation, rated A or better on Moody's or Standard & Poor's indexes (corporate bonds & commercial paper); and

(l) Such other investments as may be authorized by the Commission from time to time.

"Project Fund" means the fund by that name established in the Indenture.

"Rate Covenant Requirement" has the meaning specified in the Indenture. See the caption "SECURITY FOR THE BONDS—Rate Covenant" in the Official Statement.

"Rating Agency" means, individually or collectively, as applicable, Moody's, S&P, and Fitch.

"Rating Category" means one or more of the generic rating categories of a Rating Agency, without regard to any refinement or gradation of such rating category or categories by a numerical modifier or otherwise.

"Rebate Fund" means the fund by that name established in the Indenture.

"Record Date" means the 15th day preceding each Payment Date, whether or not a Business Day.

"Refunding" means the current refunding of the Issuer's outstanding Refunding Water Revenue Bonds, Series 2015.

"Registered Owners" means any Holder of a Bond as shown on the Bond Register.

"Regulations" means any proposed, temporary, or final Income Tax Regulations issued pursuant to sections 103 and 141 through 150 of the Code. Any reference to any specific Regulation shall also mean, as appropriate, any proposed, temporary, or final Income Tax Regulation designed to supplement, amended, or replace the specific Regulation referenced.

"Revenue Fund" means, so long as there is any Outstanding Senior Debt the fund by that name established in the indentures for the benefit of such previously issued Parity Debt, and thereafter the fund by that name established by the Indenture.

"Revenues" means all revenues, fees, income, rents, and receipts derived by the Issuer from the Issuer's Water System, including without limitation any proceeds from the sale of any property of the Issuer's Water System permitted under the Indenture, including the proceeds of any insurance covering business interruption loss. Revenues also include all interest, profits, or other income derived from the investment of any moneys held pursuant to the Indenture and any indenture securing the Parity Debt, the Subordinate 2016 Bonds or the Subordinated Indebtedness and required to be paid into the Revenue Fund and the proceeds of any interest subsidy with respect to the Bonds, Parity Debt, the Subordinate 2016 Bonds or other Subordinated Indebtedness paid to or for the account of the Issuer by any governmental body or agency. Revenues shall not include: (a) Grant Aid; (b) proceeds received on insurance resulting from casualty damage to assets of the Issuer's Water System or the MWM Water System; (c) rentals or other charges derived by the Issuer under and pursuant to a lease or leases relating to Special Purpose Facilities; (d) the proceeds of sale of Bonds, Parity Debt, Subordinated Indebtedness, or other obligations issued for Issuer's Water System or the MWM Water System purposes; (e) the proceeds of the Watershed Protection Fee; or (f) franchise fees. **From and after the Stabilized Net Revenues Adjustment Date, the preceding sentence within the definition of "Revenues" shall read as follows: Revenues shall not include (a) Grant Aid; (b) proceeds received on insurance resulting from casualty damage to assets of the Water System; (c) rentals or other charges derived by the Issue under and pursuant to a lease or leases relating to Special Purpose Facilities; (d) the proceeds of the sale of Bonds, Parity Debt, Subordinate Indebtedness or other obligations issued for Water System purposes; (e) the proceeds of the Watershed Protection Fee; (f) franchise fees; or (g) Special Debt Retirement Charge Revenues.**

"S&P" means Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer, with the approval of the Trustee.

"Short-Term Indebtedness" means all indebtedness incurred or assumed by the Issuer with respect to the Issuer's Water System or the MWM Water System for any of the following: (a) Payments of principal and interest with respect to money borrowed for an original term, or renewable at the option of the Issuer, for a period from the date originally incurred, of one year or less; (b) Payments under leases having an original term, or renewable at the option of the lessee for a period from the date originally incurred, of one year or less; and (c) Payments under installment purchase contracts having an original term of one year or less.

"Special Debt Retirement Charge Indebtedness" shall mean bonds, notes or other forms of indebtedness that are secured solely by Special Debt Retirement Charge Revenues and from any reserves established only to secure such bonds, notes or other forms of indebtedness. From and after the Stabilized

Net Revenue Adjustment Date, the Subordinate Bonds are included within the definition of Special Debt Retirement Charge Indebtedness.

"Special Debt Retirement Charge Revenues" shall mean Revenues collected from a special charge to customers in a defined service area of the Water System that are used solely to retire Special Debt Retirement Charge Indebtedness.

"Special Purpose Bonds" means (i) such other bonds to which a portion of Revenues are pledged, and the proceeds of which are used to finance the design, acquisition, and construction of facilities or projects as the Commission shall by resolution designate as a Special Purpose Facility, and the cost of construction and acquisition of which facilities are financed with the proceeds of Special Purpose Bonds, notes, or obligations of the Issuer as contemplated and permitted by the Indenture, or (ii) such other bonds to which the Watershed Protection Fee is pledged and the proceeds of which are used to finance the acquisition of land within the watershed of Lake Maumelle or the design, acquisition, and construction of facilities or projects as the Commission shall by resolution deem necessary or advisable for protection of water quality within Lake Maumelle.

"Special Purpose Facility" means (a) additional water sources, including but not limited to, a new lake; or (b) such other facilities or projects as the Commission shall by resolution designate as a Special Purpose Facility, and the cost of construction and acquisition of which facilities are financed with the proceeds of Special Purpose Bonds, notes, or obligations as contemplated and permitted by the Indenture.

"Stabilized Net Revenues" means, for any period, an amount equal to all of the Revenues received during such period less operation and maintenance costs during such period, less amounts transferred into the Rate Stabilization Account pursuant to authorization by the Commission, plus amounts transferred out of the Rate Stabilization Account pursuant to authorization by the Commission.

"Stabilized Net Revenues Adjustment Date" means the first date on which (i) the Series 2010C Bonds, the Series 2012A Bonds, the Series 2014 Bonds, the Series 2016, the Series 2017A Bond, are fully paid or defeased and (ii) the 2010A Bond, Series 2011A Bond, and the Series 2017A Bond are either paid in full or the owners of the Series 2010A Bond, the Series 2011A Bond, and the Series 2017A Bond have agreed to release any Special Debt Retirement Charge Revenues from the pledge in favor of the Series 2010A Bond, the Series 2011A Bond, and the Series 2017A Bond.

"State" means the State of Arkansas.

"Subordinated Indebtedness" shall mean bonds, notes, or other forms of indebtedness, the payment of the principal of or interest or redemption premium on which are payable solely from moneys after payment of all periodic obligations under the Indenture or under the provisions of any Parity Debt.

"Tax Regulatory Agreement" means the Tax Regulatory Agreement, dated the Closing Date, between the Issuer and the Trustee, executed and delivered in connection with the Bonds in order to assure the tax-exempt status of interest received on the Bonds.

"Transfer Agent" means, as the agent of the Issuer, the Trustee and each and every additional agent appointed from time to time as the agent of the Issuer pursuant to the Indenture for the transfer and authentication of Bonds for so long as such appointment shall continue in effect.

"Trustee" means Regions Bank and its successors and permitted assigns appointed by the Issuer pursuant to the Indenture, and any other corporation or association which may at any time be substituted in its place as provided herein.

"Underwriter" means Morgan Stanley & Co., LLC, or its registered assigns.

"Water Consultant" means any firm, corporation, or individual, including but not limited to registered professional engineers and certified public accountants, who are experienced in the administration, financial affairs, maintenance, construction, or operation of potable water collection, holding, treatment, and distribution facilities, appointed and paid by the Issuer, who: (a) is in fact independent and not under the domination of the Issuer; (b) does not have any substantial interest, direct or indirect, in the Issuer; and (c) is not connected with the Issuer as an officer or employee but who may be regularly retained to make annual or other periodic reports to the Issuer.

"Water Consultant's Certificate" means a certificate or opinion signed by a Water Consultant.

"Watershed Protection Fee" means the fee designated as such on each customer's water bill that, by resolution of the Commission, is dedicated toward funding the Issuer's Watershed Management Program, which includes land purchases, water quality monitoring, and other measures to protect the Issuer's drinking water supply lakes from potential sources of pollution.

"Water System" or "Issuer's Water System" means the water collection, holding, treatment, and distribution system currently owned, operated, and managed by the Issuer, plus future additions thereto and all present and future improvements and facilities thereof or acquired or constructed for purposes associated therewith.

"Written Certificate" "Written Request" and "Written Statement" means an instrument in writing signed on behalf of the Issuer by an Authorized Officer. Any such instrument and any supporting opinions or certificates may, but need not, be combined in a single instrument with any other instrument, opinion, or certificate, and the two or more so combined shall be read and construed so as to form a single instrument. Any such instrument may be based, insofar as it relates to legal, accounting, or engineering matters, upon the opinion or certificate of counsel, consultants, accountants, or engineers, unless the Authorized Officer signing such Written Certificate or Request or Statement knows, or in the exercise of reasonable care should have known, that the opinion or certificate with respect to the matters upon which such Written Certificate or Request or Statement may be based, as aforesaid, is erroneous. The same Authorized Officer, or the same counsel, consultant, accountant, or engineer, as the case may be, need not certify to all of the matters required to be certified under any provision of the Indenture, but different Authorized Officers, counsel, consultants, accountants, or engineers may certify to different facts. Every Written Certificate or Request or Statement of the Issuer, and every certificate or opinion of counsel, consultants, accountants, or engineers provided for herein shall include: (a) a statement that the person making such certificate, request, statement, or opinion has read the pertinent provisions of the Indenture to which such certificate, request, statement, or opinion relates; (b) a brief statement as to the nature and scope of the examination or investigation upon which the certificate, request, statement, or opinion is based; (c) a statement that, in the opinion of such person, the person has made such examination or investigation as is necessary to enable the person to express an informed opinion with respect to the subject matter referred to in the instrument to which the person's signature is affixed; and (d) with respect to any statement relating to compliance with any provision of the Indenture, a statement whether or not, in the opinion of such person, such provision has been complied with.

APPENDIX B

WATER RATES

Current Rates. The Issuer has most recently established water rates within the Water System by Resolution 2018-13 approved by the Commission on December 10, 2018, as a four-year schedule of rates for the years 2019, 2020, 2021, and 2022.

A summary of the current rates, effective January 1, 2019, June 1, 2019, January 1, 2020, January 1, 2021, and January 1, 2022 follows.

Minimum Monthly Charge

The Minimum Monthly Charge for all customers except public and private fire service.

METER SIZE	INSIDE CITY MINIMUM MONTHLY CHARGE				
(diameter)	1/1/2019*	6/1/2019	1/1/2020	1/1/2021	1/1/2022
5/8”	$ 7.85	$ 7.85	$ 7.85	$ 7.85	$ 7.85
3/4”	$ 10.14	$ 10.14	$ 10.14	$ 10.14	$ 10.14
1”	$ 14.41	$ 14.41	$ 14.41	$ 14.41	$ 14.41
1 1/2”	$ 24.37	$ 24.37	$ 24.37	$ 24.37	$ 24.37
2”	$ 39.52	$ 39.52	$ 39.52	$ 39.52	$ 39.52
3”	$ 73.07	$ 73.07	$ 73.07	$ 73.07	$ 73.07
4”	$ 118.85	$ 118.85	$ 118.85	$ 118.85	$ 118.85
6”	$ 235.08	$ 235.08	$ 235.08	$ 235.08	$ 235.08
8”	$ 397.64	$ 397.64	$ 397.64	$ 397.64	$ 397.64
10”	$ 572.49	$ 572.49	$ 572.49	$ 572.49	$ 572.49
12”	$ 1,042.65	$ 1,042.65	$ 1,042.65	$ 1,042.65	$ 1,042.65

*Includes up to 200 cubic feet (CF)

METER SIZE	OUTSIDE CITY MINIMUM MONTHLY CHARGE				
(diameter)	1/1/2019*	6/1/2019	1/1/2020	1/1/2021	1/1/2022
5/8”	$ 10.28	$ 10.28	$ 10.28	$ 10.28	$ 10.28
3/4”	$ 13.28	$ 13.28	$ 13.28	$ 13.28	$ 13.28
1”	$ 18.87	$ 18.87	$ 18.87	$ 18.87	$ 18.87
1 1/2”	$ 31.90	$ 31.90	$ 31.90	$ 31.90	$ 31.90
2”	$ 51.73	$ 51.73	$ 51.73	$ 51.73	$ 51.73
3”	$ 95.64	$ 95.64	$ 95.64	$ 95.64	$ 95.64
4”	$ 155.58	$ 155.58	$ 155.58	$ 155.58	$ 155.58
6”	$ 307.72	$ 307.72	$ 307.72	$ 307.72	$ 307.72
8”	$ 520.51	$ 520.51	$ 520.51	$ 520.51	$ 520.51
10”	$ 749.38	$ 749.38	$ 749.38	$ 749.38	$ 749.38
12”	$ 1,364.83	$ 1,364.83	$ 1,364.83	$ 1,364.83	$ 1,364.83

*Includes up to 200 Cubic feet (CF)

The Central Arkansas Water Board of Commissioners may, at any time by Resolution passed by a majority of the Board of Commissioners, elect to include up to 500 cubic feet of water in the Monthly Minimum Charge before the Volume Based Rates are applicable when adequate cash reserves and revenues are available to meet Central Arkansas Water’s upcoming operating, maintenance, and capital expenditure requirements.

Additional Monthly Charge

In addition to the Minimum Monthly Charge, the Table of Volume-Based Rates adopted by Resolution 2018-13 for calendar years 2019 and beyond (as set forth below) shall continue to apply to the amount of water (above the amount of water included in the Monthly Minimum Charge) delivered by Central Arkansas Water per month:

CUSTOMER CLASS	INSIDE CITY $ PER 100 CF 1 - 33	INSIDE CITY $ PER 100 CF OVER 33	OUTSIDE CITY $ PER 100 CF 1 - 33	OUTSIDE CITY $ PER 100 CF OVER 33
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
IRRIGATION	$ 1.71	$ 2.22	$ 2.73	$ 3.57

Nonresident Consumers

The term “outside city” used in the foregoing rates refers to any consumer receiving service outside the municipal boundaries of the City of Little Rock and the City of North Little Rock and to nonresident consumers and Wholesale-Metered Customers who purchase water within the municipal boundaries for transport to a point outside the municipal boundaries for use or resale.

Private Fire Services

Private fire service connections for private premises in both the City of Little Rock, Arkansas and the City of North Little Rock, Arkansas and consumers outside the municipal boundaries of each city both north and south of the Arkansas River shall pay the following annual fire service charges, effective as of the dates stated.

	Rates Effective January 1, 2019	
	Inside Cities of LR & NLR	Outside Cities of LR & NLR
Fire Hydrants	$ 79.51	$ 115.02
Automatic Sprinkler System		
Minimum Charge (1,000 Heads)	92.20	133.38
Additional Heads, each	0.09	0.15
Standpipe 1 1/4” (or smaller) diameter, each	18.03	26.10
1 1/2” Diameter, each at	28.07	40.59
2” Diameter, each at	46.12	66.69
2 1/2” Diameter, each	92.20	133.38

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.

The Watershed Protection Fee continued as implemented in 2009 until June 1, 2019, when the fee was increased from $0.45 to $0.60 per 5/8” or ¾” equivalent meter as outlined in Resolution 2018-13. On October 10, 2019, the Board of Commissioners passed Resolution 2019-09 which increased the Watershed Protection Fee to $0.75 as of January 1, 2020 and $0.90 per month per 5/8” or 3/4” equivalent meter effective January 1, 2021. The Watershed Protection Fees for all meter sizes are presented below:””

METER	WATERSHED PROTECTION FEE			
SIZE (diameter)	1/1/2019	6/1/2019	1/1/2020	1/1/2021
5/8”	$0.45	$0.60	$0.75	$0.90
3/4”	0.45	0.60	0.75	0.90
1”	0.68	0.90	1.13	1.35
1 1/2”	1.13	1.50	1.88	2.25
2”	2.25	3.00	3.75	4.50
3”	3.60	4.80	6.00	7.20
4”	6.75	9.00	11.25	13.50
6”	11.25	15.00	18.75	22.50
8”	22.50	30.00	37.50	45.00
10”	36.00	48.00	60.00	72.00

The following schedule of rates is established by the Issuer for Wholesale-Metered Customers, whether such Wholesale-Metered Customers are located within or without the political boundaries of any retail area served by the Issuer.

All Wholesale-Metered Customers shall pay a Minimum Monthly Charge for the first 200 cubic feet of water delivered by the Issuer and an additional amount determined by the following rates for all water in excess of 200 cubic feet per month delivered by the Issuer, effective as of the dates stated.

Time Water is Taken	RATES Effective 1/1/2019 $ PER 100 CF
ON PEAK: Customers taking any water from 4:01 a.m. to 8:59 a.m. and/or 5:01 p.m. to 9:59 p.m.	$1.65
OFF PEAK: Customers taking all water from 10:00 p.m. to 4:00 a.m. and/or 9:00 a.m. to 5:00 p.m.	$1.52

The Watershed Protection Fee, shall not apply to the sale of water by the Issuer to Wholesale-Metered Customers at the wholesale meter(s), but instead each Wholesale-Metered Customer shall pay the Watershed Protection Fee based on the number of individually metered customers (at each application meter size) of the Wholesale-Metered Customer as well as those of any subsequent wholesale purchasers from the Wholesale-Metered Customer. Wholesale-Metered Customers obtaining less than one hundred percent (100%) of their total supply from the Issuer will pay only a proportional share of the Watershed Protection Fee based on the percentage of water supplied by the Issuer compared to the total amount of water utilized by the Wholesale-Metered Customer each month. If a Wholesale-Metered Customer takes less than the required minimum amount of water pursuant to the contract between the Wholesale-Metered Customer and the Issuer, the allocation for determining the amount of the Watershed Protection Fee to be paid shall be based on the required minimum under the contract, not the amount of water actually taken by the Wholesale-Metered Customer. Wholesale-Metered Customers shall report each month the total metered consumption and number of active meters by size. Wholesale-Metered Customers may pass the fee through directly or include it in their rates. Each Wholesale-Metered Customer must assure that each and every wholesale customer of the Wholesale-Metered Customer is paying the applicable amount of Watershed Protection Fees each month.

The following schedule of rates is hereby established by the Issuer for Raw Water Customers.

All Raw Water Customers purchasing raw water shall pay a Minimum Monthly Charge for the first 200 cubic feet of water used and an additional amount determined by the following rates for all water in excess of 200 cubic feet per month, effective as of the dates stated.

	RATES **EFFECTIVE JANUARY 1, 2019** **($ PER 100 CF)**
Raw Water Customer	**$0.66**

Bills for service shall be rendered and paid monthly, with the exception of payments for private fire service and Wholesale-Metered Customers. Payments for private fire service shall be due in semi-annual installments in advance of the first (1st) day of January and July of each year. For Wholesale-Metered Customers, bills for service shall be rendered and paid monthly in accordance with the terms and conditions of the agreement for the purchase and sale of surplus water between the Issuer and the Wholesale-Metered Customer. See "Billing Procedures, Penalties, Delinquency and Uncollectible Accounts", herein.

Debt Surcharges. In addition to the Minimum Monthly Charges and other rates set forth above, the Issuer shall also assess debt surcharges on each meter within the Maumelle Water System service territory established by the Issuer. The debt surcharges are in an amount sufficient to pay for the expenses identified in the Water Consolidation Agreement, dated as of October 13, 2015, pursuant to which the Issuer purchased the Maumelle Water System and related assets. Each debt surcharge will continue until the debt associated with the respective surcharge is repaid.

DEBT SURCHARGES

Meter Size (Diameter)	Intermediate	Long Term
5/8"	$ 4.92	$ 15.67
3/4"	4.92	15.67
1"	25.09	79.92
1 1/2"	37.39	119.09
2"	50.18	159.83
3"	62.48	199.01
4"	75.28	239.75
6"	149.05	474.71
8"	251.89	802.25

In addition to the Minimum Monthly Charges and other rates set forth above, the Issuer shall also assess debt surcharges on each meter within the POWA Water System service territory established by the Issuer. The debt surcharges are in an amount sufficient to pay for the expenses identified in the Water Consolidation Agreement, dated as of January 8, 2020, pursuant to which the Issuer purchased the POWA Water System and related assets. Each debt surcharge will continue until the debt associated with the respective surcharge is repaid.

DEBT SURCHARGES

Amount	Effective Date
$5.50	June 1, 2020
$11.00	January 1, 2022

Penalty. A penalty of ten percent (10%) shall be added to a customer bill not paid before the 20th day following the billing date. If a bill is not paid within 30 days after the billing date, service for the affected premise, or customer, may be disconnected. In such event, CAW may levy a reconnection charge in accordance with its existing service charge schedule for all CAW customers.

APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated as of November 24, 2020 (the "Agreement"), is executed and delivered by Central Arkansas Water, a body politic and corporate created pursuant to the Consolidated Waterworks Authorization Act, Act No. 982 of the Act of Arkansas of 2001 (the "Issuer"), in connection with the issuance by the Issuer of its $12,920,000 Capital Improvement and Refunding Water Revenue Bonds, Series 2020B (the "Bonds"). The Bonds are being issued pursuant to a Trust Indenture, dated as of November 24, 2020 (the "Indenture"), between the Issuer and Regions Bank, as Trustee (the "Trustee"). Pursuant to Rule 15c2-12(b)(5) (17 C.F.R. § 240.15c2-12) (the "Rule") adopted by the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended (the "1934 Act"), the Issuer covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the first paragraph of this Agreement and in the Indenture, which apply to any capitalized term used in this Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Financial Information" means the financial information (which shall be prepared in accordance with GAAP for governmental units as prescribed by GASB which are applicable to information of the type being provided) with respect to the Issuer, provided at least annually, consisting of the financial and operating information contained in the sections of the Official Statement more particularly described in SCHEDULE 1 attached hereto, which Annual Financial Information may, but is not required to, include Audited Financial Statements. Any or all of the items listed above may be included in the Annual Financial Information by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been previously provided to the MSRB or the SEC. If the document included by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify in the Annual Financial Information each such other document so included by reference.

"Audited Financial Statements" means the Issuer's annual financial statements, prepared in accordance with GAAP for governmental units as prescribed by GASB, which financial statements shall have been audited by a firm of independent certified public accountants or such auditor as shall be required or permitted by the State of Arkansas.

"Beneficial Owner" means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories, or other intermediaries) or is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" means the Issuer, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Issuer and which has filed a written acceptance of such designation with the Trustee.

"EMMA" means the Electronic Municipal Market Access system as described in 1934 Act Release No. 59062 and maintained by the MSRB for purposes of the Rule.

"Financial Obligation" is defined as a (i) debt obligation; (ii) derivative instrument entered into connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation does not include municipal securities as to which a final official statement has been filed with the MSRB pursuant to the Rule.

"Fiscal Year" means any period of 12 consecutive months adopted by the Issuer as its fiscal year for financial reporting purposes. At the date of this Agreement the Fiscal Year of the Issuer means the period beginning on January 1 of each calendar year and ending on December 31 of such calendar year.

"GAAP" means generally accepted accounting principles.

"GASB" means the Governmental Accounting Standards Board.

"Listed Event" means any of the following events with respect to the Bonds:

(i) principal and interest payment delinquencies;
(ii) non-payment related defaults, if material;
(iii) unscheduled draws on debt service reserves reflecting financial difficulties;
(iv) unscheduled draws on credit enhancements reflecting financial difficulties;
(v) substitution of credit or liquidity providers, or their failure to perform;
(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
(vii) modifications to rights of security holders, if material;
(viii) bond calls, if material, and tender offers;
(ix) defeasances;
(x) release, substitution, or sale of property securing repayment of the securities, if material;
(xi) rating changes;
(xii) bankruptcy, insolvency, receivership, or similar event of the obligated person;
(xiii) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.
(xv) incurrence of a "financial obligation" (as defined below) of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect Beneficial Owners, if material.
(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

"Listed Event Notice" means notice of a Listed Event.

"MSRB" means the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the 1934 Act, or any successor thereto for purposes of the Rule.

"Obligated Person" means the Issuer.

"Official Statement" means the Issuer's Official Statement, dated November 3, 2020, relating to the Bonds, as the same may be amended or supplemented.

"Participating Underwriters" means the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Report Date" means the next June 30 after the end of each of the Issuer's Fiscal Year.

"State" means the State of Arkansas.

Section 2. Purpose of this Agreement; Obligated Persons; Agreement to Constitute Contract.

(a) This Agreement is being executed and delivered by the Issuer for the benefit of the Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with, and constitutes the written undertaking for the Beneficial Owners required by, the Rule.

(b) The Issuer is an "obligated person" within the meaning of the Rule (and is the only "obligated person" within the meaning of the Rule for whom financial information or operating data is presented in the Official Statement), and agrees to provide Annual Financial Information, Audited Financial Statements, if any, and Listed Event Notices as provided in this Agreement.

(c) In consideration of the purchase and acceptance of any and all of the Bonds by those who shall hold the same or shall own beneficial ownership interests therein from time to time, this Agreement shall be deemed to be and shall constitute a contract between the Issuer and the Beneficial Owners from time to time of the Bonds; and the covenants and agreements set forth in this Agreement to be performed on behalf of the Issuer shall be for the benefit of the Beneficial Owners of any and all of the Bonds.

Section 3. Provision of Annual Financial Information.

(a) While any of the Bonds are Outstanding, the Issuer shall, or shall cause the Dissemination Agent to, provide the Annual Financial Information on or before each Report Date, commencing with the Fiscal Year ended December 31, 2020, to the MSRB through EMMA or any similar system acceptable to the SEC. The Annual Financial Information shall be filed in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. Not later than 15 days prior to said date, the Issuer shall provide the Annual Financial Information to the Dissemination Agent (unless the Issuer is serving as Dissemination Agent). The Issuer shall include with each such submission of Annual Financial Information to the Dissemination Agent (unless the Issuer is serving as Dissemination Agent) a written representation to the effect that the Annual Financial Information is the Annual Financial Information required to be provided by it pursuant to this Agreement and that it complies with the applicable requirements of this Agreement. In each case, the Annual Financial Information may be submitted as a single document or as a set of documents, and all or any part of such Annual Financial Information may be provided by specific cross-reference to other documents previously provided to the MSRB, or filed with the SEC and, if such a document is a final official statement within the meaning of the Rule, available from the MSRB, as provided in the definition of Annual Financial Information. Audited Financial Statements may, but are not required to be, provided as a part of the Annual Financial Information.

(b) If not provided as part of the Annual Financial Information, the Issuer shall, or shall cause the Dissemination Agent to, provide the Audited Financial Statements when and if available while any Bonds are Outstanding to the MSRB through EMMA.

(c) If the Issuer is not serving as Dissemination Agent, and if by 15 days prior to a Report Date the Dissemination Agent has not received a copy of the Annual Financial Information, the Dissemination Agent shall contact the Issuer to notify the Issuer that it has not received the Annual Financial Information and remind each party that such information must be provided to the MSRB by the Report Date. For the purposes of determining whether information received from the Issuer is Annual Financial Information, the Dissemination Agent shall be entitled conclusively to rely on the Issuer's written representation made pursuant to (a).

(d) The Dissemination Agent shall file a report to be maintained by the Issuer certifying that the Annual Financial Information has been provided pursuant to this Agreement and stating the date it was provided.

(e) If the Issuer is not serving as Dissemination Agent, and if the Dissemination Agent does not receive the Annual Financial Information, the Dissemination Agent shall, without further direction or instruction from the Issuer, provide in a timely manner to the MSRB notice of any failure by the Issuer while any Bonds are Outstanding to provide to the Dissemination Agent Annual Financial Information on or before the Report Date.

Section 4. Reporting of Listed Events.

(a) If a Listed Event occurs while any Bonds are Outstanding, the Issuer shall provide, or shall cause to be provided by the Trustee, a Listed Event Notice, in a timely manner not in excess of 10 Business Days after the occurrence of such Listed Event, to the MSRB, through its continuing disclosure service portal provided through EMMA at http://www.msrb.emma.org or any other similar system that is acceptable to the SEC. Each notice of the occurrence of a Listed Event shall be captioned "Notice of Listed Event" and shall be filed in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

(b) Notwithstanding the foregoing, notice of Listed Events described in subsections (viii) and (ix) of the definition of "Listed Event" need not be given any earlier than the notice (if any) of the underlying event is given to the Bondholders of affected Bonds pursuant to the Indenture.

Section 5. Termination of Reporting Obligation. The Issuer's obligations under this Agreement shall automatically terminate once the Bonds are no longer Outstanding. Any provision of this Agreement shall be null and void in the event the Issuer delivers an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require the provisions of such undertaking or portion thereof are invalid, have been repealed retroactively, or otherwise do not apply to the Bonds; provided that the Issuer shall have provided notice of such delivery and the cancellation of such undertaking or provision thereof to the MSRB.

Section 7. Dissemination Agent.

(a) The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Agreement. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent.

(b) Unless otherwise required by law and subject to technical and economic feasibility, the Issuer and the Dissemination Agent shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the Issuer's information.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Agreement, the Issuer may amend this Agreement, and any provision of this Agreement may be waived by the parties hereto, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, provided that the Issuer shall have provided notice of such delivery and of the amendment to the MSRB. Any such amendment shall satisfy, unless otherwise permitted by the Rule, the following conditions:

(a) The amendment may only be made in connection with a change in circumstances that arises from a change in legal reimbursements, change in law, or change in the identity, nature, or status of the obligated person or type of business conducted;

(b) This Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of the Beneficial Owners, as determined by a nationally recognized bond counsel, or by approving vote of Bondholders pursuant to the terms of the Indenture at the time of the amendment.

The initial Annual Financial Information after the amendment shall explain, in narrative form, the reasons for the amendment and the effect of the change, if any, in the type of operating data or financial information being provided.

Section 9. Additional Information. Nothing in this Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the Issuer chooses to include any information in any Annual Financial Information or notice of occurrence of a Listed Event in addition to that which is specifically required by this Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future Annual Financial Information or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Issuer or the Dissemination Agent to comply with any provision of this Agreement, any Beneficial Owner may seek mandate or specific performance by court order to cause the Issuer to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an Event of Default under the Indenture, and the rights and remedies provided by the Indenture upon the occurrence of an “Event of Default” shall not apply to any such failure. The Issuer shall not be liable for any breach of its obligations under this Section unless such breach is the result of willful or reckless actions or omissions. The sole remedy under this Agreement in the event of any failure of the Issuer or the Dissemination Agent to comply with this Agreement shall be an action to compel performance and the Issuer, its members, officers and employees shall incur no liability under this Agreement by reason of any act or failure to act hereunder. Without limiting the generality of the foregoing, neither the commencement nor the successful completion of an action to compel performance under this Section shall entitle any person to attorney’s fees, financial damages of any sort or any other relief other than an order or injunction compelling performance.

Section 11. Duties, Immunities, and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees, and agents harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys’ fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent’s negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Beneficiaries. This Agreement shall inure solely to the benefit of the Issuer and the Beneficial Owners from time to time of the Bonds or any interest therein, and shall create no rights in any other person or entity.

Section 13. Interpretation. It being the intention of the parties that there be full and complete compliance with the Rule, this Agreement shall be construed in accordance with the written interpretative guidance and no-action letters published from time to time by the SEC and its staff with respect to the Rule.

Section 14. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 15. Choice of Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Arkansas, provided that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

IN WITNESS WHEREOF, the undersigned has executed this Continuing Disclosure Agreement as of the day and year first written above.

CENTRAL ARKANSAS WATER

By: ___________________________________
Anthony Kendall, Chair

SCHEDULE 1 TO CONTINUING DISCLOSURE AGREEMENT

ANNUAL FINANCIAL INFORMATION

(i) Financial and operating information appearing in the Official Statement as follows:

(a) Total and classification of Water System customers as set forth under the caption "THE WATER SYSTEM—Customers" in the Official Statement;

(b) List of ten largest Water System customers along with the total revenues derived from each and the respective percentages of such revenues to total revenues of each of the Issuer's Water System, as set forth under the caption "THE WATER SYSTEM—Customers" in the Official Statement;

(c) The Water System's Average Daily Use and Maximum Day's Use as set forth under the caption "THE WATER SYSTEM—Usage" in the Official Statement;

(d) The water rates with respect to the Water System as set forth under the caption "THE WATER SYSTEM—Water Rates" in the Official Statement;

(e) Water System revenues, bad debt expense, and percentage of bad debts to total revenues of the Water System, as set forth under the caption "THE WATER SYSTEM—Billing Procedures, Delinquency and Uncollectible Accounts" in the Official Statement;

(f) Estimated costs for projected Water System capital improvements for the current Fiscal Year as set forth under the caption "THE WATER SYSTEM—Projected Capital Expenditures" in the Official Statement; and

(g) Information regarding any planned addition or deletion of a significant group of customers of the Water System; and

(ii) Audited Financial Statements, if available.

APPENDIX D

AUDITED FINANCIAL STATEMENTS FOR YEAR ENDED

DECEMBER 31, 2019 AUDITED BY BKD, LLP

COMPREHENSIVE

ANNUAL FINANCIAL REPORT

Safe • Abundant • Dependable • High-Quality • Low-Cost Water

FOR YEARS ENDED 2019 AND 2018

Central Arkansas Water
Essential & Exceptional

COMPREHENSIVE

ANNUAL FINANCIAL REPORT

For Years Ended December 31, 2019 & 2018

Prepared by the Central Arkansas Water Finance Department
221 East Capitol Avenue | P. O. Box 1789 | Little Rock, AR 72203

CARKW.COM

Central Arkansas Water
Essential & Exceptional

Central Arkansas Water

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Central Arkansas Water

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Introductory Section

April 23, 2020

To the Board of Commissioners and Our Customers:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of Central Arkansas Water (CAW or the Utility) for the years ended December 31, 2019 and 2018.

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, 2019 and 2018. See Management's Discussion and Analysis, beginning on Page 24. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Utility.

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

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

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

THE REPORTING ENTITY

In 1936, the City of Little Rock purchased the water facilities serving the south side of the Arkansas River. The City of North Little Rock purchased the water facilities serving its corporate boundaries and rural customers in 1959. Following the acquisitions by the respective cities, the municipalities appointed separate governing boards to oversee operations, planning, and expansion of Little Rock Municipal Water Works and the North Little Rock Water Department. On March 5, 2001, city and water officials signed a Water Utilities Consolidation Agreement. On July 1, 2001, Little Rock Municipal Water Works and the North Little Rock Water Department officially merged operations under the governance of a single entity, Central Arkansas Water. On March 1, 2016, Maumelle Water Management (MWM) became part of CAW through a merger that added 7,500 customers in the city of Maumelle.

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 eight departments: Administration, Distribution, Engineering, Finance, Customer Service, Information Services, Water Production, and Water Quality.

The Utility collects, stores, treats, and distributes water for a population of approximately 450,000 in central Arkansas. The major components of the system are two raw water supplies, Lake Winona and Lake Maumelle; a regulating and storage facility, Jackson Reservoir; two treatment facilities, Jack H. Wilson Treatment Plant (Wilson Plant) and Ozark Point Treatment Plant (Ozark Point Plant); approximately 2,527 miles of public pipeline; 25 remote booster pumping stations; and 29 remote storage facilities. As of December 31, 2019, the Utility provides water service to approximately 530 square miles and approximately 137,000 active customer accounts.

MAJOR INITIATIVES AND ACCOMPLISHMENTS IN 2019

As an organization, CAW was involved in multiple projects and achievements in 2019. One of the main focuses continued to be the replacement of the current customer information system (CIS). The Pinnacle Project Team, comprised of employees from the Customer Service, Engineering, Finance, and Information Services (IS) departments, continued the implementation of the new Cayenta Utilities system. Data cleansing and testing continued to ensure the smooth transition to the Cayenta platform. Go-Live for this project is expected in 2020.

In March 2019, CAW met a major objective of securing future water sources for central Arkansas with the acquisition of water rights of 100 million gallons per day in DeGray Lake. The executed agreement with the U.S. Army Corps of Engineers and Southwest Power Administration ends a 20 plus year campaign for this water storage in central Arkansas.

Dr. Jay Barth was selected as the newest CAW commissioner and began his term in July 2019. He is one of the four Little Rock appointees and will serve through June 2025. Commissioner Eddie Powell passed away, and his replacement, Kevin Newton, joined the Commission in January 2020. He is one of three North Little Rock appointees and will serve through June 2026.

CAW won the annual Water Taste Contest at the Southwest Section American Water Works Association Conference in October 2019. After winning both the Central Arkansas and statewide competitions, CAW was deemed to have the best-tasting water, besting the City of Tulsa and Peoples Water Service Company of Bastrop, Louisiana. CAW moved onto the national contest to be held at the 2020 annual conference.

In November 2019, CAW debuted Vessel, the first water leak detection canine in the United States. Vessel came to us as a rescue, who had graduated from the Arkansas Paws in Prison program. She spent many weeks training to ascertain differences between typical ground water and treated water leaking from our distribution system. Vessel has garnered quite a following on social media in addition to her Distribution department duties.

Administration

2019 marked the first full year during which CAW Administration was served by both a Chief Innovation Officer and a Human Resources Director. These positions continued to move the department and the Utility forward in innovation, technology, and process improvement.

CAW's turnover for 2019 was 7.65%, with a five-year average of 7.88%. Both statistics are significantly lower than the national average for state and local government of 18.7% in 2019 (estimated) and 20.48% for the five-year average. These statistics are provided through the Bureau of Labor Statistics (BLS).

The performance appraisal, utilized as part of the annual evaluation process, was revamped to include the High Performing, Innovative, Values-Driven, Informed, and Passionate (HIVIP) culture initiatives.

CAW's 2019 Cost of Benefits as a percent of total compensation (wages + benefits) decreased slightly to 29.26% and was closely aligned with the BLS/Society for Human Resources Management (SHRM) national average of 29.20%.

As promised at the end of 2018, a total compensation analysis was performed. CAW prepared a request for qualifications to select a benefit broker, and McGriff Insurance Services was selected. With their help, we were able to make changes in our benefit offerings that gave the employee a broader range of services. One of those changes was the offering of both a preferred provider organization (PPO) and a high-deductible health plan (HDHP). Another significant change was adding a fourth tier to all offerings so that employees can now select from employee only, employee and spouse, employee and child(ren), or family plans. Insurance for 65+ retirees was shifted to a group Medicare Supplement plan and Part D prescription plan that saved the both the company and the retiree money. With these enhanced selections, we were able to turn a forecasted 20% increase into a 2% savings in overall benefits. We also automated the enrollment process through benefit administration software made possible through McGriff at no charge.

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

The Public Affairs and Communications Department reached more than 550,000 online accounts across CAW's five social media platforms in 2019 and acquired a collective following of about 78,000 people. The Utility added an Instagram account 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, most notably articles on CAW's launch of Vessel. A large part of the year's success was due to increased engagement with our community stakeholders.

Throughout 2019, Public Affairs and Communications issued over 30 press releases and spokesperson interviews regarding Utility activities for media outlets in central Arkansas. Public Affairs and Communications also continued to support positive internal morale as well as an informed workforce through the REACH video bulletin board system at every CAW facility. These display boards allow the sharing of real-time information with employees at duty stations to keep them informed, and to celebrate staff and Utility accomplishments.

During 2019, CAW held its fourth and fifth Citizens Water Academies to educate our stakeholders and communities. The Citizens Water Academy provides an opportunity for citizens to learn about CAW and how we produce the highest quality drinking water possible.

CAW continued its The Power of Water professional development week for elementary school science teachers which began in 2017. In 2019, the Utility added a second week for high school science teachers. Both programs were well-attended and well-received. As a result of the high school event, CAW was invited into Cabot Public Schools to participate in several events at different campuses.

CAW continued its community outreach efforts with organizations and events such as The Big Catch, a semi-annual event which draws thousands of families to MacArthur Park for food, fishing and fun. During this event families can obtain information and educational resources to increase their health and well-being. Our Forests to Faucets Festival in partnership with several state agencies, expanded to two locations reaching over 150 fifth grade students with a day of water-focused programming and activities.

During 2019, Public Affairs and Communications developed a highly rated campaign to introduce Vessel, as the nation's first water leak detection canine. The Utility also released the first edition of its consumer targeted magazine, *Discover Central Arkansas Water*, which received Public Relations Society of America Diamond Award finalist recognition. Public Affairs and Communications also played a key role in CAW's nomination for the North Little Rock Chamber of Commerce Business Partner of the Year award and recognition as one of Arkansas Business's Best Places to Work in Arkansas.

The Utility continued to have strong stakeholder involvement and heightened consumer interest in public-policy initiatives and the development of strategies to address various issues and challenges. In addition to embracing stakeholder input on various projects related to watershed protection, wise water consumption, and resource utilization, the Utility took a proactive approach to media relations for several key activities in 2019. These activities included education programs, tours, special events, television appearances, and public service involvement.

The Utility continued to market and promote enrollment in paperless billing and use of improved online account management features. At the end of 2019, approximately 20% of the Utility's customers were enrolled in paperless billing, which supports the Utility's sustainability initiatives and reduces expense.

During 2019, the Environmental Health and Safety (EHS) section emphasized personal safety through monthly safety meetings and other focused initiatives. EHS conducted 114 training sessions that provided over 3,500 hours of safety training for CAW employees. In addition, the EHS section continued emphasizing personal safety outside the classroom by conducting 21 facility inspections and 274 field inspections.

Distribution

In 2019, the Distribution department completed over 120,400 work orders on CAW assets including pump stations, treatment plants, storage tanks, wells, water mains, meters, valves, and hydrants. All work in the department is captured and tracked through a computerized work management system—Cityworks.

The Distribution department staff is highly devoted to reducing unaccounted-for water (UAW), or treated water that does not make it to customers. For December 2019, the 12-month average was at 11.49%, which is below the Arkansas Department of Health's UAW action level of 15%. However, we strive to be below the AWWA Standard, which is at 9.5%. As part of the Utility's effort to reduce UAW, Distribution hired a Leak Detection Specialist/Handler to investigate leaks throughout the system. Part of this Handler's main responsibility is taking care of Vessel. While Vessel is still in the training phase of her career with CAW, she has investigated approximately 55 leaks throughout the system. Of the 55 investigations, she was able to identify 45 leaks within about a 10-foot radius. As she gains more experience and becomes more familiar with her Handler, she will become an even greater asset for the Utility.

The department strives to maintain outstanding levels of service for customers. In 2019, the system had a total of 408 spontaneous main breaks; however, only 48 of those breaks caused unplanned outages due to the emergency nature.

With a combined effort from the Distribution and Engineering departments, the Utility replaced approximately 37,100 feet or 7.1 miles, of aging infrastructure in 2019. Distribution's proactive approach in replacing troublesome mains has paid great dividends, with the continued reduction of galvanized main breaks. The department enacted the 2-inch galvanized pipe replacement program in 2010, which has led to a decrease in the number of spontaneous breaks from 234 breaks per 100 miles of galvanized pipe in 2010 to 119 breaks per 100 miles of galvanized pipe in 2019.

In 2019, Distribution and Engineering staff inspected all the raw waterline creek crossings. With excessive rain during the past two years, several areas were found needing repairs. The team reviewed and prioritized each crossing needing repairs. Distribution staff was able to restore the areas around two of the creek crossings and will continue to work on getting the others restored.

Along with the help of the Geographical Information Systems (GIS) section, Distribution staff continued its efforts in mapping all 152,000 meters within the system and collected global positioning system (GPS) points on an additional 1,400 meters in 2019. Staff will continue to run reports every quarter for any new meters installed. The initiative to capture customer meter locations is twofold. One reason is to quickly locate a meter that may be covered by leaves or snow, and the second is that mapping meters is the first step in moving forward with a 'Smart Outage' type software. This software would allow field personnel to identify all valves needed for emergency shutdowns, the number of customers affected, and the names and addresses of each customer attached to the account in one click. Future features would include phone/text/email notification of emergency shutdowns in affected areas. Since all meters have been mapped, Distribution will focus on locating the service line from the meter box to the main where we have two lines on the same street.

Distribution exceeded the Utility's goal of 5,000 meters by replacing 9,700 water meters through its meter change-out program. Per our meter replacement program, 5/8-inch meters are changed out every 16 years, or sooner for larger meters.

Distribution continued to focus on service line replacements in Maumelle due to poor conditions. Distribution replaced 165 services in 2016, 185 services in 2017, 181 services in 2018, and 183 services in 2019. Service line replacements will continue to be of high importance in 2020 for the Maumelle area.

The department completed the inspection of all fire hydrants in the system in 2019. Staff started the inspections of 11,000 hydrants south of the river in August 2018 and then moved to the north side of the river in January 2019, inspecting an additional 5,000 hydrants for a total of 16,000 hydrant inspections.

With fire hydrant inspections complete, staff turned its focus to inspecting 12-inch and smaller valves throughout the system. They were able to inspect 1,500 valves through the end of 2019. With over 35,000 valves, inspections should take approximately five years to complete. In addition, staff inspected all 800 14-inch and larger valves, which are inspected annually.

Finally, in 2019, the Distribution department formed a working team to evaluate tasks performed in the department and to create standard operating procedures (SOPs) and job standards which define the average time to complete the various tasks. The team meets bi-monthly and plans to remain active until all SOPs are reviewed and completed. Even when SOPs are completed, the Distribution Standards team will stay in place to revise and update the SOPs in an effort to foster continual improvement and drive efficiencies into the work processes.

Engineering

The Engineering department, through capital improvement projects and private developer construction, managed and oversaw the installation and/or replacement of 14.34 miles of public water mains in 2019. Also, in 2019, 6.67 miles of public water mains were retired.

In 2019, the Engineering department designed and managed through contract construction, the installation of approximately 22,600 feet (4.3 miles) of galvanized, PVC, and asbestos-cement pipe replacement. The Engineering department also designed for installation approximately 14,500 feet (2.8 miles) of galvanized pipe replacement that was performed in-house by the CAW Distribution department. The Engineering department managed to completion the installation of over seven miles of new pipe along previously unserved routes.

Major projects that the Engineering department designed, managed and/or inspected to completion in 2019 include:

- Completed several major and minor relocation projects for street, road, and drainage improvements initiated by the Arkansas Department of Transportation (ARDOT) and the cities of Little Rock, North Little Rock, Sherwood, and Maumelle.
- Phase 1 of the rehabilitation and improvement to the Wilson Plant Pump Station No. 1A was bid and awarded in late 2017. Work progressed on this $3,600,000 project to its conclusion in May 2019. Phase 2 of the project is scheduled to start in 2021 under a new $3,000,000 contract yet to be bid. The total work through both phases will replace all 10 pumping units and electrical switchgear in the 55-year-old pumping station.
- After completion of the Preliminary Engineering Report in 2017 for improvements to the Ozark Point Plant, a professional services contract for the detailed design of those improvements was signed with Carollo Engineers in February 2018. Detailed design of approximately $36,000,000 of improvements was ongoing during 2018 and were completed in the first quarter of 2019. The Engineering department is supervising and managing this design project. The project was bid in

mid-2019 and saw construction start in the third quarter of 2019. The construction work will not be finished until mid to late 2021.

- Designed, bid, and managed a project to remove asbestos and tar coatings on the pipe within the west pipe gallery of the Wilson Plant. After removal of the old coating, the pipe was coated with a new water and sweat-resistant coating.
- Continued consultation with ARDOT for water line relocations along the proposed 30 Crossing Project, which will include the installation of a replacement 24-inch transmission main on the proposed new Interstate 30 Arkansas River Bridge. An agreement between CAW and ARDOT has been signed to facilitate the transmission main replacement on the new interstate bridge.
- Started consultation with ARDOT for water line relocations along the proposed Highway 10 (Cantrell Road) improvements west of Interstate 430. Water line relocation design was not completed by the end of 2019 but could result in relocation costs exceeding $2,000,000.
- Designed and bid the rehabilitation of water storage Tank No. 30A, including the complete replacement of its damaged roof and the painting of the interior and exterior of the tank in 2018. Construction of this rehabilitation work was substantially completed in late 2019.
- Managed preparation of an Inundation Study for Lake Maumelle and Jackson Reservoir.
- Completed the relocation of approximately 1,900 feet of 16-inch transmission main along Cantrell Road for proposed roadway and development improvements in the Gill Street/Episcopal School area.
- Managed rebuild/refurbishment of the 2,000-HP Motors No. 1 and No. 2 at the Lake Maumelle Raw Water Pumping Station.
- Managed demolition of the out-of-service/abandoned Maumelle water treatment plant. The site is in a hazard-free, suitable-to-sell condition.
- Designed, bid, and managed the proper sealing and abandonment of 15 production wells located in the former Maumelle water well field adjacent to the Arkansas River. There were also several small test wells that were also sealed and abandoned.
- Designed, bid, and managed painting the Tank No. 2 roof, an elevated steel 2,000,000-gallon water storage tank.
- Assisted in the Paron-Owensville Water System merger study.
- Assisted in the Shannon Hills Water and Sewer System merger study.
- Designed, bid, and managed replacement of approximately 2,100 feet of old, high-maintenance, high-pressure 16-inch steel pipe along Rebsamen Park Road.
- Completed the Phase 3 Maumelle pipe replacement project, replacing approximately 4,800 feet of asbestos-cement and PVC pipe.
- Designed, bid, and managed replacement and rerouting of 25 private service lines in the Pulaski Heights area of Little Rock. These involved relocating the customer meter from rear alleys to new mains installed along the front street of the properties.

In 2019, the Engineering department also started other engineering designs for new projects scheduled for construction in 2020 and beyond, including water main relocations due to new street/highway improvements and replacement of troublesome galvanized, PVC, and asbestos-cement water mains.

Finance

For the tenth consecutive year, the Finance department received both the Distinguished Budget Presentation Award and the Certificate of Achievement for Excellence in Financial Reporting from the GFOA. The Finance department also received the Popular Annual Financial Reporting Award from the GFOA for the second time.

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

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.

CAW conducted feasibility studies on consolidation possibilities with Paron-Owensville Water Authority, Shannon Hills Water Department, and West Pulaski Water Authority. Finance provided financial analysis on these potential consolidation candidates.

Finance assisted in the issuance of $37 million in water revenue bonds. The proceeds were used to refund the Series 2018A Revolving Loan Fund Bond and to finance capital improvements at the Ozark Point Plant.

Customer Service

This year marked the first full year of operation since CAW ceased occupancy at the North Little Rock City Services office. We absorbed those customer and payment volumes into our operation at the James T. Harvey Administration Building in Little Rock. The number of face-to-face customer contacts between the two offices was 36,000 in 2018. During 2019, while operating one location, that number fell to 32,000. Although customer interactions decreased, we saw a marked uptick in payments by phone, internet, electronic fund transfers, and all versions of in-person transactions (drive thru, lobby counter, and night depository). The most remarkable growth was seen in web payments. In 2018 there were 360,000 web payments, and increased to 442,000 in 2019, representing a 23% increase.

Customers continued to take advantage of CAW's electronic billing process in 2019. At the end of 2018, 12,000 customers utilized the e-bill option. At the end of 2019, 16,000 customers had gone to paperless billing. This increase equates to utility savings of approximately $7,800 per month on postage, printing, and supplies. CAW hopes to grow that number to 20,000 by end of year 2020.

CAW saw a slight increase in customer phone contact in 2019. For the year, CAW's call center fielded 215,000 calls from our valued customers. This equates to an increase of 4.5% compared to the number of calls handled in 2018. The abandoned call percentage improved from 5.70% in 2018 to 5.25% in 2019. Most of the improved performance can be attributed to more efficient staffing and less turnover.

Meter reading operations continue to look for technological improvements to assist our meter reading team with their goal of accurately reading over 170,000 reads per month. As part of the iTron Meter Reading System upgrade mentioned in the next section, CAW upgraded equipment to use both iPhone and Android based devices to gather billing data. This new technology means readings that are gathered throughout our service area now can efficiently be sent from virtually any location, rather than readers only being able to upload data from a limited number of locations. This improvement allows readers to be more productive and offers the Utility increased billing efficiencies.

Information Services (IS)

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

The Information Services Governance Committee (ISGC) meets on a regular basis. During these meetings, the IS Director provides an update on past and current projects, as well as upcoming projects. During 2019, a major project overseen by the IS department was the upgrade of the iTron Meter Reading System. The meter reading system upgraded from iTron's Multi-Vendor Reading System (MVRS) to iTron's Field Collection System (FCS). The upgrade gave CAW the ability to read meters with a mobile device. Testing of this project began in November 2018, while full deployment occurred during November 2019 using the Honeywell CN80. The CN80s allow the readers to load and unload routes while out in the field and allows office staff to monitor the route status.

IS also worked very closely with the Pinnacle Team in preparation for the CIS upgrade from enQuesta to Cayenta Utilities. In preparation for this system upgrade, IS updated the Cisco Call Manager (CM) from version 10.5 to version 12.5, which will give CAW the ability to chat with customers via web-based chat boxes. The Cisco CM upgrade was completed in July 2019; however, the chat feature is still in the testing phase and will be completed before the CIS conversion go-live. To assist with these capabilities, staff increased the internet speed and the Wide Area Network (WAN) connection speed to all CAW locations.

IS continued its efforts in assisting the Pinnacle Project Team in the Cayenta conversion. To ensure accurate data transfer, the Pinnacle team is completing the integration process in individual phases. The GIS section of the department worked closely with the Pinnacle Team to determine the required criteria for each integration to be successful. The main goal of the GIS section was to create the testing environments for multiple CAW software systems currently in place for developers to utilize during integration and testing. The testing environment for the Cityworks and Cayenta integration required a new Cityworks test site and database to be created and proper access granted to developers. During the Cayenta testing phase, GIS determined this new database could be used to test a Cityworks upgrade, which will be needed prior to the final implementation of Cayenta. This integration field allows users to utilize a similar workflow that currently allows enQuesta orders to be sent to Cityworks, worked by the end-users and then sent back to enQuesta for office personnel to view.

Distribution field crews began using iPads in place of laptops during 2018, but with all the enhancements with the Microsoft 365 offerings, it was determined staff need to adjust how documents were being edited with the iPads. The original process of using MaaS360's Document Editor and File share caused difficulties for some staff while out in the field. To simplify the process, IS determined the use of Microsoft Word, Excel, and OneDrive/Sharepoint would be the best way to move forward. IS and Distribution tested the best method to utilize these programs, and a complete roll-out for Distribution occurred in October 2019.

Water Production

In 2018, the Utility purchased Supervisory Control and Data Acquisition (SCADA) remote site radios, and staff completed the replacement of all legacy radios during 2019.

A major project for the department in 2019 was the rehabilitation of the Ozark Point Plant. The department met with engineers in 2018 and began construction in 2019. To effectively complete the project, Water Production operational staff shut down the Ozark Point Plant and met regularly with consulting engineers to ensure the improvements progressed according to schedule and as needed. This project will continue in 2020 and is expected to be completed in early 2021.

Another major project during 2019 was the rehabilitation of the Wilson Plant No. 1A pump station. Phase 1 of this project was completed with the change out of five motors, five pumps and the associated electrical gear.

During 2019, the Wilson west pipe gallery piping was stripped and painted in efforts to maintain the infrastructure. Additionally, Water Production staff replaced all the differential pressure transmitters on each filter at Wilson Plant and installed 22 new turbidimeters.

At the Lake Maumelle Pump Station, Water Production staff rebuilt pump motors #1 and #2, while technicians from Rockwell came and performed service and preventive maintenance on the #3, #4 and #7 pump motor drives.

Water Quality

The Water Quality department encompasses the Utility's work related to watershed management, watershed stewardship, and water quality monitoring. The department oversees all sampling and laboratory operations including an Arkansas Department of Health certified bacteriological lab. During 2019, the CAW laboratory section conducted over 80,000 water quality analyses, ensuring customers received the highest quality water, and the Utility maintained full compliance with the federal Safe Drinking Water Act (SDWA) and the State of Arkansas' Rules and Regulations Pertaining to Public Water

Systems. CAW's laboratory remained one of the few utility laboratories in the state certified for coliform analyses under the Total Coliform Rule of the SDWA.

In 2019, the laboratory reviewed prospective vendors for the Laboratory Information Management System (LIMS). The selected vendor, Ethosoft, began collaborating with the laboratory staff in the last quarter of 2019 to develop a LIMS that will enhance the laboratories capabilities for reporting the data internally and externally. Laboratory staff also conducted and participated in additional water quality research studies, primarily focused on the water quality in the distribution system and at the lakes.

Water quality sampling staff conducted and participated in additional water quality research studies investigating the occurrence of *Legionella* and other pathogens of emerging concern in the distribution system. This includes continued participation in a multi-year study related to low-pressure events in the distribution system performed in conjunction with the U.S. Centers for Disease Control and Prevention. Three of these low-pressure events were sampled in 2019 until the project's official completion in June 2019. CAW increased distribution system water quality monitoring at 35 routinely monitored Total Coliform Rule sample sites spatially located throughout the distribution system allowing staff to proactively respond to potential water quality issues and adaptively manage the distribution system. Staff continued providing support for the lead service line replacement program including coordinating individual site testing for lead and copper, extensive customer interaction, and data reporting. Staff presented highlights from this successful customer-focused sampling at the American Water Works Association's annual conference and exposition in June. Additionally, the dedicated sample station project continued in 2019 with additional 22 sites installed and 12 new Total Coliform Rule monitoring sites added to the sampling plan. These additions improve sample collection and provide highest quality data for decision making.

Participation on the Distribution Optimization Team led to the placement of five mixers to improve water quality in storage tanks serving areas of the CAW distribution system having lower-than-desired free chlorine residual values. Installation of these mixers was coupled with the installation of on-line chlorine residual monitors. Data from these new monitors indicates the mixers have contributed to increased chlorine residual values, improving water quality and reducing the opportunity for microbiological growth in the distribution system.

The Watershed Protection Program added a Natural Resource Specialist in February 2019. The program also received a federal grant award for $220,000 from the US Endowment for Forest and Communities and the Environmental Protection Agency to create a land financing and purchasing plan for the Lake Maumelle watershed. This grant will allow the addition of another staff member in 2020. The program received a second grant award for nearly $7,000 to plant 15,000 trees in 2020 and 2021.

Forest management and lake and tributary sampling efforts were of major focus in both the Lake Maumelle and Lake Winona watersheds in 2019. A forest monitoring protocol was developed to assess management activities and the first 15 photo plots, and five comprehensive, permanent long-term monitoring plots were established. An annual record of nearly 1,000 acres of prescribed burning took place, and two additional CAW staff members were added to the Fire Support and Safety Team following training at the annual, week-long Prescribed Fire as a Management Tool course at Camp Robinson. Additionally, staff developed a stream monitoring plan and protocol for the tributaries of both watersheds. A total of 54 sampling sites were identified and the first 10 baseline samples for biological communities were collected. Watershed staff also collected over 200 samples between the two lakes during the summer months, and a 12-acre native plant restoration site was prepped for future seeding.

The Water Quality department teamed up with the University of Central Arkansas Spring Environmental Capstone Course, which had groups monitoring both the physical stream characteristics and the fish populations in Reece Creek. The department also welcomed three STRIVE teacher interns for five weeks in June and July. The user-based portion of the mountain bike study was completed in June 2019.

An additional 163 acres of conservation lands were added in 2019 at an approximate cost of $870,000, and the board approved the purchase of another 25 acres in December, which closed in January 2020. These additions included purchases in high-priority riparian areas along the Maumelle River and in major tributaries to the lake such as Reece Creek. These purchases are critical to the protection of water quality and the life of the Lake Maumelle reservoir. Water Quality also removed a deteriorating low-water crossing at the Forest Legacy Property (FLP) and began replacement with a bridge for property access. The department also finished renovating the FLP cabin into office and meeting spaces during 2019.

RELEVANT FINANCIAL POLICIES

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

- Principal and interest payment delinquencies
- Non-payment related defaults
- Unscheduled draws on debt service reserves
- Unscheduled draws on credit enhancements
- Substitution of credit or liquidity providers
- Adverse tax opinions
- Modifications to rights of security holders
- Bond calls, tender offers and defeasances
- Release, substitution, or sale of property securing repayment
- Rating changes
- Bankruptcy, insolvency, or receivership
- Merger, consolidation, or acquisition
- Appointment of a successor or additional trustee

Two new requirements were added to this Rule as of February 27, 2019.

- Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.
- Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any which reflect financial difficulties.

In 2019, CAW implemented GASB Statement No. 84, *Fiduciary Activities*. Details of this statement and the financial impact are discussed in *Note 1* of the Notes to Financial Statements. CAW also implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. New disclosures required by this statement are included in *Note 7* of the Notes to Financial Statements.

OTHER INFORMATION

Independent Audit

An independent audit by certified public accountants is important in determining the reliability of the Utility's financial statements. The importance of such verification has been recognized by the federal and state governments, the Utility's bondholders, and the general public. The Utility contracted with the accounting firm **BKD, LLP** for this audit. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The auditor's report has 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 CAFR for the year ended December 31, 2018. 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 CAFR. 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. We believe that our current CAFR continues to meet the Certificate of Achievement program's requirements, and we are submitting it 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.

These risk factors are common to most sizable public water systems in the United States. Unlike some water systems in the United States that also must grapple with tort liability as a risk factor, CAW is statutorily immune from tort liability in Arkansas.

Acknowledgements

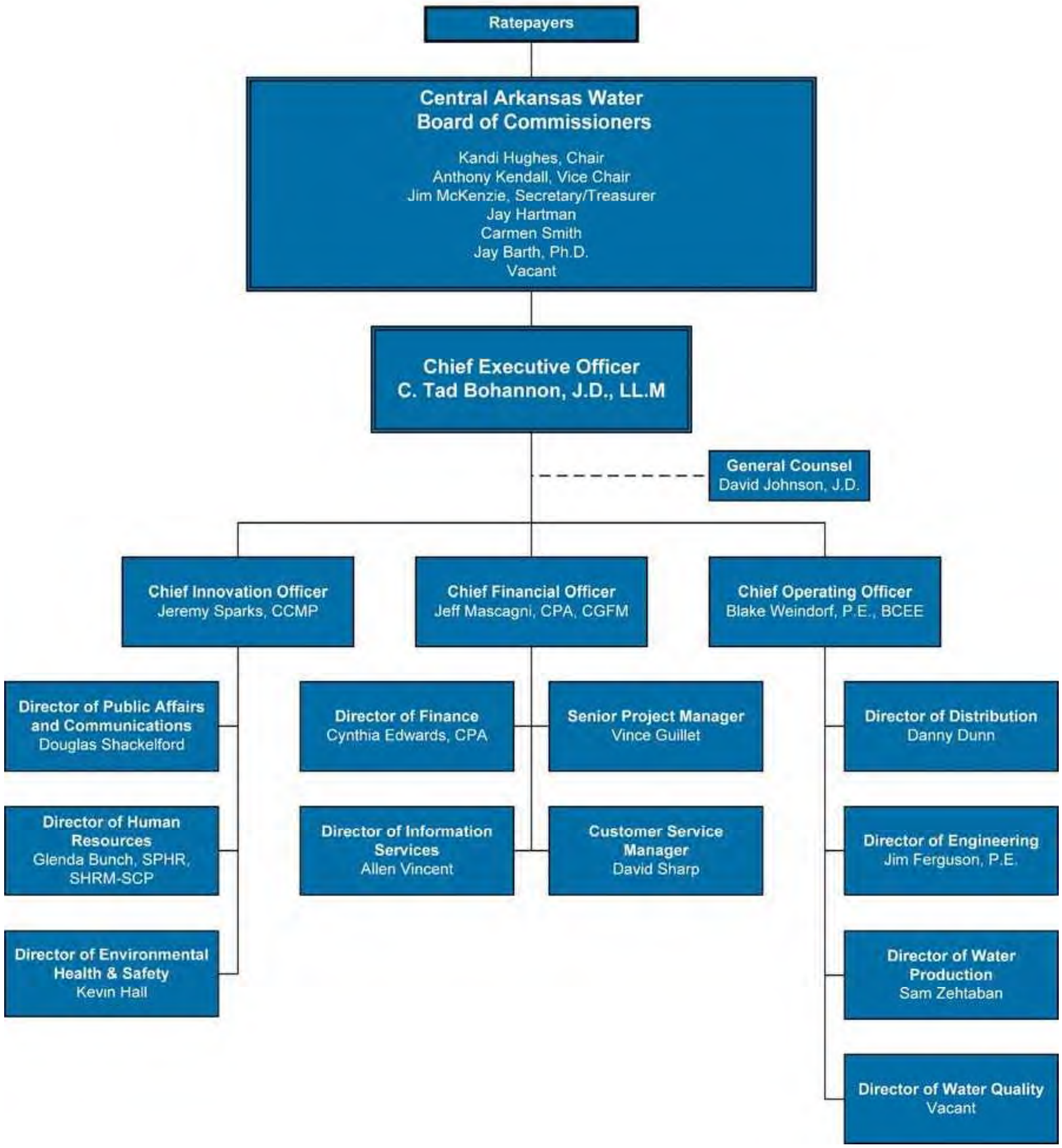
The preparation of this report has been accomplished due to dedicated and professional efforts of the Finance department, along with cooperation from the Utility's other departments. We thank the Board of Commissioners for continued support in planning and conducting the Utility's financial affairs in a responsible and progressive manner.

Respectfully submitted,

Tad Bohannon
Chief Executive Officer
CTB/jbm

CENTRAL ARKANSAS WATER
Organizational Chart

Effective: December 31, 2019



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Central Arkansas Water
Essential & Exceptional

Kandi Hughes
Chair

Board of Commissioners

Anthony Kendall
Vice Chair

Jim McKenzie
Secretary/Treasurer

Jay Hartman
Member

Carmen Smith
Member

Jay Barth, PhD
Member

Vacant
Member

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Central Arkansas Water

MANAGEMENT TEAM

C. Tad Bohannon, J.D., LL.M	Chief Executive Officer
Blake Weindorf, P.E., BCEE	Chief Operating Officer
David Johnson, J.D.	General Counsel
Jeff Mascagni, CPA, CGFM	Chief Financial Officer
Jeremy Sparks, CCMP	Chief Innovation Officer
Danny Dunn	Director of Distribution
Jim Ferguson, P.E.	Director of Engineering
Kevin Hall	Director of Environmental Health and Safety
Cynthia Edwards, CPA	Director of Finance
Glenda Bunch, SHRM-SCP, SPHR	Director of Human Resources
Allen Vincent	Director of Information Services
Douglas Shackelford	Director of Public Affairs and Communications
Sam Zehtaban	Director of Water Production

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Central Arkansas Water

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

Christopher P. Morrill

Executive Director/CEO

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Central Arkansas Water

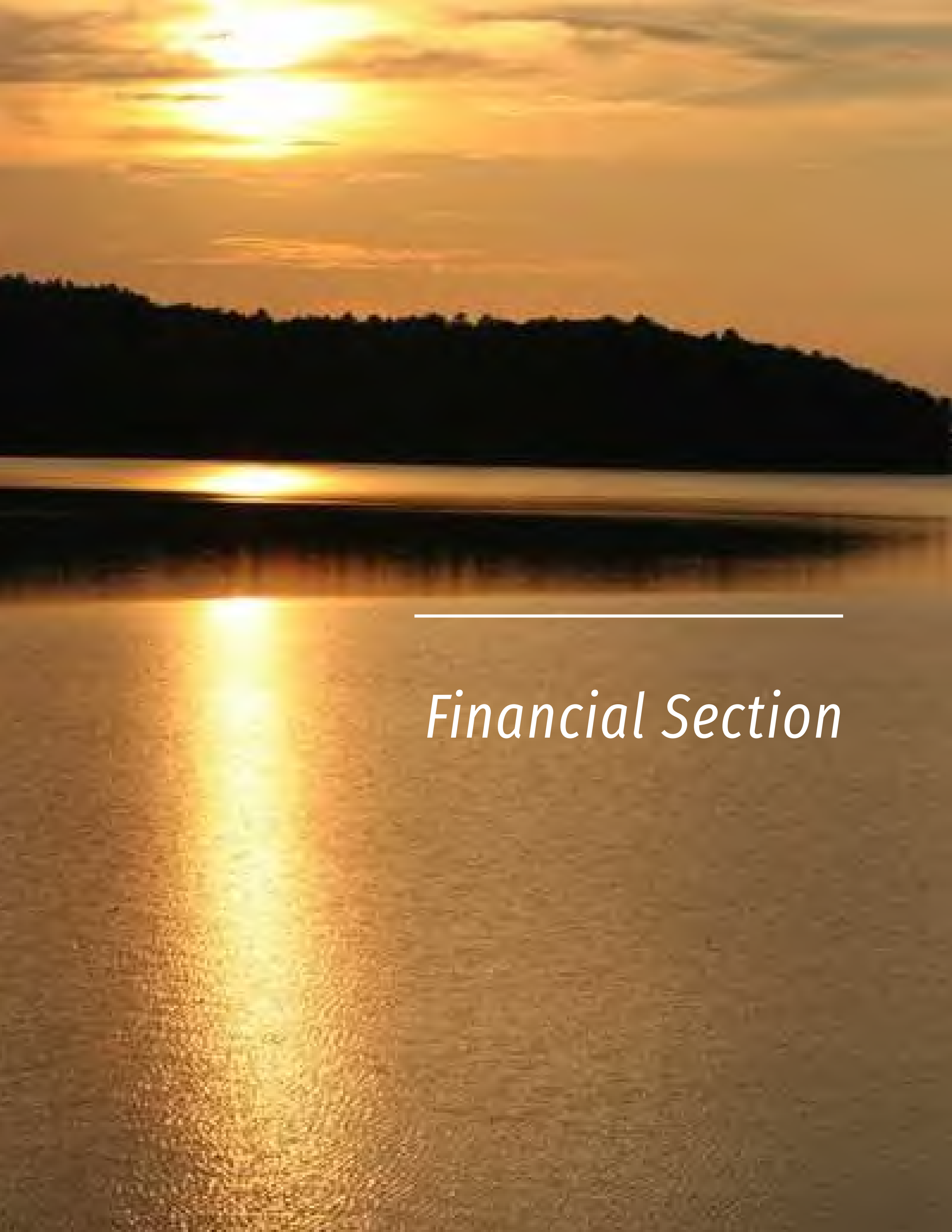
GLOSSARY OF ACRONYMS AND ABBREVIATIONS

ADFA	Arkansas Development Finance Authority
ANRC	Arkansas Natural Resources Commission
APERS	Arkansas Public Employees Retirement System
ARDOT	Arkansas Department of Transportation
BCEE	Board Certified Environmental Engineer
BLS	Bureau of Labor Statistics
CAFR	Comprehensive Annual Financial Report
CAW	Central Arkansas Water
CDs	Certificates of Deposit
CCF	Centum Cubic Feet (Hundred Cubic Feet)
CGFM	Certified Government Financial Manager
CIS	Customer Information System
CM	Call Manager
CPA	Certified Public Accountant
EHS	Environmental Health and Safety
FCS	Field Collection System
FLP	Forest Legacy Property
GASB	Governmental Accounting Standards Board
GFOA	Government Finance Officers Association of the United States and Canada
GIS	Geographic Information System
GPS	Global Positioning System
HDHP	High-Deductible Health Plan
HIVIP	High Performing, Innovative, Values Driven, Informed, Passionate
IS	Information Services
ISGC	Information Services Governance Committee
J.D.	Juris Doctor
JTH	James T. Harvey Administration Building
LIMS	Laboratory Information Management System
MAWA	Mid-Arkansas Water Alliance
MVRS	Multi-Vendor Reading System
MWM	Maumelle Water Management
OPEB	Other Postemployment Benefits

Central Arkansas Water

GLOSSARY OF ACRONYMS AND ABBREVIATIONS

P.E.	Professional Engineer
PER	Preliminary Engineering Report
SCADA	Supervisory Control and Data Acquisition
SDWA	Safe Drinking Water Act
SEC	Securities and Exchange Commission
SHRM	Society for Human Resources Management
SHRM-SCP	SHRM Senior Certified Professional
SOP	Standard Operating Procedure
UAW	Unaccounted For Water
WAN	Wide Area Network
WTP	Water Treatment Plant



Financial Section

BKD
CPAs & Advisors

400 W. Capitol Avenue, Suite 2500 | P.O. Box 3667 | Little Rock, AR 72203-3667
501.372.1040 | Fax 501.372.1250 | bkd.com

Independent Auditor's Report

Board of Commissioners
Central Arkansas Water
Little Rock, Arkansas

We have audited the accompanying 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, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Board of Commissioners
Central Arkansas Water

Opinions

In our opinion, the 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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, in 2019 the Utility adopted Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and other postemployment benefit information as listed in the table of contents be presented to supplement the basic financial statements. Such information, 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 audits 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

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Utility's basic financial statements. The introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

BKD, LLP

Little Rock, Arkansas
April 23, 2020

Management's Discussion & Analysis

Central Arkansas Water

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2019 and 2018

This section of the CAFR presents management's analysis of the Utility's financial performance during the fiscal years ended December 31, 2019 and 2018. 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

- The Utility net position increased by $6,535,000 in 2019 as compared to a $10,678,000 increase in 2018. The smaller increase in 2019 was due to decreased consumption, increased expenses, and losses on the disposal of assets. The 2018 increase was due to a rate increase, increased consumption, and increased investment income combined with less workers' compensation costs and controlled operational spending.
- Operating revenues decreased $487,000, or 0.7 %, in 2019 and increased $5,086,000 in 2018. A five percent (5%) decrease in consumption from 2018, offset by the billing fee implementation and Watershed Protection fee increase, accounted for the decreased revenues in 2019. The 2018 increase was due to a five percent (5%) increase in consumption from 2017, coupled with the rate increase. Operating expenses increased by $3,888,000 from 2018 to 2019 and increased by $865,000 from 2017 to 2018. The 2018 to 2019 increase was primarily due to increased personnel costs. The 2017 to 2018 increase was due to increased personnel costs, offset by decreased workers' compensation costs.
- The Utility's total noncurrent liabilities increased during 2019 by $3,000,000 and increased by $14,921,000 in 2018. The 2019 increase is due to financing water storage rights at Lake DeGray. The issuance of three bonds for capital projects was the reason for the increase in 2018.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Utility's basic financial statements. The basic financial statements are comprised of the statements of net position, the statements of revenues, expenses and changes in net position, and the statements of cash flows, as well as the statements of fiduciary net position, and the statements of changes in fiduciary net position. The notes to financial statements provide additional information regarding amounts presented in the basic financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

The financial statements of the Utility are designed to provide readers with a broad overview of the Utility's finances in a manner similar to a private sector business. The Utility's financial statements were prepared using the economic resources measurement focus and full accrual basis of accounting, consistent with the requirements of the Governmental Accounting Standards Board (GASB) applicable to enterprise funds.

Deferred outflows and inflows of resources are financial statement elements distinct from assets and liabilities and represent a consumption or production of net position that applies to future periods and so will not be recognized as an outflow or inflow of resources until then. The Utility's deferred outflows and inflows of resources consisted of deferred loss and gain on debt refunding transactions, pension-related deferred outflows and inflows, and Other Postemployment Benefits (OPEB) deferred outflows and inflows.

A deferred loss or gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price and is amortized over the shorter of the life of the refunded or refunding debt. Pension-related deferred outflows and inflows consisted of CAW's proportionate share of changes in pension-related items, differences between projected and actual experience, difference between project and capital 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 and differences between projected and actual investment earnings changes in actuarial assumptions.

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

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

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

The statements of fiduciary net position and statements of changes in fiduciary net position provide information about resources accumulated in the OPEB Trust to fund the costs of postemployment health care benefits for eligible employees, assets of the 401(a) Employee Savings Plan, assets of CAW's 457b Deferred Compensation Plan, as well as the assets and liabilities of Brushy Island Public Water Authority (Brushy Island) 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, postemployment pension benefits, or Brushy Island debt service.

The *notes to financial statements* provide additional information that is essential to a full understanding of the data provided in the financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that includes information about the Utility's progress in funding its obligation to provide pension and other postemployment benefits to its employees.

Central Arkansas Water

MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*

December 31, 2019 and 2018

	2019	2018	2017
Assets			
Total current assets	$ 65,213,000	$ 62,399,000	$ 60,048,000
Restricted noncurrent assets	12,357,000	23,251,000	9,453,000
Net capital assets	458,421,000	438,549,000	419,203,000
Total Assets	$ 535,991,000	$ 524,199,000	$ 488,704,000
Deferred Outflows of Resources	$ 10,815,000	$ 10,000,000	$ 13,580,000
Liabilities			
Total current liabilities	$ 28,404,000	$ 26,507,000	$ 23,200,000
Total noncurrent liabilities	143,519,000	140,519,000	125,598,000
Total Liabilities	$ 171,923,000	$ 167,026,000	$ 148,798,000
Deferred Inflows of Resources	$ 5,316,000	$ 4,142,000	$ 1,133,000
Net Position			
Net investment in capital assets	$ 357,587,000	$ 348,267,000	$ 337,465,000
Restricted – expendable	8,806,000	10,518,000	9,094,000
Unrestricted	3,174,000	4,246,000	5,794,000
Total Net Position	$ 369,567,000	$ 363,031,000	$ 352,353,000
Operating Revenues			
Little Rock water sales	$ 32,376,000	$ 33,935,000	$ 30,210,000
North Little Rock water sales	14,181,000	14,969,000	13,461,000
Maumelle water sales	3,433,000	3,601,000	3,771,000
Wholesale	4,649,000	4,759,000	4,206,000
Penalties	1,020,000	991,000	923,000
Turn-on charges	1,403,000	1,335,000	1,343,000
Ancillary charges	8,819,000	6,769,000	7,308,000
Other revenue	552,000	561,000	612,000
Total Operating Revenues	66,433,000	66,920,000	61,834,000
Operating Expenses			
Administration	4,462,000	4,019,000	3,448,000
Distribution	15,583,000	14,981,000	14,257,000
Engineering	2,863,000	2,039,000	2,050,000
Finance	2,865,000	2,895,000	3,079,000
Customer service	3,711,000	3,299,000	3,152,000
Information services	3,528,000	3,302,000	3,329,000
Water production	10,186,000	9,121,000	9,341,000
Water quality	2,466,000	2,268,000	2,135,000
General	2,246,000	2,299,000	2,484,000
Depreciation	12,888,000	12,687,000	12,770,000
Total Operating Expenses	60,798,000	56,910,000	56,045,000
Operating Income	5,635,000	10,010,000	5,789,000

	2019	2018	2017
Nonoperating Revenues (Expenses)			
Transfers to Cities of LR and NLR	$ (791,000)	$ (709,000)	$ (706,000)
Gain (loss) on disposal of capital assets	(496,000)	(18,000)	70,000
Investment income	1,270,000	847,000	413,000
Bond and other interest expense	(2,162,000)	(2,032,000)	(2,044,000)
Total Nonoperating Expenses	(2,179,000)	(1,912,000)	(2,267,000)
Income Before Contributions	3,456,000	8,098,000	3,522,000
Contributions			
Contributions-in-aid of construction	3,079,000	2,580,000	2,442,000
Change in Net Position	6,535,000	10,678,000	5,964,000
Net Position – Beginning of Year	363,031,000	352,353,000	358,764,000
OPEB Related Restatement of Net Position	-	-	(12,375,000)
Net Position – Beginning of Year, as Restated	363,031,000	352,353,000	346,389,000
Net Position – End of Year	$ 369,566,000	$ 363,031,000	$ 352,353,000

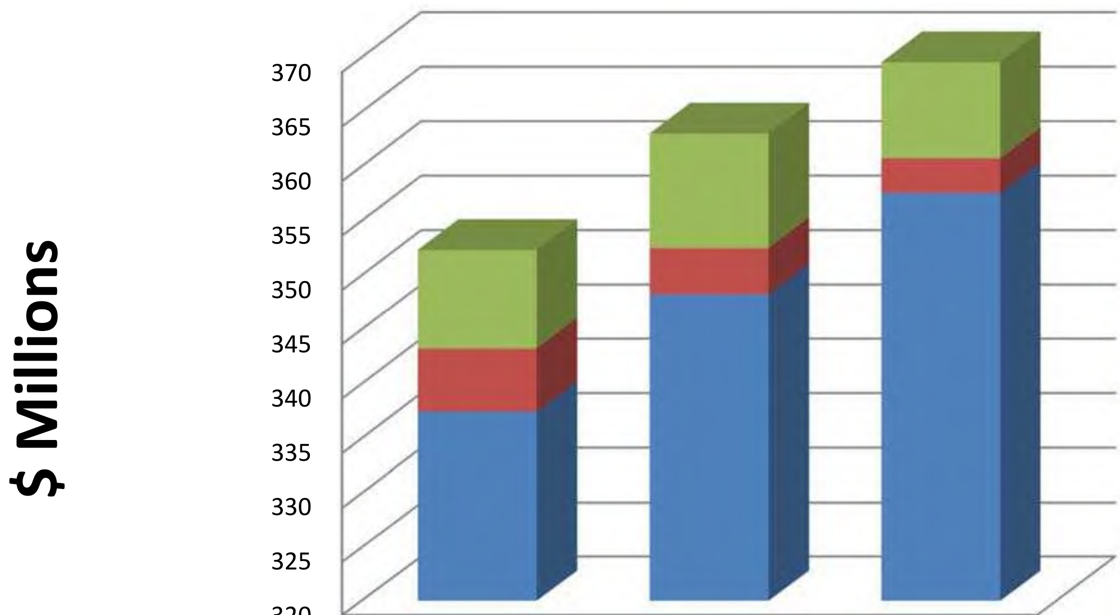
Statements of Net Position

As noted earlier, net position may serve, over time, as a useful indicator of the Utility's financial position. At the close of 2019 and 2018, the Utility's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $369,566,000 and $363,031,000, respectively. The largest portion of net position, 97% and 96% in 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018.

An additional portion of the Utility's net position, 2% and 3% in 2019 and 2018, respectively, is comprised of resources that are subject to external restrictions on how they may be used. In 2019, restricted net position decreased $1,712,000 and increased $1,424,000 in 2018. Balances in restricted net position accounts will fluctuate as resources are accumulated to repay outstanding bonds and construction proceeds are spent.

The remaining balance of net position, $3,174,000 in 2019 and $4,246,000 in 2018, was unrestricted and was used to meet the Utility's ongoing obligations to customers and creditors. Unrestricted net position decreased $1,072,000 in 2019 and decreased $1,548,000 in 2018. The 2019 decrease was due to the increase in liabilities related to postemployment benefits, while the 2018 decrease was attributable to the increase in the other two categories.

Components of Net Position



	2017	2018	2019
Restricted	9,094,000	10,518,000	8,806,000
Unrestricted	5,794,000	4,246,000	3,174,000
Net Investment in Capital Assets	337,465,000	348,267,000	357,587,000

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, 2019 and 2018, were 2.3 and 2.4, respectively. This ratio means for every $1.00 in current liabilities as of December 31, 2019, the Utility had $2.30 in current assets. For the years ended December 31, 2019 and 2018, the quick ratio was 2.2 for both years.

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 20 days as of both December 31, 2019 and 2018.

The Utility continued to strive to improve cash flow and customer service by offering a variety of payment options. In addition to accepting payments at the Capitol Avenue office in Little Rock, the Utility offered flexibility in bill payment options by allowing customers to pay their bills by automatic bank draft, online at the Utility website, by mail, by telephone through a third-party service provider, online through third-party payment providers, or at third-party payment locations throughout the service area. During 2019, CAW continued to promote paperless billing. Electronic means of payment were also promoted in 2019, resulting in a 23% increase in web payments.

Another important ratio is the debt utilization ratio. The debt utilization ratio is calculated by dividing total liabilities by total assets and was 32% for both 2019 and 2018. These ratios were both well below the median ratio of 39% as determined by the American Water Works Association'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.

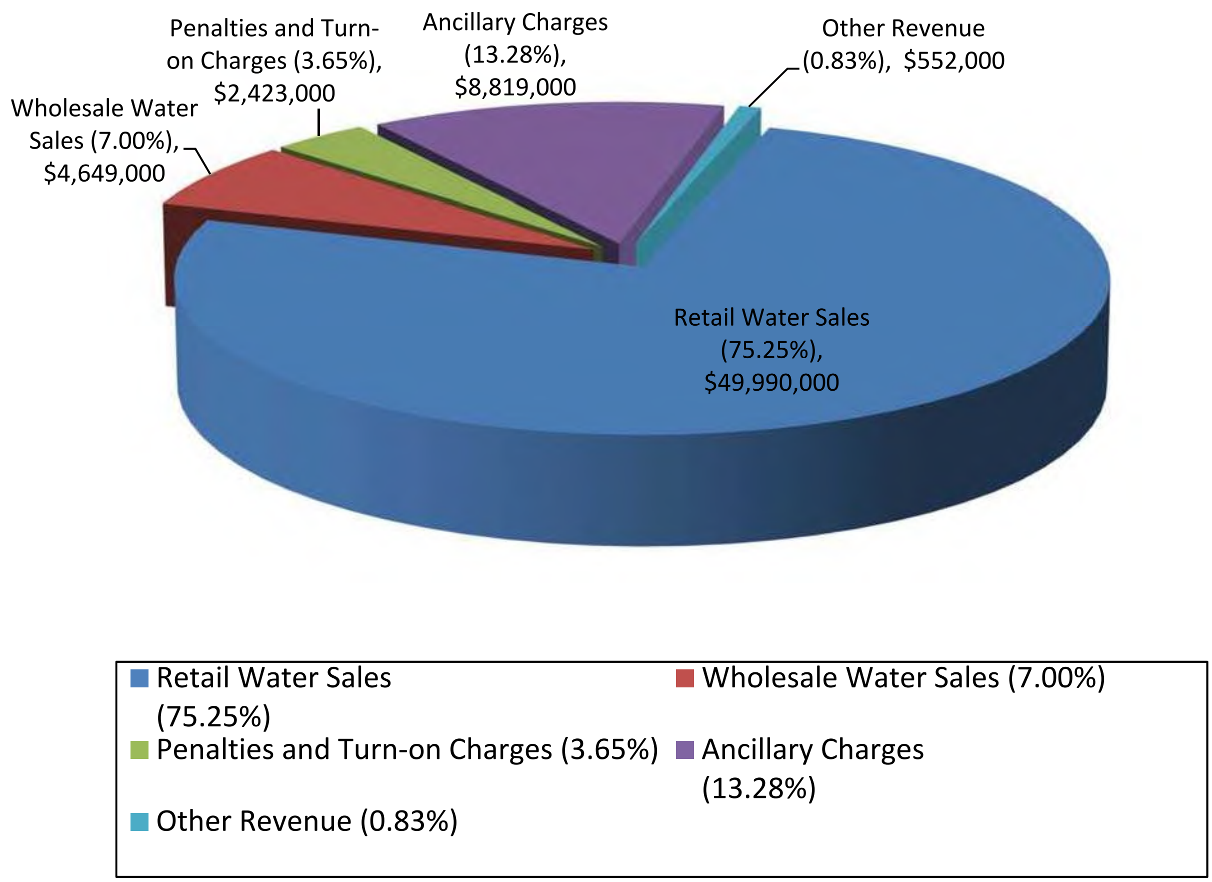
Statements of Revenues, Expenses and Changes in Net Position

Operating Revenues

No consumption-based retail increases occurred in 2019. However, a monthly billing fee of $1.92 per customer was implemented in June 2019. A retail rate increase of 8.9% went into effect on January 1, 2018. No consumption-based retail increase is planned for 2020.

Operating revenue for 2019 decreased $487,000 from 2018 levels and increased $5,086,000 in 2018 over 2017 levels. Water consumption totaled 17.4, 18.0, and 17.2 billion gallons in 2019, 2018, and 2017, respectively. The 2019 decrease in operating revenue was mainly due to the decreased consumption from 2018, while the operating revenue increase in 2018 was primarily due to the rate increase and increase in consumption from 2017. Higher-than-normal rainfall in the spring and summer months can have a significant impact on sprinkler consumption.

The following graph illustrates sources of revenue during the year ended December 31, 2019.



Operating Expenses

- Administration – Administration costs included commissioner, management, human resources, public affairs and communications, environmental health and safety, and special project team expenses. During 2019, total Administrative costs increased $443,000. The driving force behind this increase was an increase in payroll and related benefits of $392,000, an increase of $39,000 in special projects, and an increase in Pinnacle Project Team costs of $95,000. Management decreases of $113,000 in legal fees offset this total increase. The $571,000 increase in 2018 was due primarily the addition of a Chief Innovation Officer and the creation of the Pinnacle Project team, which involved the transfer of five staff members into Administration.

- Distribution – The Distribution department included expenses for maintaining water mains, booster pumping stations, water storage tanks, vehicles, treatment plants, and other facilities. The 2019 costs increased $602,000 over 2018. The 2019 increase was due primarily to increased payroll and related benefits costs associated with seven additional distribution system maintenance personnel.

In 2018, normal annual payroll increases and increases in distribution mains and services material and equipment job costs attributed to the increased expense.

- 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 2019, total Engineering costs increased by $824,000. From 2018 to 2019, CAW decommissioned assets obtained from the MWM merger resulting in $735,000 in additional transition costs and the normal cost of living adjustment resulting in $88,000 in additional payroll and related benefits cost. The 2018 Engineering costs decreased $11,000 due to decreased new services costs and increased capitalized labor costs offset by increased administrative, cross connection and regionalism costs.

- Finance – The Finance department included costs related to finance and budgeting, purchasing, and billing. From 2018 to 2019, total department costs decreased by $30,000. This was primarily due to increased capitalized labor related to the Pinnacle Project of $69,000, decreased banking and processing fees of $29,000, offset by an increase in billing costs of $63,000. Increased capitalized labor related to the Pinnacle Project of $12,000 and realized process efficiencies from the MWM merger, resulting in less payroll and benefits of $171,000 accounted for the decreased costs of $184,000 during 2018.

- Customer Service – Customer Service included costs related to customer service-office and meter reading. Costs increased $412,000 from 2018 to 2019. Additional call center representative positions and fewer meter reader vacancies accounted for this increase. Costs increased $147,000 from 2017 to 2018. Additional call center representative positions accounted for this increase.

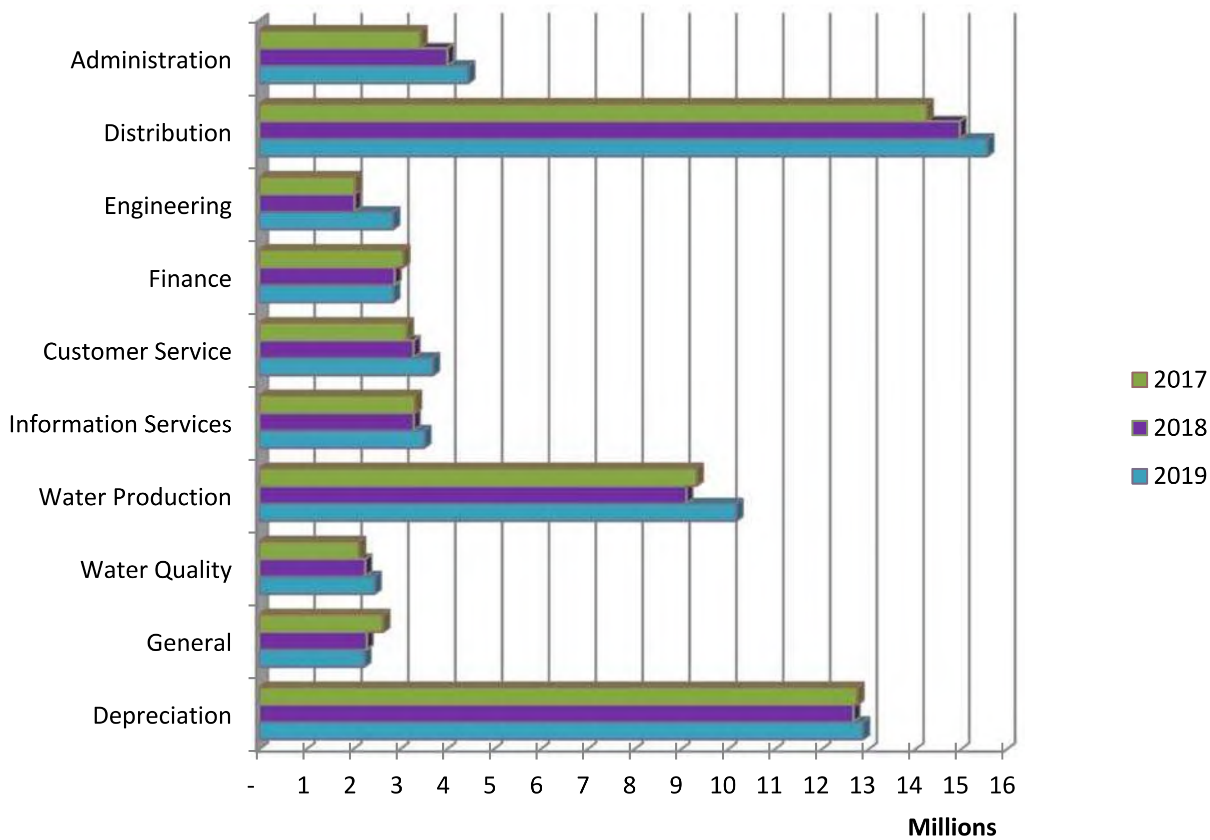
- Information Services – The IS department expenses were related to maintaining information systems, computer operations, and telecommunications of the Utility. IS is divided into two sections: IS administration and GIS. During 2019, total department costs increased by $226,000. Increases in payroll and related expenses of $25,000 and telephone, network, and software expenses of $200,000 accounted for the increase. Department costs decreased by $27,000 in 2018 compared to 2017, primarily attributable to a decrease in payroll and related expenses resulting from two staff transitioning to the Pinnacle Project team, offset by increases in telephone and PC hardware costs.

- Water Production – Expenses for Water Production included treatment and maintenance of the lakes. Department costs increased by $1,065,000 during 2019. This increase is due to two positions transferring from Distribution and CAW's standard cost of living adjustment, resulting in increased payroll and benefits of $365,000, in addition to increased chemical and electric utility costs of $75,000, and $465,000, respectively. During 2018, total department costs decreased by $220,000. This decrease is due to realized process efficiencies from the MWM merger, resulting in less payroll and benefits, chemical, and electric utility costs of $16,000, $38,000, and $156,000, respectively.

- Water Quality – The Water Quality department expenses included monitoring water-quality and watershed land-use activities, building support for watershed protection, and providing the Board of Commissioners with water quality recommendations. The 2019 expenses increased by $198,000 primarily due to an increase in payroll and benefits of $146,000 and special projects of $22,000.

Water Quality expenses increased by $133,000 in 2018 compared to 2017. This increase was due to an increase in administrative payroll and benefits of $115,000 and administrative special projects of $23,000.

- General – General expenses included costs for insurance and building maintenance at the James T. Harvey (JTH) Administration Building, along with other costs. The largest expense items included group and retiree insurance, workers' compensation expenses, and business insurance premiums. General expenses decreased by $53,000 from 2018 to 2019. A decrease in retiree insurance costs of $83,000, business insurance costs of $36,000, materials cost of $25,000, and special project costs of $28,000 offset by an increase in workers' compensation costs of $83,000 and group health costs of $30,000 accounted for the overall decrease. The 2018 general expenses decreased $185,000 from 2017 due to a decrease in workers' compensation costs of $273,000 and professional services of $26,000, offset by an increase in retiree insurance of $146,000.



Nonoperating Revenues (Expenses)

- Investment Income – 2019 investment income increased by $423,000 from 2018 and by $434,000 from 2017. The increase for both years was due to interest rate increases, an additional bond fund, and favorable market conditions.
- Bond Interest Expense – Net bond interest expense for 2019 was $2,162,000, compared to $2,032,000 for 2018. Additional debt issuance and bond issuance costs in 2019 accounted for the increase from 2018 to 2019, while increased capitalized interest kept the 2018 interest expense close to the 2017 amount despite additional debt issuance and bond issuance costs in 2018.
- 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 $2,442,000 in 2017, increased in 2018 to $2,580,000, and increased in 2019 to $3,079,000. 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 2019 include the following:

Project Description	Total Cost
Completed construction project to replace 2,500 feet of 16-inch steel pipe water main along Rebsamen Park Road	$ 656,000
Completed construction project to replace 5,360 feet of 12-inch through 2-inch asbestos-cement and PVC water main in Maumelle (Phase 3 project)	$ 813,000
Completion construction project to replace 2,200 feet of 8-inch asbestos-cement water main in the Pulaski Heights area (Kavanaugh/Pierce)	$ 627,000
Completed construction project to replace 2-inch galvanized water main in North Little Rock	$ 820,000
Completed construction project to replace 2-inch galvanized water main in Little Rock	$ 657,000
Completed construction project to replace 700 feet of 16-inch asbestos-cement water main in Maumelle	$ 59,000

Project Description	Total Cost
Completed construction project to replace 4,200 feet of 2-inch galvanized water main in North Little Rock and Pulaski County	$ 430,000
Completed construction project to replace 250 feet of 8-inch water main under Maumelle Blvd. in North Little Rock	$ 80,000
Completed construction project to relocate and replace 1,950 feet of 16-inch cast iron water main along Cantrell Road in Little Rock	$ 495,000
Completed project to install new roof and interior and exterior painting of Tank No. 30A (Maumelle)	$ 1,127,000
Completed construction project to facilitate repairs to the downstream slope of the Lake Maumelle dam	$ 137,000
Completed the repair of motor no. 1 at the Lake Maumelle Raw Water Pumping Station	$ 89,000
Completed the repair of motor no. 2 at the Lake Maumelle Raw Water Pumping Station	$ 80,000
Completed the Phase 1 of the rehabilitation of the Jack Wilson Water Treatment Plant Pumping Station No. 1A	$ 3,600,000
Completed the project to remove the asbestos coating and the recoating of all pipe in the Jack Wilson Water Treatment Plant west pipe gallery	$ 419,000
Completed the project to paint the roof exterior of Tank No. 2	$ 49,000
Completed the project to landscape the site grounds of Tank No. 5	$ 80,000

Major capital projects completed during 2018 include the following:

Project Description	Total Cost
Completed construction project to relocate 7,210 feet of 24-inch and 3-inch water pipe along East Maryland Ave. in Sherwood for pending road and drainage improvements	$ 1,200,000
Completed construction project to install 1,300 feet of 12-inch and 8-inch ductile iron pipe to replace asbestos-cement pipe along National Drive in Little Rock	$ 230,000
Completed installation of 8,725 feet of various pipe sizes for the Phase 1 pipe replacement project in Maumelle	$ 1,111,000
Completed installation of 3,358 feet of various pipe sizes for the Phase 2 pipe replacement project in Maumelle (16" pipe in Phase 2 to be installed 2019)	$ 500,000
Completed installation of 28,573 feet of 30-inch transmission main to the Maumelle service area – connection to CAW water system	$ 6,900,000
Completed installation of 1,538 feet of 12-inch pipe to booster pump station No. 31, located on Manitou Drive in Maumelle	$ 222,000
Completed installation of 2,238 feet of 12-inch pipe along West Baseline Road in Little Rock	$ 245,000
Completed repair of 2,250 HP motor no. 4 at the Lake Maumelle raw water pumping station	$ 117,000
Completed purchase and installation of new pumping unit #8 in the Wilson water treatment plant (WTP) high service pump station No. 1B	$ 483,000

Major capital projects completed during 2017 include the following:

Project Description	Total Cost
Completed construction project to relocate 551 feet of 8-inch water pipe along Geyer Springs Road in Little Rock for the pending construction of a railroad overpass	$ 110,000
Completed construction project to relocate 2,674 feet of 12-inch and 8-inch water pipe along the first phase of the pending Kanis Road improvements in Little Rock	$ 483,000
Completed construction project to relocate 2,861 feet of 8-inch water pipe along North Chicot Road and Mabelvale Pike in Little Rock for pending street and drainage improvements	$ 239,000
Completed the installation/replacement of 1,265 feet of 20-inch water transmission pipe on the new Broadway Bridge crossing of the Arkansas River	$ 1,319,000
Completed construction project to replace 3,682 feet of 2-inch galvanized water pipe in various locations within Little Rock, North Little Rock, and Pulaski County	$ 231,000
Completed construction project to replace 4,824 feet of 2-inch galvanized water pipe in various locations within Sherwood and Gravel Ridge	$ 587,000
Completed construction project to replace 7,104 feet of 2-inch galvanized water pipe in various locations within Little Rock, North Little Rock, and Pulaski County	$ 667,000
Completed construction project to replace 1,061 feet of 2-inch galvanized water pipe in the Heights area of Little Rock	$ 287,000
Completed an 18-month project to prepare preliminary engineering report (PER) for $36,000,000 worth of recommended improvements to the Ozark Point WTP	$ 427,000
Completed PER investigating the best alternative for the re-installation of the 24-inch water transmission main currently attached to the Interstate 30 Arkansas River Bridge	$ 61,000

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

Debt Administration

At the end of 2019, the Utility had total outstanding debt of $111,108,000. Total debt increased by $2,297,000, or 2.11%, in 2019, after increasing $21,482,000, or 24.6%, in 2018. The 2019 increase was attributed to the Lake DeGray water rights agreement. The 2018 increase was due to three new bond issues.

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 2018. Medical facilities are also very important to the local economy as seen with the fourth, fifth, seventh, eighth, and tenth largest employers in the area (see Page 103 for the top ten area employers). Government and medical facilities employers have kept the local economy relatively stable as it has come out of the 2008 recession. Both the cities of Little Rock and North Little Rock have revitalized their respective downtown areas, which have in turn attracted major corporations in a variety of industries.

The local economy has slowly recovered from the 2008 recession and compares favorably to national figures in many categories. Unemployment in Pulaski County for 2019 was 3.3%, which is considerably less than the 4.1% experienced in 2007 prior to the 2008 recession. Unemployment was favorable compared to the national rate of 3.5%; however, with the recent COVID-19 pandemic and the resulting economic uncertainties unemployment may increase.

Net accounts receivable write-offs remained constant at 0.6% of total operating revenue for both 2018 and 2019.

The Utility had no consumption-based retail rate increase in 2019. However, a monthly billing fee of $1.92 per customer was implemented in June 2019. The Utility also continues to factor in conservative consumption estimates, reduced levels of growth-related revenues, and a minimal return on financial investments in the 2020 Financial Plan.

The 2020 Financial Plan outlines the Utility's plans to continue to provide high-quality, cost-effective service to its customers. The 2020 Financial Plan includes $49,257,000 in total capital costs, which will be funded with the following sources: $32,234,000 from bond issues; $450,000 from capital improvement charges; $2,500,000 from developer funds; and $1,151,000 from watershed protection fees. The remaining $12,922,000 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

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Basic Financial Statements

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Central Arkansas Water

STATEMENTS OF NET POSITION

December 31, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Unrestricted cash and cash equivalents	$ 23,291,126	$ 23,545,622
Unrestricted investments	10,022,506	8,499,035
Accounts receivable – customers, net	13,349,810	14,112,353
Other receivables	1,543,010	550,103
Inventory	3,196,325	3,006,515
Other current assets	1,490,635	851,405
Total unrestricted current assets	52,893,412	50,565,033
Restricted cash and cash equivalents	12,320,055	11,834,669
Total restricted current assets	12,320,055	11,834,669
Total current assets	65,213,467	62,399,702
Noncurrent Assets		
Restricted cash and cash equivalents	8,044,554	19,675,123
Restricted investments	4,263,810	3,501,377
Restricted accrued interest receivable	48,706	74,254
Total restricted noncurrent assets	12,357,070	23,250,754
Capital assets, net of accumulated depreciation	458,420,554	438,548,881
Total noncurrent assets	470,777,624	461,799,635
Total assets	535,991,091	524,199,337
Deferred Outflows of Resources		
Deferred outflows related to pensions	4,770,511	5,370,889
Deferred outflows related to OPEB	5,576,254	4,100,027
Deferred amounts from refunding bonds payable	467,792	529,136
Total deferred outflows of resources	10,814,557	10,000,052
Total assets and deferred outflows of resources	$ 546,805,648	$ 534,199,389

See accompanying notes to financial statements.

Central Arkansas Water

STATEMENTS OF NET POSITION *(Continued)*

December 31, 2019 and 2018

	2019	2018
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 4,290,214	$ 3,666,849
Payroll and related liabilities	3,960,965	3,713,819
Water rights payable – current portion	1,109,993	7,316
Due to other agencies	6,722,568	7,284,063
Total current liabilities payable from unrestricted assets	16,083,740	14,672,047
Consumer deposits	4,481,411	4,309,263
Long-term obligations – current portion	6,723,395	6,624,975
Accrued interest payable	729,739	677,307
Retentions payable	385,510	223,124
Total current liabilities payable from restricted assets	12,320,055	11,834,669
Total current liabilities	28,403,795	26,506,716
Noncurrent Liabilities		
Unearned revenue	951,740	961,841
Long-term obligations, net	103,274,656	102,179,176
Net pension liability	25,504,253	22,682,488
Net OPEB liability	13,788,638	14,696,047
Total noncurrent liabilities	143,519,287	140,519,552
Total liabilities	171,923,082	167,026,268
Deferred Inflows of Resources		
Deferred Inflows related to pensions	1,213,486	2,219,485
Deferred Inflows related to OPEB	3,994,203	1,790,264
Deferred amounts from refunding bonds payable	108,468	132,133
Total deferred outflows of resources	5,316,157	4,141,882
Total liabilities and deferred inflows of resources	177,239,239	171,168,150
Net Position		
Net investment in capital assets	357,586,670	348,267,555
Restricted – expendable:		
Bond requirements	5,691,659	5,557,195
Future capital spending	3,114,646	4,960,507
Unrestricted	3,173,434	4,245,982
Total net position	369,566,409	363,031,239
Total liabilities, deferred inflows, and net position	$ 546,805,648	$ 534,199,389

See accompanying notes to financial statements.

Central Arkansas Water

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Years Ended December 31, 2019 and 2018

	2019	2018
Operating Revenues		
Little Rock Water Sales	$ 32,376,253	$ 33,935,165
North Little Rock Water Sales	14,180,954	14,968,588
Maumelle Water Sales	3,433,183	3,601,153
Wholesale	4,649,110	4,759,177
Penalties	1,019,732	991,571
Turn-on charges	1,403,494	1,335,236
Ancillary charges	8,818,905	6,768,786
Other revenue	552,289	560,731
Total operating revenues	66,433,920	66,920,407
Operating Expenses		
Administrative	4,462,396	4,019,183
Distribution	15,583,222	14,980,984
Engineering	2,862,634	2,038,602
Finance	2,864,906	2,895,514
Customer service	3,710,651	3,298,739
Information services	3,527,672	3,302,483
Water production	10,186,502	9,120,982
Water quality	2,466,084	2,267,752
General	2,246,364	2,298,966
Depreciation	12,888,536	12,687,333
Total operating expenses	60,798,967	56,910,538
Operating Income	5,634,953	10,009,869

See accompanying notes to financial statements.

Central Arkansas Water

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

Years Ended December 31, 2019 and 2018

	2019	2018
Nonoperating Revenues (Expenses)		
Transfers to Cities of Little Rock and North Little Rock	$ (791,064)	$ (709,068)
Gain (loss) on disposal of capital assets	(496,099)	(17,965)
Investment income	1,269,965	846,878
Bond and other interest expense, net	(2,162,183)	(2,031,574)
Net nonoperating expenses	(2,179,381)	(1,911,729)
Income Before Contributions	3,455,572	8,098,140
Contributions-in-aid of construction	3,079,598	2,580,491
Change in Net Position	6,535,170	10,678,631
Net position – beginning of year	363,031,239	352,352,608
Net position – end of year	$ 369,566,409	$ 363,031,239

See accompanying notes to financial statements.

Central Arkansas Water

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Cash receipts from customers	$ 65,811,320	$ 65,100,105
Cash payments to suppliers for goods and services	(16,017,755)	(14,244,466)
Cash payments to employees for services	(25,166,670)	(26,063,989)
Cash payments for employees' post-employment benefits	(5,817,288)	(2,988,952)
Cash receipts from other sources	552,289	560,731
Net cash provided by operating activities	19,361,896	22,363,429
Cash Flows from Noncapital Financing Activities		
Transfers to Cities of Little Rock and North Little Rock	(791,064)	(709,068)
Net cash used in noncapital financing activities	(791,064)	(709,068)
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(15,783,815)	(19,387,784)
Proceeds from issuance of bonds	-	20,699,348
Principal paid on long-term obligations	(10,239,620)	(6,169,236)
Interest paid on long-term obligations	(3,100,345)	(3,077,075)
Proceeds from sale of capital assets	131,565	74,887
Net cash used in capital and related financing activities	(28,992,215)	(7,859,860)
Cash Flows from Investing Activities		
Proceeds from maturities of investment securities	7,250,000	25,748,903
Purchases of investment securities	(9,500,000)	(11,971,698)
Interest and dividends on investment securities	1,271,704	435,672
Net cash provided by (used in) investing activities	(978,296)	14,212,877
Net increase (decrease) in cash and cash equivalents	(11,399,679)	28,007,378
Cash and cash equivalents – beginning of year	55,055,414	27,048,036
Cash and cash equivalents – end of year	$ 43,655,735	$ 55,055,414
Reconciliation to Cash and Cash Equivalents – End of Year		
Current assets		
Unrestricted cash and cash equivalents	$ 23,291,126	$ 23,545,622
Restricted cash and cash equivalents	12,320,055	11,611,545
Total current cash and cash equivalents	35,611,181	35,157,167
Noncurrent assets		
Restricted cash and cash equivalents	8,044,554	19,898,247
Cash and cash equivalents – end of year	$ 43,655,735	$ 55,055,414

See accompanying notes to financial statements.

Central Arkansas Water

STATEMENTS OF CASH FLOWS (*Continued*)

Years Ended December 31, 2019 and 2018

	2019	2018
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 5,634,953	$ 10,009,869
Adjustment to reconcile operating income to net cash provided by operating activities		
Depreciation	12,888,536	12,687,333
Change in operating assets and liabilities		
Accounts receivable – customers, net	(242,459)	(1,173,089)
Inventory	(189,810)	(296,364)
Other current assets	(639,230)	(38,688)
Accounts payable and accrued expenses	(184,340)	(930,141)
Payroll and related liabilities	247,146	779,715
Due to other agencies	(561,495)	438,209
Consumer deposits	172,148	(86,482)
Net OPEB liability	(907,409)	(1,774,979)
Deferred outflows of resources on OPEB liability	(1,476,227)	322,963
Deferred inflows of resources on OPEB liability	2,203,939	1,341,509
Net pension liability	2,821,765	(3,802,924)
Deferred outflows of resources on pension liability	600,378	3,195,809
Deferred inflows of resources on pension liability	(1,005,999)	1,690,689
Net cash provided by operating activities	$ 19,361,896	$ 22,363,429
Supplemental Disclosure of Noncash Transactions		
Loss on disposal of capital assets	$ (496,099)	$ (17,965)
Contributions-in-aid of construction	3,079,598	2,580,491
Inventory capitalized	1,820,516	1,860,927
Capital asset acquisitions in accounts payable	797,604	1,868,905
Capital asset acquisitions financed with notes payable	12,958,151	7,342,559
Amortization	384,275	352,222
Supplemental Disclosure of Cash Transactions		
Interest expense incurred	$ 2,768,502	$ 2,732,016
Interest capitalized	606,319	700,442

See accompanying notes to financial statements.

Central Arkansas Water

STATEMENTS OF FIDUCIARY NET POSITION

Years Ended December 31, 2019 and 2018

	2019		2018	
	Pension (and Other Employee Benefit) Trust Funds	Private-purpose trust funds – Brushy Island Trust Funds	Pension (and Other Employee Benefit) Trust Funds (Restated – Note 1)	Private-purpose trust funds – Brushy Island Trust Funds
Assets				
Cash and cash equivalents	$ 38,848	$ 117,903	$ 299,653	$ 105,744
Restricted cash and cash equivalents	-	9,414	-	8,944
U.S. Treasury obligations	3,450,420	-	2,198,391	-
Certificates of deposit	2,177,092	-	491,158	-
Exchange-traded funds	257,161	-	2,148,330	-
Mutual funds	12,300,117	-	9,813,089	-
Investment contract, at contract value	1,849,452	-	1,211,748	-
Notes receivable to participants	13,292	-	39,089	-
Accounts receivable	-	9,229	-	8,852
Employer contribution receivable	8,082	-	7,478	-
Participant contribution receivable	12,910	-	11,644	-
Accrued interest receivable	11,697	57	31,100	19
Capital assets, net	-	1,586,681	-	1,619,993
Total assets	$ 20,119,071	$ 1,723,284	$ 16,251,680	$ 1,743,552
Liabilities				
Accounts payable	$ 7,400	$ -	$ 5,630	$ -
Long-term obligations	-	354,148	-	425,729
Accrued interest payable	-	1,463	-	2,186
Consumer deposits	-	4,675	-	4,775
Total liabilities	7,400	360,286	5,630	432,690
Net Position				
Restricted for:				
Pensions	10,504,804	-	8,260,994	-
Employee benefits other than pensions	9,606,867	-	7,985,056	-
Held in receivership	-	1,362,998	-	1,310,862
Total net position	20,111,671	1,362,998	16,246,050	1,310,862
Total liabilities and net position	$ 20,119,071	$ 1,723,284	$ 16,251,680	$ 1,743,552

See accompanying notes to financial statements.

Central Arkansas Water

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

Years Ended December 31, 2019 and 2018

	2019		2018	
	Pension (and Other Employee Benefit) Trust Funds	Private-purpose trust funds – Brushy Island Trust Funds	Pension (and Other Employee Benefit) Trust Funds (Restated – Note 1)	Private-purpose trust funds – Brushy Island Trust Funds
Additions				
Employer contributions	$ 1,384,528	$ -	$ 1,380,933	$ -
Participant contributions	323,260	-	297,416	-
Rollover contributions	299,945	-	45,569	-
Water sales	-	92,076	-	108,827
Debt service fees	-	108,977	-	106,962
Net investment income (loss)	2,749,245	(702)	(500,174)	859
Total additions	4,756,978	200,351	1,223,744	216,648
Deductions				
Benefits paid	851,703	-	1,402,025	-
Transfers to Central Arkansas Water	-	91,976	-	108,327
Administrative expenses	39,654	826	33,391	945
Depreciation	-	33,312	-	33,312
Interest	-	22,101	-	26,233
Total deductions	891,357	148,215	1,435,416	168,817
Change in Fiduciary Net Position	3,865,621	52,136	(211,672)	47,831
Beginning of year, as previously reported	16,246,050	1,310,862	4,388,044	1,263,031
Adjustment for adoption of GASB 84	-	-	12,069,678	-
Beginning of year, as restated	16,246,050	1,310,862	16,457,722	1,263,031
End of year	$ 20,111,671	$ 1,362,998	$ 16,246,050	$ 1,310,862

See accompanying notes to financial statements.

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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 450,000 in 20 cities and communities located in Pulaski, Saline, Grant, Faulkner, Perry and Lonoke Counties, the Utility is the largest water supplier in the state of Arkansas. The Utility's mission is to enhance the quality of life for central Arkansas by delivering high-quality water and dependable service that exceed customer expectations; protecting and ensuring a long-term water supply for future generations; and serving as responsible stewards of public health, utility resources and the environment.

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

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

Under the terms of the Consolidation Agreement, the Utility is required to pay a franchise fee to the Cities of Little Rock and North Little Rock based on water revenues billed within the respective cities. The rate, which cannot exceed 10.0%, was 10.0% for the City of Little Rock and 6.9% for the City of North Little Rock during 2019 and 2018. 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 $3,663,797 and $3,658,426 for the years ended December 31, 2019 and 2018, 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 $791,000 and $709,000 for the years ended December 31, 2019 and 2018, respectively.

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

(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.

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

The *Central Arkansas Water Employees Savings Plan* (401(a) Employee Savings Plan) is a single-employer defined contribution pension plan included in the fiduciary funds financial statements as a pension (and other employee benefit) trust fund because the Utility controls the assets.

The *Central Arkansas Water Deferred Compensation 457 Plan II* (457 (b) Deferred Compensation Plan) is a single-employer defined contribution other employee benefit plan included in the fiduciary funds financial statements as a pension (and other employee benefit) trust fund because the Utility controls the assets.

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 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 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. 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 also capitalized as part of the cost of the related asset. Contributed assets are recorded at the acquisition value on the date of contribution.

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

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

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

Management evaluates events or changes in circumstances affecting capital assets to determine whether impairment has occurred. Such events or changes may include physical damage, obsolescence, changes in or new laws or regulations, construction stoppage or environmental factors. If it is determined that an asset is impaired and that impairment is other than temporary, impairment losses are recorded. There were no impairment losses recorded for the years ended December 31, 2019 and 2018.

(i) Deferred Outflows/Inflows of Resources

Deferred outflows and inflows of resources are financial statement elements distinct from assets and liabilities and represent a consumption or production of net position that applies to future periods and so will not be recognized as an outflow or inflow of resources until then. The Utility's deferred outflows and inflows of resources consist of deferred outflows/inflows of resources related to the Utility's pension plan activities and OPEB plan activities, as further discussed in *Note 10*, and the deferred loss and gain, respectively, on debt refunding transactions. A deferred loss or gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price and is amortized over the shorter of the life of the refunded or refunding debt.

(j) Compensated Absences

Utility policies permit employees to earn time off benefits that may be realized in the form of a cash payment or paid time off. A liability for compensated absences and related expense are recognized as the time off benefits are earned by employees using regular pay rates in effect at December 31.

(k) Long-Term Obligations

Long-term obligations are reported net of any applicable premiums or discounts. Premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Debt issuance costs, including underwriter fees, are reported as period costs when incurred.

(l) Due to Other Agencies

The Utility acts as billing agent for other public utility service providers. Amounts billed on behalf of these other entities are initially recorded as accounts receivable and a liability due to other agencies, until such time as the amounts are collected and remitted to the appropriate entity.

(m) Revenue Recognition

Revenues for water supply, treatment and distribution services are recognized in the period during which the related services are provided. Revenues include an estimate of charges for services provided but unbilled at year-end. Revenues are reported net of conservation rate discounts totaling approximately $339,000 and $322,000 for the years ended December 31, 2019 and 2018, respectively, and net of allowance for uncollectible accounts totaling approximately $397,000 and $387,000 for the years ended December 31, 2019 and 2018, respectively.

(n) Contributions and Special Items

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

Special items are significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence.

(o) Pensions

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

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

(p) Postemployment Benefits Other Than Pensions (OPEB)

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

(q) Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(r) Income Taxes

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

(s) Revisions

Certain immaterial revisions have been made to the 2018 financial statements to reflect the restricted nature of retentions payable from restricted funds. These revisions did not have a significant impact on the financial statement line items impacted.

(t) Recently Adopted Accounting Standards

GASB Statement No. 83, *Certain Asset Retirement Obligations*, establishes requirements to recognize a liability and corresponding deferred outflows by a government that has legal obligations to perform future asset retirement activities related to its tangible capital assets.

The statement identifies the circumstances that trigger the recognition of these transactions. The statement also requires the measurement of an asset retirement obligation to be based on the best estimate of the current value of outlays expected to be incurred while the deferred outflow of resources associated with the asset retirement obligation will be measured at the amount of the corresponding liability upon initial measurement and generally recognized as an expense during the reporting periods that the asset provides service. The statement requires disclosures including a general description of the asset retirement obligation and associated tangible capital assets; the source of the obligation to retire the assets; the methods and assumptions used to measure the liability; and other relevant information. The standard became effective for the Utility in fiscal year 2019. There was no impact due to the adoption of this statement on the Utility's financial statements or related disclosures.

GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities. It presents separate criteria for evaluating component units, pension and OPEB arrangements, and other fiduciary activities.

The focus is on a government controlling the assets of the fiduciary activity and identification of the beneficiaries of those assets. Fiduciary activities are reported in one of four types of funds: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, or custodial funds. Custodial funds are used to report fiduciary activities that are not held in a trust. The agency fund designation will no longer be used. GASB 84 also provides guidance on fiduciary fund statements and timing of recognition of a liability to beneficiaries.

This standard became effective for the Utility in fiscal year 2019. This standard was adopted retrospectively. The financial statements for 2018 have been retroactively restated for the change, which resulted in an increase in beginning fiduciary net position for 2018 of $12,069,678 and a decrease in change in fiduciary net position of $986,630. The expanded disclosures implemented as a result of this standard are included in *Note 12*.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, provides a definition of "debt" for the purposes of note disclosures and adds disclosures to the financial statements related to borrowings other than public debt, such as direct bank loans. This standard becomes effective for the Utility in fiscal year 2019. The expanded disclosures implemented as a result of this standard are included in *Note 7*.

(u) Recently Issued Accounting Standards

GASB Statement No. 87, *Leases*, provides a new framework for accounting for leases under the principle that leases are financings. No longer will leases be classified between capital and operating. Lessees will recognize an intangible asset and a corresponding liability. The liability will be based on the payments expected to be paid over the lease term, which includes an evaluation of the likelihood of exercising renewal or termination options in the lease. Lessors will recognize a lease receivable and related deferred inflow of resources. Lessors will not derecognize the underlying asset. An exception to the general model is provided for short-term leases that cannot last more than 12 months. Contracts that contain lease and nonlease components will need to be separated so each component is accounted for accordingly.

This standard becomes effective for the Utility in fiscal year 2020. Management of the Utility has not yet determined the impact that adoption of this statement will have on the Utility's financial statements or related disclosures.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This standard becomes effective for the Utility in fiscal year 2020. Management of the Utility has not yet determined the impact that adoption of this statement will have on the Utility's financial statements or related disclosures.

Note 2: DEPOSITS AND INVESTMENTS

Investments at December 31 for the Utility include the following:

The Utility

Type	Fair Value	Less than 1	1–5	6–10	More than 10
	2019	Maturities in Years			
Unrestricted:					
U.S. agency obligations	$ 10,022,506	$ 3,023,364	$ 6,999,142	$ -	$ -
Money Market Mutual Funds	13,762,925	13,762,925	-	-	-
Restricted:					
U.S. agency obligations	4,263,742	1,763,629	2,500,113	-	-
Money market mutual funds	19,824,528	19,824,528	-	-	-
	$ 47,873,701	$ 38,374,446	$ 9,499,255	$ -	$ -

Type	Fair Value	Less than 1	1–5	6–10	More than 10
	2018	Maturities in Years			
Unrestricted:					
U.S. Treasury obligations	$ 1,998,428	$ 1,998,428	$ -	$ -	$ -
U.S. agency obligations	6,500,607	3,495,888	3,004,719	-	-
Money market mutual funds	13,807,396	13,807,396	-	-	-
Restricted:					
U.S. Treasury obligations	1,748,625	1,748,625	-	-	-
U.S. agency obligations	1,752,753	-	1,752,753	-	-
Money market mutual funds	29,259,891	29,259,891	-	-	-
	$ 55,067,700	$ 50,310,228	$ 4,757,472	$ -	$ -

The Utility's investment in U.S. agency obligations at December 31, 2019, consisted of investments in Federal Farm Credit Bank bonds, which have a Standard and Poor's credit rating of AA+, and investments in Federal Home Loan Mortgage Corporation bonds, which also have a Standard and Poor's credit rating of AA+. In addition, 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, 2019 and 2018, the Utility's restricted investment in this fund totaled $17,081,069 and $24,987,766, 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

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

The following tables present the fair value measurement of assets and liabilities recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2019 and 2018:

	2019			
Type	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Classified as Investments				
Unrestricted:				
U.S. agency obligations	$ 10,022,506	$ -	$ 10,022,506	$ -
Restricted:				
U.S. agency obligations	4,263,742	-	4,263,742	-
	$ 14,286,248	$ -	$ 14,286,248	$ -

	2018			
Type	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Classified as Investments				
Unrestricted:				
U.S. Treasury obligations	$ 1,998,428	$ -	$ 1,998,428	$ -
U.S. agency obligations	6,500,607	-	6,500,607	-
Restricted:				
U.S. Treasury obligations	1,748,625	-	1,748,625	-
U.S. agency obligations	1,752,753	-	1,752,753	-
	$ 12,000,413	$ -	$ 12,000,413	$ -

(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.

(d) Concentration of Credit Risk

With the exception of securities that are direct obligations of the U.S. government, deposit accounts that are fully insured by the FDIC or fully collateralized, and money market mutual funds with an underlying investment portfolio that is limited principally to U.S. government obligations, the Utility's policy states that no more than 20% of the total balance may be invested in any single investment or in securities of a single obligor.

Note 3: RESTRICTED ASSETS

Assets restricted to meet the requirements of each of the Utility's bond ordinances include the following accounts and their related accrued interest receivable:

- Bond accounts are maintained to segregate funds that will be used to make debt service payments on each of the Utility's outstanding bond issues.
- Debt service reserve accounts are maintained for each of the Utility's bond issues and include amounts as stipulated by the underlying bond agreements to ensure the Utility's ability to meet debt service obligations if revenues are insufficient to do so during a given period. Funding of the debt service reserve accounts is typically based on a percentage of the maximum annual debt service requirements (see *Note 7*).

Assets restricted for future capital costs include the following accounts and their related accrued interest receivable:

- Construction accounts include unspent bond proceeds and are maintained for the first three years of each of the Utility's bond issues to pay construction invoices associated with the capital project funded by the related debt.
- The system development charges account serves to recover the cost of capital improvements or facility expansions attributable to new development. New customers are charged a one-time fee for system development based on meter size.
- The capital investment charges account funds the cost of capital improvements or facility expansions associated with treated water transmission and distribution, pumping or storage facilities.
- Funds in the depreciation account are used to recover cost associated with the replacement of capital assets. Three percent (3%) of water consumption-based revenues (including wholesale revenues) and private fire service revenues are transferred to the account each month.

The consumer deposits account includes funds accumulated through the collection of deposits during the process of establishing new services. Residential account deposits are automatically refunded and applied to the account balance after 12 months of service if the account is in good standing.

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

	2019	2018
Bond requirements	$ 6,968,434	$ 7,796,628
Future capital costs	13,204,997	22,842,361
Consumer deposits	4,503,694	4,446,434
Total restricted assets	$ 24,677,125	$ 35,085,423

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:

	2019	2018
Water sales and services	$ 5,863,239	$ 6,295,218
Billed for other agencies	7,757,841	8,049,615
Less allowance for doubtful accounts	(271,270)	(232,480)
Total accounts receivable – consumers, net	$ 13,349,810	$ 14,112,353

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.

Balances in these accounts are as follows at December 31:

	2019	2018
Rate stabilization	$ 10,510,420	$ 8,286,990
Watershed protection	513,136	555,289
Total board-designated assets	$ 11,023,556	$ 8,842,279

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

	2019	2018
Cash and cash equivalents	$ 6,015,587	$ 5,843,056
Investments	5,007,969	2,999,223
Total board-designated assets	$ 11,023,556	$ 8,842,279

Note 6: CAPITAL ASSETS

A summary of changes in capital asset balances that occurred during the years ended December 31, 2019 and 2018, follows:

	Balance 12/31/2018	Additions	Disposals	Transfers, Net	Balance 12/31/2019
Capital Assets, Nondepreciable					
Land and land use rights	$ 58,804,602	$ 1,468,918	$ -	$ 51,270	$ 60,324,790
Water rights	-	4,598,638	-	-	4,598,638
Construction in progress	19,019,610	26,637,464	(727,599)	(15,379,691)	29,549,784
Total capital assets, nondepreciable	77,824,212	32,705,020	(727,599)	(15,328,421)	94,473,212
Capital Assets, Depreciable					
Building and improvements	63,294,373	268,073	(622,872)	566,424	63,505,998
Land improvements	2,895,907	-	-	78,482	2,974,389
Water source	33,419,723	-	-	-	33,419,723
Purification	45,671,724	2,837	(2,690,036)	-	42,984,525
Pumping	28,272,198	21,978	(553,231)	828,704	28,569,649
Distribution	388,751,969	-	(413,575)	13,327,447	401,665,841
Other equipment	33,784,779	1,187,046	(600,170)	527,364	34,899,019
Total capital assets, depreciable	596,090,673	1,479,934	(4,879,884)	15,328,421	608,019,144
Less Accumulated Depreciation					
Building and improvements	30,069,709	1,607,149	(13,377)	-	31,663,481
Land improvements	1,010,603	134,813	-	-	1,145,416
Water source	15,837,533	547,162	-	-	16,384,695
Purification	25,639,926	1,784,568	(2,690,384)	-	24,734,110
Pumping	18,319,333	787,023	(488,526)	-	18,617,830
Distribution	116,024,041	6,448,550	(408,854)	-	122,063,737
Other equipment	28,464,859	1,579,264	(581,590)	-	29,462,533
Total accumulated depreciation	235,366,004	12,888,529	(4,182,731)	-	244,071,802
Total Capital Assets, Net	$ 438,548,881	$ 21,296,425	$ (1,424,752)	$ -	$ 458,420,554

Central Arkansas Water

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

	Balance 12/31/2017	Additions	Disposals	Transfers, Net	Balance 12/31/2018
Capital Assets, Nondepreciable					
Land and land use rights	$ 48,977,583	$ 9,442,964	$ (87,941)	$ 471,996	$ 58,804,602
Construction in progress	21,632,039	21,291,335	-	(23,903,764)	19,019,610
Total capital assets, nondepreciable	70,609,622	30,734,299	(87,941)	(23,431,768)	77,824,212
Capital Assets, Depreciable					
Building and improvements	62,767,364	-	-	527,009	63,294,373
Land improvements	2,831,335	-	-	64,572	2,895,907
Water source	33,419,723	-	-	-	33,419,723
Purification	45,527,264	-	-	144,460	45,671,724
Pumping	27,257,926	25,510	-	988,762	28,272,198
Distribution	368,412,055	8,067	(213,815)	20,545,662	388,751,969
Other equipment	31,715,183	1,361,637	(453,344)	1,161,303	33,784,779
Total capital assets, depreciable	571,930,850	1,395,214	(667,159)	23,431,768	596,090,673
Less Accumulated Depreciation					
Building and improvements	28,483,881	1,585,828	-	-	30,069,709
Land improvements	867,124	143,479	-	-	1,010,603
Water source	15,290,371	547,162	-	-	15,837,533
Purification	23,844,586	1,795,340	-	-	25,639,926
Pumping	17,558,165	761,168	-	-	18,319,333
Distribution	109,755,650	6,482,206	(213,815)	-	116,024,041
Other equipment	27,538,096	1,372,150	(445,387)	-	28,464,859
Total accumulated depreciation	223,337,873	12,687,333	(659,202)	-	235,366,004
Total Capital Assets, Net	$ 419,202,599	$ 19,442,180	$ (95,898)	$ -	$ 438,548,881

Note 7: LONG-TERM DEBT

The following is a summary of long-term obligation transactions for the Utility for the years ended December 31, 2019 and 2018:

	Balance December 31, 2018	Additions	Deductions	Balance December 31, 2019	Amounts Due Within One Year	Amounts Due Greater Than One Year
Long-term debt						
Revenue bonds	$ 83,335,000	$ -	$ (8,235,000)	$ 75,100,000	$ 5,905,000	$ 69,195,000
Notes from direct placements	18,809,491	9,026,947	(799,978)	27,036,460	818,395	26,218,065
Issuance premiums	3,775,958	-	(421,954)	3,354,004	-	3,354,004
Total long-term debt	105,920,449	9,026,947	(9,456,932)	105,490,464	6,723,395	98,767,069
Other long-term liabilities	2,891,018	4,598,638	(1,872,076)	5,617,580	1,109,993	4,507,587
Total other noncurrent liabilities	2,891,018	4,598,638	(1,872,076)	5,617,580	1,109,993	4,507,587
Total long-term liabilities	$ 108,811,467	$ 13,625,585	$ (11,329,008)	$ 111,108,044	$ 7,833,388	$ 103,274,656

	Balance December 31, 2017	Additions	Deductions	Balance December 31, 2018	Amounts Due Within One Year	Amounts Due Greater Than One Year
Long-term debt						
Revenue bonds	$ 68,715,000	$ 20,000,000	$ (5,380,000)	$ 83,335,000	$ 5,825,000	$ 77,510,000
Notes from direct placements	14,918,663	4,672,821	(781,993)	18,809,491	799,975	18,009,516
Issuance premiums	3,466,511	699,348	(389,901)	3,775,958	-	3,775,958
Total long-term debt	87,100,174	25,372,169	(6,551,894)	105,920,449	6,624,975	99,295,474
Other long-term liabilities	228,522	2,669,738	(7,242)	2,891,018	7,316	2,883,702
Total other noncurrent liabilities	228,522	2,669,738	(7,242)	2,891,018	7,316	2,883,702
Total long-term liabilities	$ 87,328,696	$ 28,041,907	$ (6,559,136)	$ 108,811,467	$ 6,632,291	$ 102,179,176

Revenue bonds and notes from direct placements at December 31, 2019 include the outstanding principal balance of the following issues:

	Interest Rates	Final Maturity	Original Issue	Total Outstanding
Revenue bonds				
2010C Water Revenue Bonds	2.0% – 4.0%	2023	$ 8,830,000	$ 1,470,000
2012A Water Revenue Bonds	2.0% – 4.0%	2032	17,515,000	12,395,000
2014 Refunding Water Revenue Bonds	2.0% – 5.0%	2024	10,850,000	6,080,000
2015 Refunding Water Revenue Bonds	2.0% – 3.0%	2030	7,445,000	5,680,000
2016 Refunding Water Revenue Bonds	2.0% – 5.0%	2027	17,860,000	12,590,000
2016 Construction and Acquisition Water Revenue Bonds	2.0% – 3.5%	2046	22,750,000	17,660,000
2018B Water Revenue Bonds	3.25% – 5.0%	2038	20,000,000	19,225,000
Total revenue bonds			105,250,000	75,100,000
Notes from direct placements				
2010A Water Revenue Bond	1.00% (1)	2032	13,400,000	9,302,830
2011A Water Revenue Bond	2.25% (1)	2034	4,000,000	3,143,042
Frazier Pike/ANRC Bond	3.90%	2033	257,500	223,322
2017A Water Revenue Bond	1.50% (1)	2041	5,000,000	4,491,473
2018A Water Revenue Bond	2.63%	2023	3,495,192	1,492,889
2019 Water Revenue Bond	1.50% (1)	2043	37,000,000	8,382,904
Total notes from direct placements			$ 63,152,692	$ 27,036,460

(1) In addition to interest, the Utility is required to pay a 1.00% 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.

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.

2015 Refunding Water Revenue Bonds

The Series 2015 Bonds were issued to refund the then outstanding Series 2010B Bonds. The difference between the reacquisition price and the net carrying amount of the refunded bonds of $30,177 is reported as a deferred inflow of resources in the statements of net position and is being amortized through the year 2030 using the straight-line method. The Series 2015 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 beginning in 2015, with the final payment scheduled in 2030.

2016 Refunding Water Revenue Bonds

On July 7, 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 $22,750,000 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.

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.

(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.

Frazier Pike/ANRC Bond Payable

During 2015, the Utility began providing water to an unincorporated area along Frazier Pike in Pulaski County, Arkansas, that had previously relied upon well water. The Frazier Pike community was the recipient of funding provided by the ANRC including a Water Development Bond that the Utility assumed totaling $257,200. Principal and interest payments are due annually on December 1 beginning in 2017 and are to be paid through a debt service charge assessed to the Frazier Pike customers. The bond is secured solely by a lien on and pledge of the Frazier Pike water surcharge, as defined in the related bond agreement. In conjunction with providing water service to Frazier Pike customers, the Utility acquired capital assets totaling approximately $850,000.

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.

2018A Water Revenue Bond

The Series 2018A Bond was issued to finance the cost of a land purchase. The Series 2018A 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. Interest is due annually on September 3, with the final payment of principal and interest scheduled in 2023.

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.

The following schedule shows the annual debt service of the revenue bonds and notes from direct placements outstanding at December 31, 2019:

		Revenue Bonds		Direct Placements	
Year Ending December 31,	Total to be Paid	Principal	Interest	Principal	Interest
2020	$ 9,753,974	$ 5,905,000	$ 2,698,944	$ 818,395	$ 331,635
2021	10,761,907	6,135,000	2,444,369	1,755,286	427,252
2022	10,937,022	6,395,000	2,182,531	1,887,742	471,749
2023	12,362,050	5,390,000	1,920,050	4,136,550	915,450
2024	10,920,287	5,425,000	1,703,119	2,568,883	1,223,285
2025 – 2029	39,230,785	19,430,000	6,481,719	9,626,577	3,692,489
2030 – 2034	22,443,230	13,200,000	3,883,519	4,847,412	512,299
2035 – 2039	13,000,674	9,515,000	1,931,034	1,395,615	159,025
2040 – 2044	4,344,122	3,705,000	639,122	-	-
	$ 133,754,051	$ 75,100,000	$ 23,884,407	$ 27,036,460	$ 7,733,184

(c) Financial Covenants

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

The terms of the bond agreements impose certain restrictive covenants on the Utility. Generally, the Utility is required to establish and maintain water rates to provide net revenues in each fiscal year at least equal to the sum of (a) 120% of the aggregate debt service, excluding amounts payable on repayment obligations, for the forthcoming fiscal year, (b) 100% of the repayment obligations, if any, which will be due and payable during the forthcoming fiscal year and (c) 100% of the amounts, if any, required by the indenture to be deposited into the debt service reserve account during the forthcoming fiscal year.

In addition, the Utility must establish and maintain debt service reserve accounts as follows:

> Senior debt – the lesser of (a) 10% of the original principal amount outstanding, (b) maximum annual debt service or (c) 125% of average annual debt service
>
> Subordinate debt – the lesser of (a) 5% of the original principal amount outstanding or (b) 50% of maximum annual debt service

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, 2019 and 2018.

(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, 2019 and 2018). The amortization period of the debt depends upon actual repayments of all parties to the agreement and may vary; however, at December 31, 2019, there were 14 payments remaining, resulting in a final payment due in 2033.

(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, 2019). The final payment of principal and interest is scheduled in 2022.

(f) Unearned Revenue

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

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

<u>2005B Water Revenue Bonds</u>

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, 2019 and 2018 are as follows:

	Balance December 31, 2018	Additions	Deductions	Balance December 31, 2019	Amounts Due Within One Year	Amounts Due Greater Than One Year
Long-term debt						
Note from direct placement	$ 425,729	$ -	$ (71,581)	$ 354,148	$ 44,394	$ 309,754

	Balance December 31, 2017	Additions	Deductions	Balance December 31, 2018	Amounts Due Within One Year	Amounts Due Greater Than One Year
Long-term debt						
Note from direct placement	$ 493,902	$ -	$ (68,173)	$ 425,729	$ 40,815	$ 384,914

The following schedule shows the annual debt service of the note from direct placement outstanding at December 31, 2019:

Year Ending December 31,	Total to be Paid	Direct Placement Principal	Direct Placement Interest
2020	$ 63,640	$ 44,394	$ 19,246
2021	63,640	48,152	15,488
2022	63,640	50,560	13,080
2023	63,640	53,088	10,552
2024	63,640	55,742	7,898
2025 – 2026	109,507	102,212	7,295
	$ 427,707	$ 354,148	$ 73,559

Note 8: RISK MANAGEMENT

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

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

Note 9: COMMITMENTS AND CONTINGENCIES

(a) Construction Contracts

The Utility has commitments totaling approximately $28,993,725 and $7,582,517 at December 31, 2019 and 2018, 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 $493,000 and $268,000 at December 31, 2019 and 2018, respectively. These amounts will be paid upon completion and inspection of the facilities.

(b) Other

Support funded by government grants is recognized as the Utility performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. In the opinion of the Utility's management, such adjustments, if any, will not be significant to the Utility's financial statements.

(c) General Litigation

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

Note 10: PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

(a) Arkansas Public Employees Retirement System

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

Contributions. Plan members hired after July 1, 2005, are required to contribute 5.00% of their annual covered salary, and the Utility is required to contribute a percent of covered salary at an actuarially determined rate. The contributions are deducted from the employee's wages or salary and remitted by the Utility to the APERS Plan on a semi-monthly basis. The applicable employer contribution rates were 14.75% (July 1, 2017 to June 30, 2018) and 15.32% (July 1, 2018 to December 31, 2019). 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, 2019 and 2018, were $3,191,138 and $2,988,952, 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, 2019 and 2018, the Utility reported a liability of $25,504,253 and $22,682,488, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and 2018, 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, 2019 and 2018, the Utility's proportion was 1.05715841% and 1.02824824%, respectively.

Contributions payable to APERS at December 31, 2019 and 2018, totaled approximately $149,000 and $124,000, respectively, and are included in payroll and related liabilities in the statements of net position.

For the years ended December 31, 2019 and 2018, the Utility recognized the actuarially determined pension expense of approximately $5,732,000 and $4,057,000, 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, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 1,384,300	$ 980,427
Changes in proportion and differences between employer contributions and proportionate share of contributions	948,538	1,447
Differences between expected and actual experience	694,117	37,892
Net difference between projected and actual investment earnings on pension plan investments	-	193,720
Utility contributions subsequent to the measurement date	1,743,556	-
Total	$ 4,770,511	$ 1,213,486

December 31, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 2,580,797	$ 1,402,736
Changes in proportion and differences between employer contributions and proportionate share of contributions	901,994	4,667
Differences between expected and actual experience	360,734	238,110
Net difference between projected and actual investment earnings on pension plan investments	-	573,972
Utility contributions subsequent to the measurement date	1,527,364	-
Total	$ 5,370,889	$ 2,219,485

Deferred outflows of resources resulting from the Utility's contributions subsequent to the measurement date totaling approximately $1,744,000 at December 31, 2019, relate to contributions made subsequent to the measurement date. The Utility will recognize these amounts as a reduction in the net pension liability in the year ended December 31, 2020. 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,	
2020	$ 1,723,447
2021	(405,833)
2022	121,110
2023	374,745
2024	-
Total	$ 1,813,469

Actuarial Assumptions. The total pension liability in the June 30, 2019, 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-2000 Combined Healthy mortality table, projected to 2020 using Projection Scale BB, set forward two years for males and one year for females.

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.

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, 2019, are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37%	6.20%
International Equity	24%	6.33%
Real Assets	16%	3.32%
Absolute Return	5%	3.56%
Domestic Fixed	18%	1.54%
Total	100%	

The target allocation for the June 30, 2018, measurement date was as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37%	5.97%
International Equity	24%	6.07%
Real Assets	16%	4.59%
Absolute Return	5%	3.15%
Domestic Fixed	18%	0.83%
Total	100%	

Discount Rate. The discount rate used to measure the total pension liability at June 30, 2019 and 2018, 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 to Changes in the Discount Rate. The following presents the Utility's proportionate share of the net pension liability as of the June 30, 2019, measurement date, calculated using the discount rate of 7.15%, as well as what the Utility's proportionate share of the net pension liability 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:

	Discount Rate	Utility's Proportionate Share of Net Pension Liability
1% decrease	6.15%	$ 40,876,949
Current discount rate	7.15%	$ 25,504,253
1% increase	8.15%	$ 12,821,073

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, 2019, there were 329 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 and the Utility's matching contributions were approximately $210,000 and $200,000 for the years ended December 31, 2019 and 2018, respectively.

(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.
- 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, 2019 and 2018, is as follows:

Membership	2019	2018
Active members	158	166
Inactive members receiving benefits	81	82
Total members	239	248

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 2019, the Utility contributed a total of $1,175,000 to the plan for current premiums. Of the $1,175,000, $656,000 was contributed to the OPEB Trust and approximately $519,000 was for health insurance premium activity. For fiscal year 2018, the Utility contributed a total of $1,181,000 to the plan for current premiums. Of the $1,181,000, $725,500 was contributed to the OPEB Trust and approximately $455,500 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.
- 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, 2019, was based on a valuation date and measurement date of December 31, 2017. The net OPEB liability at December 31, 2018, is based on the valuation performed at December 31, 2017, with update procedures used to roll forward the total OPEB liability to the measurement date of December 31, 2018. A single discount rate of 3.26% and 3.64% was used to measure the total OPEB liability as of December 31, 2019 and 2018, 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 100% in cash with a long-term expected rate of return of 0.76% and 0.64% for December 31, 2019 and 2018, respectively. The long-term rate of return also included an expected 2.50% inflation for 2019 and 3.00% for 2018. This single discount rate was based on an expected rate of return on OPEB plan investments of 3.26% and 3.64% at December 31, 2019 and 2018, respectively.

The significant assumptions used to actuarially determine the OPEB plan's total OPEB liability at December 31, 2019 and 2018, 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 5.0 percent
Single discount rate:	3.16 percent at 12/31/2017; 3.64 percent at 12/31/2018; 3.26 percent at 12/31/2019
Mortality:	Pub-G 2010 Mortality Table (headcount basis), projected generationally with Scale MP 2019

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, 2018	$ 19,859,049	$ 5,163,002	$ 14,696,047
Changes for the year:			
Service cost	275,654	-	275,654
Interest	718,448	-	718,448
Differences between expected and actual experience	(2,647,739)	-	(2,647,739)
Contributions – employer	-	1,175,000	(1,175,000)
Changes in assumptions	1,976,284	-	1,976,284
Net investment income	-	108,413	(108,413)
Benefit payments	(518,597)	(518,597)	-
Other – statutory employees	53,357	-	53,357
Net changes	(142,593)	764,816	(907,409)
Balance at December 31, 2019	$ 19,716,456	$ 5,927,818	$ 13,788,638

	Increases (Decreases)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balance at December 31, 2017	$ 20,859,070	$ 4,388,044	$ 16,471,026
Changes for the year:			
Service cost	319,030	-	319,030
Interest	656,990	-	656,990
Contributions – employer	-	1,181,000	(1,181,000)
Changes in assumptions	(1,520,535)	-	(1,520,535)
Net investment income	-	49,464	(49,464)
Benefit payments	(455,506)	(455,506)	-
Net changes	(1,000,021)	774,958	(1,774,979)
Balance at December 31, 2018	$ 19,859,049	$ 5,163,002	$ 14,696,047

Below is a table providing the sensitivity of the net OPEB liability to changes in the discount rate as of December 31, 2019 and 2018. 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
2019	3.26%	$ 17,421,483	$ 13,788,638	$ 10,903,721
2018	3.64%	$ 18,057,573	$ 14,696,047	$ 11,993,727

Below is a table providing the sensitivity of the net OPEB liability to changes in the health care trend rate as of December 31, 2019 and 2018. 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 4%)	Health Care Cost Trend Rates (8% decreasing to 5%)	1% Increase (9% decreasing to 6%)
2019	$ 10,482,095	$ 13,788,638	$ 18,081,313
2018	$ 11,087,609	$ 14,696,047	$ 18,584,306

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The Utility recognized OPEB expense of $995,303 and $1,070,493 for the years ended December 31, 2019 and 2018, 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, 2019 and 2018:

December 31, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,048,063	$ 2,382,965
Changes of assumptions	3,315,212	1,611,238
Net difference between projected and actual earnings on OPEB plan investments	212,979	-
Total	$ 5,576,254	$ 3,994,203

December 31, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,252,869	$ -
Changes of assumptions	1,637,388	1,790,264
Net difference between projected and actual earnings on OPEB plan investments	209,770	-
Total	$ 4,100,027	$ 1,790,264

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,	
2020	$ 201,081
2021	180,823
2022	151,249
2023	131,118
2024	112,823
Thereafter	804,957
Total	$ 1,582,051

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, 2019

Investment	Fair Value
U.S. Treasury Obligations	$ 3,450,420

December 31, 2018

Investment	Fair Value
Federated Treasury Obligations FD 68	$ 1,945,579
Insured Certificate of Deposit – Goldman Sachs Bank	247,639
Synchrony Bank Death PUT FDIC Certificate	243,592
Insured Certificate of Deposit – Inland Northwest Bank	243,520

Note 11: PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

The following tables include financial information for the pension (and other employee benefit) trust funds as of December 31, 2019 and 2018:

	2019			
	Employee Savings Plan	**Deferred Compensation Plan**	**OPEB Trust Fund**	**Total Pension (and Other Employee Benefit) Trust Funds**
Assets				
Cash and cash equivalents	$ -	$ -	$ 38,848	$ 38,848
U.S. Treasury obligations	-	-	3,450,420	3,450,420
Certificates of deposit	-	-	2,177,092	2,177,092
Investment contract, at contract value	626,299	1,223,153	-	1,849,452
Notes receivable to participants	-	13,292	-	13,292
Employer contribution receivable	8,082	-	-	8,082
Participant contribution receivable	8,082	4,828	-	12,910
Accrued interest receivable	-	-	11,697	11,697
Capital assets, net	-	-	-	-
Total assets	$ 10,504,804	$ 3,679,049	$ 5,935,218	$ 20,119,071
Accounts payable	$ -	$ -	$ 7,400	$ 7,400
Long-term obligations	-	-	-	-
Accrued interest payable	-	-	-	-
Consumer deposits	-	-	-	-
Total liabilities	-	-	7,400	7,400
Net Position				
Restricted for:				
Pensions	10,504,804	-	-	10,504,804
Employee benefits other than pensions	-	3,679,049	5,927,818	9,606,867
Total net position	10,504,804	3,679,049	5,927,818	20,111,671
Total liabilities and net position	$ 10,504,804	$ 3,679,049	$ 5,935,218	$ 20,119,071

	2018 (Restated – Note 1)			
	Employee Savings Plan	Deferred Compensation Plan	OPEB Trust Fund	Total Pension (and Other Employee Benefit) Trust Funds
Assets				
Cash and cash equivalents	$ -	$ -	$ 299,653	$ 299,653
U.S. Treasury obligations	-	-	2,198,391	2,198,391
Certificates of deposit	-	-	491,158	491,158
Mutual funds	7,876,960	1,936,129	-	9,813,089
Employer contribution receivable	7,478	-	-	7,478
Participant contribution receivable	7,478	4,166	-	11,644
Accrued interest receivable	-	-	31,100	31,100
Total assets	$ 8,260,994	$ 2,822,054	$ 5,168,632	$ 16,251,680
Liabilities				
Accounts payable	$ -	$ -	$ 5,630	$ 5,630
Total liabilities	-	-	5,630	5,630
Net Position				
Restricted for:				
Pensions	8,260,994	-	-	8,260,994
Employee benefits other than pensions	-	2,822,054	5,163,002	7,985,056
Total net position	8,260,994	2,822,054	5,163,002	16,246,050
Total liabilities and net position	$ 8,260,994	$ 2,822,054	$ 5,168,632	$ 16,251,680

Central Arkansas Water

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

	2019			
	Employee Savings Plan	Deferred Compensation Plan	OPEB Trust Fund	Total Pension (and Other Employee Benefit) Trust Funds
Additions				
Participant contributions	$ 209,528	$ 113,732	$ -	$ 323,260
Rollover contributions	-	299,945	-	299,945
Net investment income	2,103,713	510,240	135,292	2,749,245
Deductions				
Benefits paid	268,456	64,650	518,597	851,703
Administrative expenses	10,503	2,272	26,879	39,654
Total deductions	278,959	66,922	545,476	891,357
Change in Fiduciary Net Position	2,243,810	856,995	764,816	3,865,621
Beginning of year	8,260,994	2,822,054	5,163,002	16,246,050
End of year	$ 10,504,804	$ 3,679,049	$ 5,927,818	$ 20,111,671

	2018 (Restated – Note 1)			
	Employee Savings Plan	Deferred Compensation Plan	OPEB Trust Fund	Total Pension (and Other Employee Benefit) Trust Funds
Additions				
Employer contributions	$ 199,933	$ -	$ 1,181,000	$ 1,380,933
Participant contributions	199,933	97,483	-	297,416
Rollover contributions	39,240	6,329	-	45,569
Water sales	-	-	-	-
Debt service fees	-	-	-	-
Net investment income (loss)	(453,632)	(118,027)	71,485	(500,174)
Total additions	(14,526)	(14,215)	1,252,485	1,223,744
Benefits paid	610,830	335,689	455,506	1,402,025
Administrative expenses	10,049	1,321	22,021	33,391
Total deductions	620,879	337,010	477,527	1,435,416
Change in Fiduciary Net Position	(635,405)	(351,225)	774,958	(211,672)
Beginning of year, as previously reported	-	-	4,388,044	4,388,044
Adjustments for adoption of GASB 84	8,896,399	3,173,279	-	12,069,678
Beginning of year, as restated	8,896,399	3,173,279	4,388,044	16,457,722
End of year	$ 8,260,994	$ 2,822,054	$ 5,163,002	$ 16,246,050

Note 12: FIDUCIARY FUNDS

The Brushy Island Trust Fund did not hold investment securities for the years ended December 31, 2019 and 2018. Investments at December 31 for the Pension (and Other Employee Benefit) Trust Funds (the Trust Funds), which were all level 1 investments, include the following:

	2019				
		Maturities in Years			
Type	Fair Value	Less than 1	1–5	6–10	More than 10
Classified as Investments					
Restricted:					
U.S. Treasury obligations	$ 3,450,420	$ 3,450,420	$ -	$ -	$ -
Certificate of deposit	2,177,092	1,490,765	686,327	-	-
Money market fund	38,848	38,848	-	-	-
		$ 4,980,033	$ 686,327	$ -	$ -
Exchange-traded funds	257,161				
Mutual funds	12,300,117				
	$ 18,223,638				

	2018				
		Maturities in Years			
Type	Fair Value	Less than 1	1–5	6–10	More than 10
Classified as Investments					
Restricted:					
U.S. Treasury obligations	$ 2,198,391	$ 2,198,391	$ -	$ -	$ -
Certificate of deposit	2,639,488	2,148,330	491,158	-	-
Money market fund	299,653	299,653	-	-	-
		$ 4,646,374	$ 491,158	$ -	$ -
Mutual funds	11,961,419				
	$ 17,098,951				

At December 31, 2019 and 2018, the Trust Funds invested in the Federated Treasury Obligation 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 statements of fiduciary net position due to its highly liquid nature. This fund maintains a stable net asset value of $1 and has a Standard and Poor's credit rating of AAAm. At December 31, 2019 and 2018, the Trust Funds' restricted investment in this fund totaled $38,848 and $299,653, respectively.

(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.

(d) Concentration of Credit Risk

With the exception of securities that are direct obligations of the U.S. government, deposit accounts that are fully insured by the FDIC or fully collateralized, and money market mutual funds with an underlying investment portfolio that is limited principally to U.S. government obligations, the Utility's policy states that no more than 20% of the total balance may be invested in any single investment or in securities of a single obligor.

Note 13: SUBSEQUENT EVENTS

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Utility. Clean water is essential, especially to decrease the spread of the virus. As such, the Utility has suspended shut-offs during the course of the ongoing health crisis and has restored water to accounts recently shut off without charging a standard turn-on fee. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Subsequent events have been evaluated through April 23, 2020, the date at which the financial statements were available to issued.

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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

2010 – 2019 (Unaudited)

	2019	2018	2017	2016	2015
Utility's proportion of the net pension liability	1.06%	1.03%	1.02%	0.95%	0.94%
Utility's proportionate share of the net pension liability	$ 25,504,253	$ 22,682,488	$ 26,485,412	$ 22,821,130	$ 17,301,107
Utility's covered payroll	$ 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	121.33%	114.73%	143.38%	131.99%	103.60%
Plan fiduciary net position as a percentage of the total pension liability	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 five 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

2010 – 2019 (Unaudited)

Measurement Date June 30:	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 3,099,272	$ 2,840,869	$ 2,751,581	$ 2,521,470	$ 2,479,699
Contributions in relation to the contractually required contribution	3,099,272	2,840,869	2,751,581	2,521,470	2,479,699
Utility's proportionate share of the net pension liability	$ -	$ -	$ -	$ -	$ -
Utility's covered payroll	$ 21,020,523	$ 19,249,638	$ 18,812,453	$ 18,791,818	$ 16,881,194
Contributions as a percentage of covered payroll	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 five 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, 2019

	2019	2018	2017	2016
Total OPEB liability				
Service cost	$ 275,654	$ 319,030	$ 266,786	$ 284,194
Interest	718,448	656,990	595,466	566,116
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(2,647,739)	-	2,662,481	-
Changes of assumptions	2,029,641	(1,520,535)	1,935,094	(530,347)
Benefit payments	(518,597)	(455,506)	(440,889)	(390,661)
Net change in total OPEB liability	(142,593)	(1,000,021)	5,018,938	(70,698)
Total OPEB liability – beginning	19,859,049	20,859,070	15,840,132	15,910,830
Total OPEB liability – ending (a)	$ 19,716,456	$ 19,859,049	$ 20,859,070	$ 15,840,132
Plan fiduciary net position				
Contributions – employer	$ 1,175,000	$ 1,181,000	$ 927,000	$ 844,935
Net investment income	108,413	49,464	8,485	28,577
Benefit payments	(518,597)	(455,506)	(440,889)	(390,661)
Net change in fiduciary net position	764,816	774,958	494,596	482,851
Plan fiduciary net position – beginning	5,163,002	4,388,044	3,893,448	3,410,597
Plan fiduciary net position – ending (b)	$ 5,927,818	$ 5,163,002	$ 4,388,044	$ 3,893,448
Utility's net OPEB liability – ending (a)–(b)	$ 13,788,638	$ 14,696,047	$ 16,471,026	$ 11,946,684
Plan fiduciary net position as a percentage of the total OPEB liability	30.07%	26.00%	21.04%	24.58%
Covered-employee payroll	$ 20,474,476	$ 19,131,804	$ 18,221,916	$ 17,104,744
Utility's net OPEB liability as a percentage of covered-employee payroll	67.35%	76.81%	90.39%	69.84%

Notes to the Schedule

Changes of assumptions. 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 four 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, 2019

Plan Years Ending December 31:	2019	2018	2017	2016
Actuarially determined contribution	$ 1,106,524	$ 1,181,365	$ 1,068,588	$ 699,905
Contributions in relation to the actuarially determined contribution	1,175,000	1,181,000	927,000	844,935
Contribution deficiency (excess)	(68,476)	365	141,588	(145,030)
Covered employee payroll	20,474,476	19,131,804	18,221,916	17,104,744
Contributions as a percentage of covered employee payroll	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:	27 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 5.0 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
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 2019

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 four 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, 2019

	2019	2018	2017	2016
Annual money-weighted rate of return, net of investment expense	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 four 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 comprehensive annual 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.

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

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.

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

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

2010–2019 (Unaudited)

	2011	2012	2013	2014
Operating Revenues				
Water sales	$ 47,899,601	$ 49,448,601	$ 45,998,541	$ 45,070,592
Penalties	915,430	891,014	859,938	916,613
Turn-on charges	1,019,839	1,195,622	1,101,038	1,010,229
Ancillary charges	2,841,724	3,014,509	3,083,148	2,917,964
Watershed protection fees	999,083	1,003,492	1,012,991	1,012,005
Other revenue	596,503	716,994	1,990,277	670,741
Total Operating Revenues	54,272,180	56,270,232	54,045,933	51,598,144
Operating Expenses				
Administrative	2,842,433	2,252,142	2,364,744	2,471,360
Distribution	9,994,051	9,817,795	10,495,249	10,659,085
Engineering	1,779,691	1,768,725	1,773,172	1,821,276
Finance and customer service	6,186,750	-	-	-
Finance	-	2,605,926	2,585,870	2,548,209
Customer service	-	4,055,518	4,176,286	4,458,680
Information services	3,005,343	3,013,314	2,902,303	3,133,821
Water production	8,556,749	9,423,762	7,889,209	7,717,004
Watershed protection	1,158,939	1,062,484	-	-
Water quality	-	-	1,936,431	1,911,167
General	2,048,645	2,345,009	2,017,004	1,971,006
Depreciation	9,589,451	10,346,997	11,068,273	10,786,930
Total Operating Expenses	45,162,052	46,691,672	47,208,541	47,478,538
Nonoperating Revenues (Expenses)				
Transfers to Cities of LR and NLR	(584,388)	(602,832)	(608,436)	(658,776)
Gain (loss) on disposal of capital assets	(476,219)	204,043	249,854	26,456
Investment income	118,372	76,650	111,482	199,334
Bond and other interest expense, net	(900,468)	(1,579,723)	(2,348,152)	(2,320,427)
Total Nonoperating Revenues (Expenses)	(1,842,703)	(1,901,862)	(2,595,252)	(2,753,413)
Contributions				
Contributions-in-aid of construction	9,573,703	2,826,327	864,644	2,253,550
Capital contributions from grantors	4,000,000	171,514	47,903	-
Special item – transfer of assets from Maumelle	-	-	-	-
Total Contributions	13,573,703	2,997,841	912,547	2,253,550
Change in Net Position	$ 20,841,128	$ 10,674,539	$ 5,154,687	$ 3,619,743
% Water Rate Increase [(1)]	5.3%	0.0%	3.8%	3.7%

Source: Central Arkansas Water Finance and Customer Service 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)

2010–2019 (Unaudited)

2015	2016	2017	2018	2019
$ 47,459,563	$ 51,325,094	$ 51,648,173	$ 57,264,083	$ 54,639,500
878,500	885,551	922,616	991,571	1,019,732
989,227	1,091,867	1,342,974	1,335,236	1,403,494
3,005,354	5,549,781	6,188,546	5,667,721	7,495,745
1,017,055	1,025,064	1,120,097	1,101,065	1,323,160
731,607	818,766	611,842	560,731	552,289
54,081,306	60,696,123	61,834,248	66,920,407	66,433,920
2,598,576	2,668,488	3,447,845	4,019,183	4,462,396
10,256,858	13,313,139	14,256,900	14,980,984	15,583,222
1,694,457	1,803,704	2,049,525	2,038,602	2,862,634
-	-	-	-	-
2,582,474	3,103,823	3,078,676	2,895,514	2,864,906
4,436,408	4,954,842	3,151,815	3,298,739	3,710,651
3,050,213	3,186,317	3,328,787	3,302,483	3,527,672
8,011,935	8,239,835	9,341,319	9,120,982	10,186,502
-	-	-	-	-
2,024,136	2,050,733	2,134,930	2,267,752	2,466,084
2,112,725	3,057,387	2,484,482	2,298,966	2,246,364
11,246,626	12,149,744	12,770,370	12,687,333	12,888,536
48,014,408	54,528,012	56,044,649	56,910,538	60,798,967
(659,088)	(676,408)	(706,716)	(709,068)	(791,064)
76,092	76,664	70,231	(17,965)	(496,099)
194,795	237,700	413,111	846,878	1,269,965
(2,408,154)	(3,284,945)	(2,043,741)	(2,031,574)	(2,162,183)
(2,796,355)	(3,646,989)	(2,267,115)	(1,911,729)	(2,179,381)
3,021,520	2,148,229	2,442,052	2,580,491	3,079,598
127,396	26,112	-	-	-
-	7,745,408	-	-	-
3,148,916	9,919,749	2,442,052	2,580,491	3,079,598
$ 6,419,459	$ 12,440,871	$ 5,964,536	$ 10,678,631	$ 6,535,170
0.0%	0.0%	8.9%	8.9%	0.0%

Central Arkansas Water

TEN YEAR SUMMARY OF NET POSITION

2010–2019 (Unaudited)

	2010	2011	2012	2013
Net Position				
Net investment in capital assets	$ 284,393,022	$ 299,621,462	$ 302,315,617	$ 309,457,263
Restricted – expendable	9,038,701	6,466,360	7,988,462	7,121,040
Unrestricted	21,437,276	29,622,305	36,080,587	34,961,050
Total Net Position	$ 314,868,999	$ 335,710,127	$ 346,384,666	$ 351,539,353

Source: Central Arkansas Water Finance and Customer 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.

Central Arkansas Water

TEN YEAR SUMMARY OF NET POSITION (Continued)

2010–2019 (Unaudited)

2014	2015[1]	2016	2017[2]	2018	2019
$ 312,635,439	$ 320,025,891	$ 329,906,226	$ 337,464,888	$ 348,267,555	$ 357,586,670
6,059,324	7,188,147	7,683,719	9,093,839	10,517,702	8,806,305
36,464,333	19,108,904	21,173,868	5,793,875	4,245,982	3,173,434
$ 355,159,096	$ 346,322,942	$ 358,763,813	$ 352,352,602	$ 363,031,239	$ 369,566,409

Central Arkansas Water

TEN YEAR SUMMARY OF WRITE-OFFS

2010–2019 (Unaudited)

Year	Water Sales	Write-Offs	Write-Offs/ Water Sales
2010	$ 44,734,656	$ 249,268	0.56%
2011	47,899,601	290,008	0.61%
2012	49,448,601	257,771	0.52%
2013	45,998,541	239,301	0.52%
2014	45,070,592	369,709	0.82%
2015	47,459,563	316,441	0.67%
2016	51,325,094	237,356	0.46%
2017	51,648,173	287,151	0.56%
2018	57,264,083	344,203	0.60%
2019	54,639,500	305,497	0.56%

Source: Central Arkansas Water Finance and Customer Service Department

Revenue & Debt Capacity

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Central Arkansas Water

TEN YEAR SUMMARY OF REVENUES, EXPENSES AND DEBT SERVICE COVERAGE

2010–2019 (Unaudited)

	2010	2011	2012	2013
Revenues				
Water sales	$ 44,734,656	$ 47,899,601	$ 49,448,601	$ 45,998,541
Penalties	888,654	915,430	891,014	859,938
Turn-on charges	1,057,057	1,019,839	1,195,622	1,101,038
Ancillary charges	2,631,082	2,841,724	3,014,509	3,083,148
Watershed protection fees	982,812	999,083	1,003,492	1,012,991
Proceeds from sale of capital assets	1,154,252	1,378,313	1,270,452	1,259,097
Investment income	56,820	118,372	76,650	111,482
Other revenue	636,345	596,503	716,994	1,990,277
Total Revenues	52,141,678	55,768,865	57,617,334	55,416,512
Expenses				
Administrative	2,766,339	2,842,433	2,252,142	2,364,744
Distribution	9,915,785	9,994,051	9,817,795	10,495,249
Engineering	1,758,261	1,779,691	1,768,725	1,773,172
Finance and customer service	5,992,816	6,186,750	-	-
Finance	-	-	2,605,926	2,585,870
Customer service	-	-	-	-
Customer relations and public affairs	-	-	4,055,518	4,176,286
Information services	2,818,444	3,005,343	3,013,314	2,902,303
Water production	8,181,092	8,556,749	9,423,762	7,889,209
Watershed protection	1,032,201	1,158,939	1,062,484	-
Water quality	-	-	-	1,936,431
General	2,549,123	2,048,645	2,345,009	2,017,004
Transfers to Cities of LR and NLR	551,290	584,388	602,832	608,436
Total Expenses	35,565,351	36,156,989	36,947,507	36,748,704
Transfers to Rate Stabilization Account (2)	(2,100,000)	(2,600,000)	(3,300,000)	-
Net Revenues	$ 14,476,327	$ 17,011,876	$ 17,369,827	$ 18,667,808
Maximum Annual Debt Service on Revenue Bonds	$ 6,799,714	$ 6,884,537	$ 8,061,331	$ 7,909,925
Ratio of Net Revenues to Maximum Annual Debt Service on Revenue Bonds (1)	2.13	2.47	2.15	2.36

Source: Central Arkansas Water Finance and Customer Service Department

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

(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 revenue, 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*)

2010–2019 (Unaudited)

2014	2015	2016	2017	2018	2019
$ 45,070,592	$ 47,459,563	$ 51,325,094	$ 51,648,173	$ 57,264,083	$ 54,639,500
916,613	878,500	885,551	922,616	991,571	1,019,732
1,010,229	989,227	1,091,867	1,342,974	1,335,236	1,403,494
2,917,964	3,005,354	5,549,781	6,188,546	5,667,721	7,495,745
1,012,005	1,017,055	1,025,064	1,120,097	1,101,065	1,323,160
62,548	93,675	87,285	70,231	74,887	131,565
199,334	194,795	237,700	413,111	846,878	1,269,965
670,741	731,607	818,766	898,993	560,731	552,289
51,860,026	54,369,776	61,021,108	62,604,741	67,842,172	67,835,450
2,471,360	2,598,576	2,668,488	3,447,845	4,019,183	4,462,396
10,659,085	10,256,858	13,313,139	14,256,900	14,980,984	15,583,222
1,821,276	1,694,457	1,803,704	2,049,525	2,038,602	2,862,634
-	-	-	-	-	-
2,548,209	2,582,474	3,103,823	3,078,676	2,895,514	2,864,906
-	-	-	3,151,815	3,298,739	3,710,651
4,458,680	4,436,408	4,954,842	-	-	-
3,133,821	3,050,213	3,186,317	3,328,787	3,302,483	3,527,672
7,717,004	8,011,935	8,239,835	9,341,319	9,120,982	10,186,502
-	-	-	-	-	-
1,911,167	2,024,136	2,050,733	2,134,930	2,267,752	2,466,084
1,971,006	2,112,725	3,057,387	2,650,583	2,298,966	2,246,364
658,776	659,088	676,408	706,716	709,068	791,064
37,350,384	37,426,870	43,054,676	44,147,096	44,932,273	48,701,495
-	-	-	-	-	-
$ 14,509,642	$ 16,942,906	$ 17,966,432	$ 18,457,645	$ 22,909,899	$ 19,133,955
$ 7,645,191	$ 7,600,019	$ 7,125,431	$ 7,113,368	$ 7,113,368	$ 10,284,375
1.90	2.23	2.52	2.59	3.22	1.86

Central Arkansas Water

TEN YEAR SUMMARY OF OUTSTANDING DEBT-TO-CUSTOMER COUNT

2010–2019 (Unaudited)

Year	Residential	Commercial	Large Volume	Wholesale
2010	106,235	11,041	63	8
2011	106,556	11,160	63	9
2012	106,961	11,243	64	9
2013	108,116	11,297	57	9
2014	108,426	11,411	56	9
2015	109,007	11,419	50	9
2016	116,601	11,592	48	9
2017	117,015	11,824	52	9
2018	117,637	12,145	45	9
2019	118,354	12,249	48	9

Source: Central Arkansas Water Finance and Customer Service 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. A debt surcharge levied on the Maumelle service area customers is pledged to repay this debt. Amount includes amount payable for Lake DeGray water rights.

Central Arkansas Water

TEN YEAR SUMMARY OF OUTSTANDING DEBT-TO-CUSTOMER COUNT (*Continued*)

2010–2019 (Unaudited)

Sprinkler	Private Fire Service	Total Customers	Total Outstanding Debt		Total Outstanding Debt-to-Customer Count
3,758	1,686	122,791	$ 72,891,876		$ 594
3,497	1,723	123,008	$ 75,463,932		$ 613
3,554	1,772	123,603	$ 92,506,391		$ 748
3,748	1,821	125,048	$ 85,442,806		$ 683
3,782	1,850	125,534	$ 80,966,271		$ 645
3,955	1,880	126,320	$ 76,734,499		$ 607
4,083	2,104	134,437	$ 71,076,875	*	$ 529
4,082	2,145	135,127	$ 65,799,015	*	$ 487
4,037	2,194	136,067	$ 88,337,149	*	$ 649
3,976	2,295	136,931	$ 88,089,685	**	$ 643

Central Arkansas Water

TEN YEAR SUMMARY OF TEN LARGEST WATER CUSTOMERS

2010–2019 (Unaudited)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Jacksonville Water Works	1	1	1	1	1	1	1	1	2	1
Bryant Water and Sewer	3	2	2	2	2	2	3	2	3	2
Salem Water Alliance	4	4	3	3	3	3	2	3	1	3
Mid-Arkansas Utilities	2	3	4	4	4	5	-	-	-	-
University of Arkansas for Medical Sciences	5	6	5	5	5	6	5	4	7	5
Arkansas Department of Corrections	10	9	10	9	6	7	6	6	8	6
Sage V Foods	-	-	-	-	7	10	-	8	-	-
Cabot WaterWorks	-	-	9	10	8	8	7	5	6	4
Shannon Hills Water Department	-	-	-	-	9	4	9	-	9	10
Baptist Health System	8	7	7	7	10	9	10	10	10	9
Veterans Administration Hospitals	7	-	8	8	-	-	-	-	-	-
3-M Company	6	8	-	-	-	-	4	9	-	7
Arkansas Electric Cooperative	9	5	6	6	-	-	-	-	4	-
North Little Rock Burns Park	-	-	-	-	-	-	8	-	-	-
Arkansas Military Department	-	10	-	-	-	-	-	-	-	-
Kimberly-Clark	-	-	-	-	-	-	-	7	5	8

Source: Central Arkansas Water Finance and Customer Service Department

Demographic & Economic Information

Central Arkansas Water

LARGEST EMPLOYERS WITHIN PULASKI COUNTY

2019 vs. 2010 (Unaudited)

		2019			2010	
Employer	Type of Business	Rank	Employees	Percentage of Total Employment	Rank	Employees
State of Arkansas	Government	1	35,800	19%	1	32,900
Local Government	Government	2	26,200	14%	2	28,800
Federal Government	Government	3	9,900	5%	3	9,500
University of Arkansas for Medical Sciences	Medical Services	4	9,700	5%	4	8,500
Baptist Health	Medical Services	5	7,340	4%	6	6,160
Little Rock Air Force Base	Government	6	4,500	2%	7	4,500
Arkansas Children's Hospital	Medical Services	7	4,370	2%	10	2,830
Central Arkansas Veterans Health Care Systems	Medical Services	8	4,000	2%	9	3,500
Little Rock School District	Education	9	3,970	2%	-	-
CHI St. Vincent	Medical Services	10	3,000	2%	-	
Pulaski County Public School District	Education	-	-	0%	5	7,400
Acxiom	Data Processing	-	-	0%	8	4,380
Total			108,780	57%		108,470
Total Employment			188,340			

Source: Central Arkansas Water Finance and Customer Service Department

Central Arkansas Water

TEN YEAR SUMMARY OF

DEMOGRAPHIC AND ECONOMIC STATISTICS WITHIN PULASKI COUNTY

2010–2019 (Unaudited)

Year	Population	Households	Median Household Income	Per Capita Personal Income	Total Personal Income (000s)	Unemployment Rate
2010	382,748	175,555	$ 44,482	$ 42,438	$ 16,278,265	6.9%
2011	386,299	176,324	$ 45,897	$ 43,938	$ 16,973,344	6.4%
2012	388,953	178,704	$ 44,819	$ 45,875	$ 17,843,080	6.3%
2013	391,284	179,470	$ 46,526	$ 47,854	$ 18,724,616	6.9%
2014	392,490	180,023	$ 45,698	$ 46,349	$ 18,201,484	5.6%
2015	392,664	180,103	$ 46,673	$ 45,862	$ 18,008,251	4.0%
2016	393,250	155,440	$ 46,070	$ 47,834	$ 18,810,571	3.2%
2017	393,956	155,435	$ 48,850	$ 48,838	$ 19,240,052	3.4%
2018	392,680	157,083	$ 50,093	$ 51,185	$ 20,099,504	3.4%
2019	(1)	(1)	(1)	(1)	(1)	3.3%

Source: U.S. Census Bureau and www.discoverarkansas.net

(1) Information is not available.

Operating Information

Central Arkansas Water

TEN YEAR SUMMARY OF NEW CONNECTIONS

2010–2019 (Unaudited)

Year	Meters	Fire Hydrants	New Pipe (in Miles)
2010	1,144	160	19.70
2011	1,187	86	11.90
2012	1,442	61	28.50
2013	2,158	137	15.30
2014	1,205	150	16.90
2015	1,233	165	11.80
2016	1,277	168	17.00
2017	1,450	166	16.30
2018	1,301	202	17.61
2019	1,177	225	14.34

Source: Central Arkansas Water Engineering Department

Central Arkansas Water

TEN YEAR SUMMARY OF SYSTEM HIGHLIGHTS

2010–2019 (Unaudited)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Miles of public water distribution pipe	2,276	2,280	2,295	2,358	2,366	2,372	2,497	2,506	2,518	2,527
Number of treatment plants	2	2	2	2	2	2	3	3	2	2
Maximum treatment capacity (MGD)	157.0	157.0	157.0	157.0	157.0	157.0	163.7	163.7	157.0	157.0
Maximum day consumption (MG)	108.4	119.4	126.0	106.0	88.3	98.9	98.1	92.0	101.0	88.7
Percentage of maximum capacity utilized	69%	76%	80%	68%	56%	63%	60%	56%	64%	56%

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

2010–2019 (Unaudited)

	2010	2011	2012	2013
Land and land use rights	$ 40,544,764	$ 43,779,013	$ 45,521,648	$ 46,032,162
Water rights	-	-	-	-
Building and grounds	40,917,775	41,954,807	44,160,573	49,154,620
Land improvements	-	-	-	1,478,894
Water source	32,778,582	32,778,582	32,920,887	32,927,318
Purification	29,512,295	36,299,049	37,261,755	37,518,831
Pumping	22,254,975	22,323,783	25,740,465	25,796,891
Distribution	272,131,704	279,106,680	318,974,140	323,590,447
Other equipment	26,463,728	27,362,197	27,875,369	27,139,956
Construction in progress	34,450,027	42,187,758	11,868,158	21,527,876
	499,053,850	525,791,869	544,322,995	565,166,995
Less accumulated depreciation	145,172,084	153,522,735	163,299,356	173,414,469
Net Capital Assets	$ 353,881,766	$ 372,269,134	$ 381,023,639	$ 391,752,526

Source: Central Arkansas Water Finance and Customer Service Department

Central Arkansas Water

TEN YEAR SUMMARY OF CAPITAL ASSETS (Continued)

2010–2019 (Unaudited)

2014	2015	2016	2017	2018	2019
$ 46,192,915	$ 47,488,299	$ 47,892,367	$ 48,977,583	$ 58,804,602	$ 60,324,790
-	-	-	-	-	4,598,638
60,806,083	60,916,771	62,556,517	62,767,365	63,294,373	63,505,997
2,253,459	2,259,083	2,702,932	2,831,335	2,895,907	2,974,389
33,211,941	33,211,941	33,419,723	33,419,723	33,419,723	33,419,723
42,180,124	42,449,597	45,268,031	45,527,263	45,671,724	42,984,525
26,233,796	26,410,016	27,159,362	27,257,925	28,272,196	28,569,649
335,078,600	339,621,061	363,365,749	368,386,584	388,726,499	401,665,841
28,573,745	29,123,839	31,027,067	31,740,663	33,810,257	34,899,020
2,150,054	8,880,044	8,044,217	21,632,031	19,019,605	29,549,784
576,680,717	590,360,651	621,435,965	642,540,472	673,914,886	702,492,356
183,412,270	193,915,770	211,426,836	223,337,873	235,366,005	244,071,802
$ 393,268,447	$ 396,444,881	$ 410,009,129	$ 419,202,599	$ 438,548,881	$ 458,420,554

Central Arkansas Water

TEN YEAR SUMMARY OF FILLED POSITIONS BY DEPARTMENT

2010–2019 (Unaudited)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Administration	14	14	11	11	12	11	14	15	24	31
Customer relations and public affairs	-	-	-	-	61	63	-	-	-	-
Customer service	-	-	-	-	-	-	-	-	45	45
Distribution	102	104	106	109	108	110	135	141	139	146
Engineering	23	22	23	23	22	21	22	24	24	22
Finance and customer service	78	75	79	79	-	-	69	64	-	-
Finance	-	-	-	-	17	20	-	-	21	21
Information services	17	17	17	17	17	17	16	16	14	16
Source and treatment	37	40	32	31	-	-	-	-	-	-
Water quality	-	-	10	9	-	-	13	12	14	10
Water quality and operations	-	-	-	-	40	41	-	-	-	-
Source and treatment/ Water production	-	-	-	-	-	-	31	35	38	34
Total	271	272	278	279	277	283	300	307	319	325

Source: Central Arkansas Water Administration Department

Central Arkansas Water

SCHEDULE OF WATER RATES FOR CAW

2019 (Unaudited)

Minimum Monthly Charge (CAW):

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

Consumption Charge (per 100 cubic feet (CCF) of usage in excess of 200 cubic feet per month):

Customer Class	Charge: Inside City – LR & NLR 3-33 CCFs	Charge: Inside City – LR & NLR Over 33 CCFs	Charge: Outside City – LR & NLR 3-33 CCFs	Charge: Outside City – LR & NLR 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	Charge Off Peak
Wholesale	$ 1.65	$ 1.52
Raw Water	$ 0.62	$ 0.62

Watershed Protection Fee (all CAW customers):

Meter Size	City
5/8"	$ 0.60
3/4"	$ 0.60
1"	$ 0.90
1 1/2"	$ 1.50
2"	$ 3.00
3"	$ 4.80
4"	$ 9.00
6"	$ 15.00
8"	$ 30.00
10"	$ 48.00

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 and Customer Service Department

APPENDIX E

UNAUDITED FINANCIAL STATEMENT THROUGH AUGUST 31, 2020

Central Arkansas Water
Essential & Exceptional

September 9, 2020

Attached are the financial statements for Central Arkansas Water for the month ending August 31, 2020.

Central Arkansas Water

Jeffrey B Mascagni, Chief Financial Officer

JBM/sl

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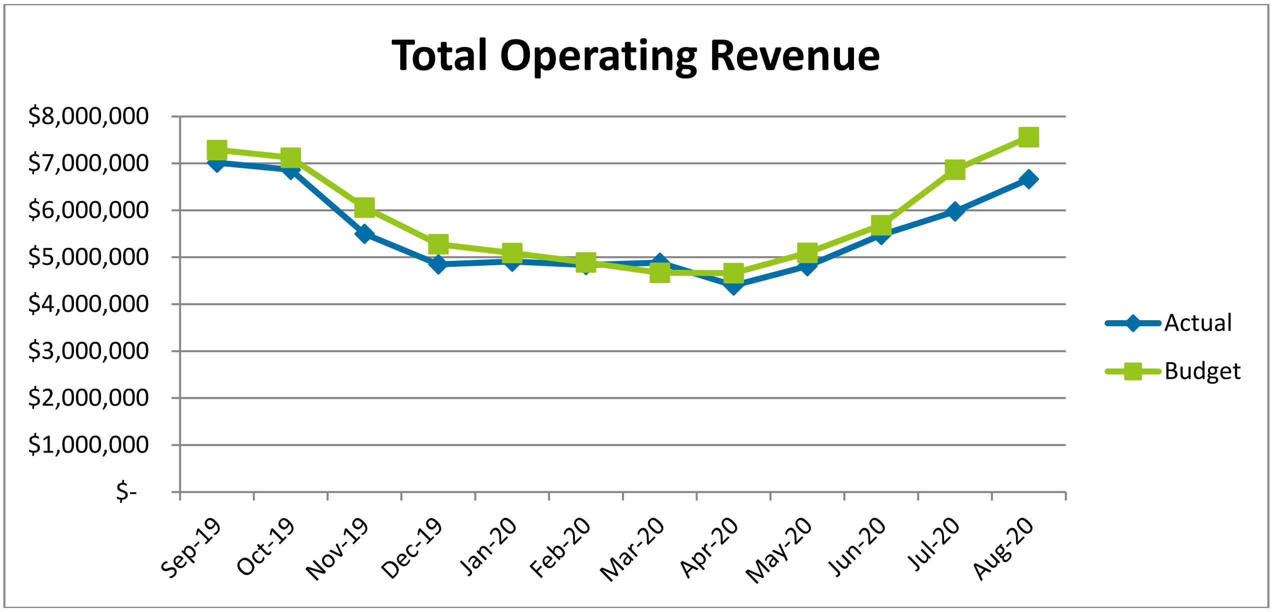
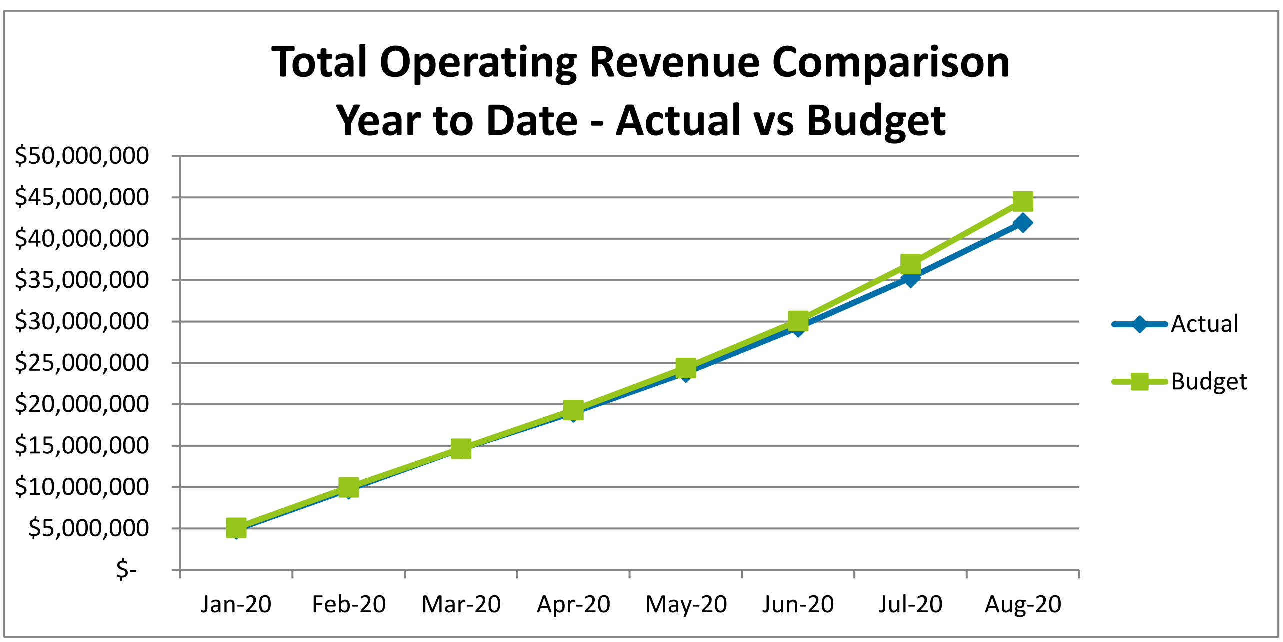
Financial Highlights for August 31, 2020

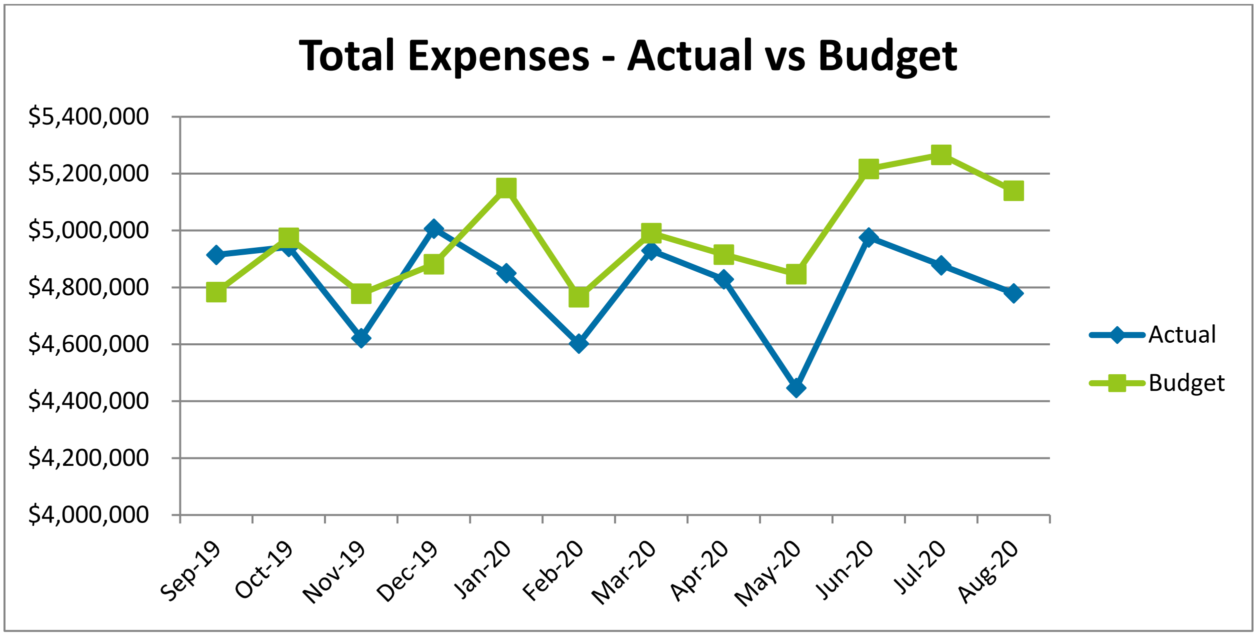
- **Revenues for the month ending August 31, 2020 were $869K under budget.**



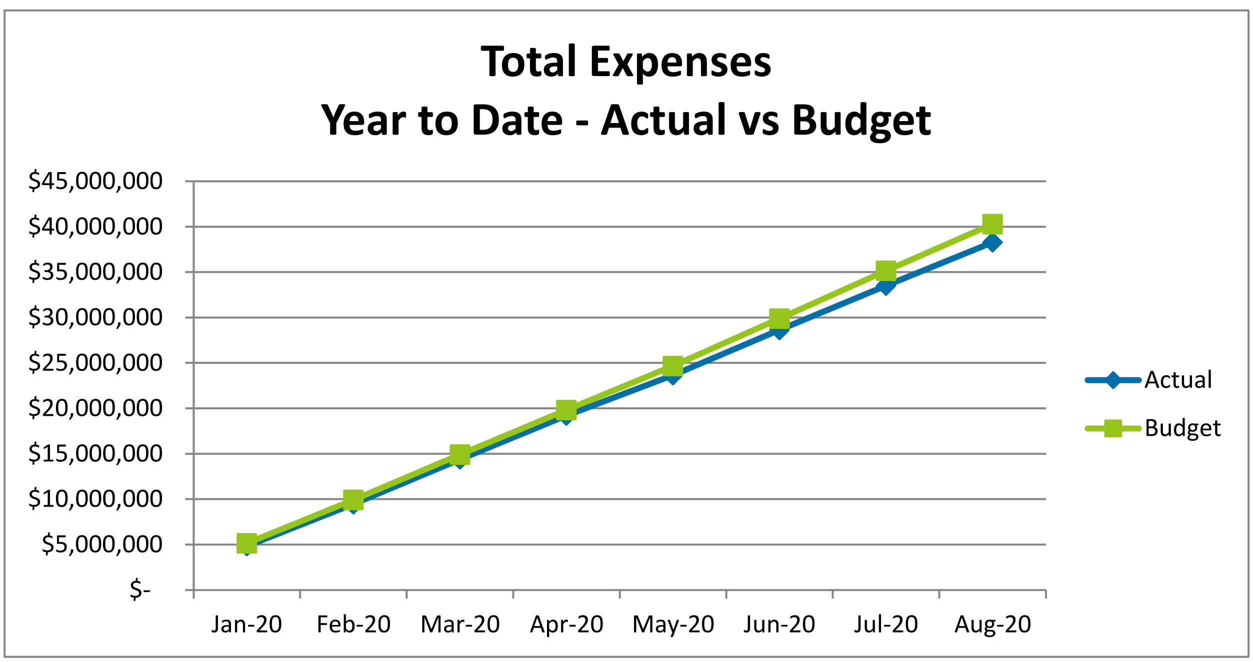
- **Year-to-date revenues through August 31, 2020 were $2.5M under budgeted projections.**

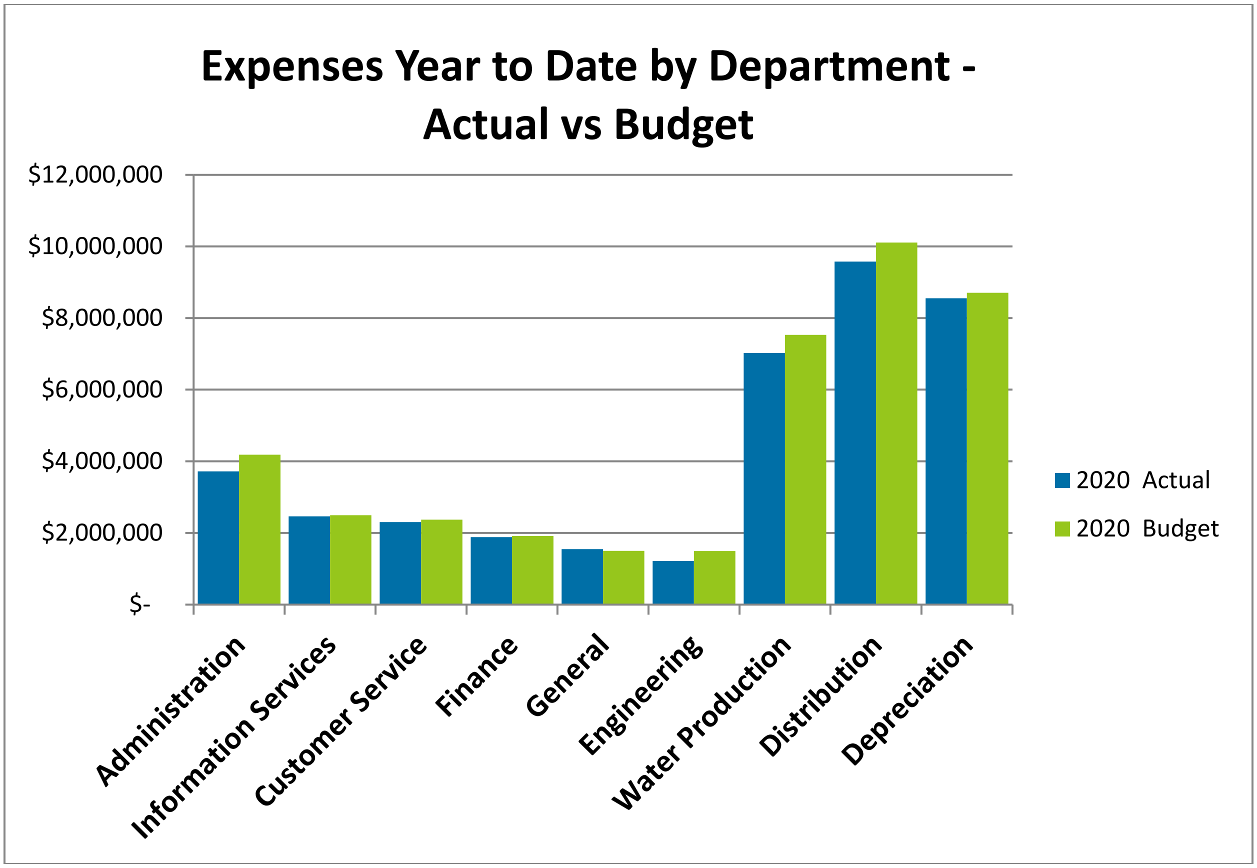


- **O&M expenses were $361K or 7% under budget for the month of August 2020.**

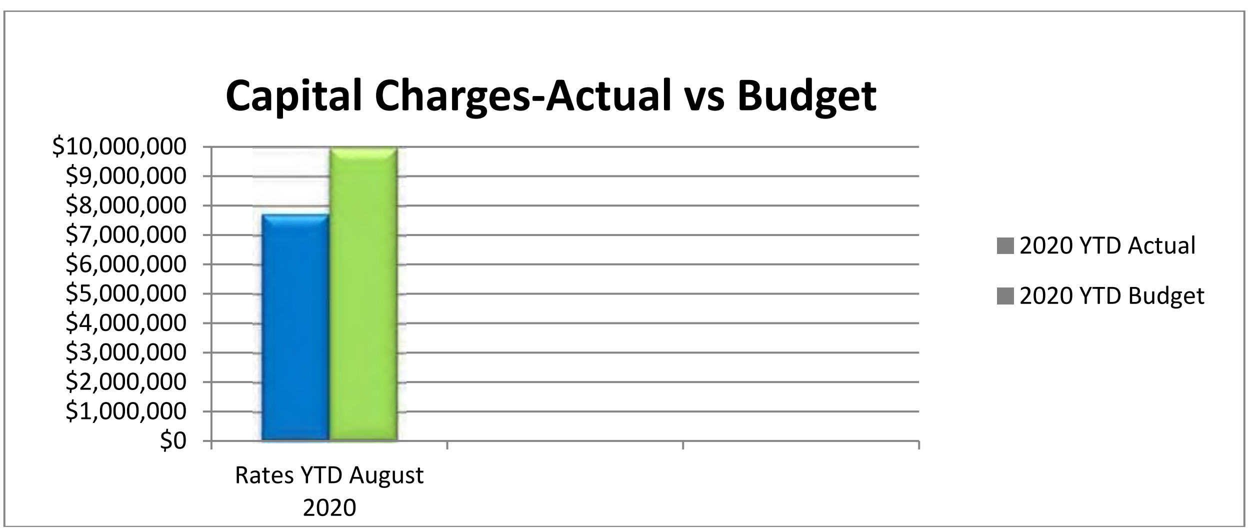


- **O&M expenses were $2M or 5% under budget for year-to-date through August 2020. The majority of the favorable variance can be found in the following natural classifications: Labor and Benefits - $1.1M, Materials, Supplies, and Maintenance - $686K, Chemicals - $257K, Contract Services - $230K, and Depreciation - $153K with offsetting unfavorable variances in Utilities - $223K.**





- **Year-to-date Charges to Capital from Rates are running 78% of budget through August 31, 2020.**



CAW Financial Metrics

		2019	2020	Goal
1	Current Ratio	2.32	*2.14*	>1.50
2	Quick Ratio	2.20	*2.03*	>1.25
3	Debt Utilization	*32%*	*34%*	*<39%*

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.

1 ***The Current Ratio is calculated by dividing Current Assets by Current Liabilities. This ratio means for every $1.00 in current liabilities, CAW has $2.14 in current assets.***

2 ***The Quick Ratio is similar to the Current Ratio but excludes inventory because inventory is normally the least liquid current asset. When excluding inventory for the period ending August 31, 2020, the Quick Ratio was 2.03.***

3 ***The Debt Utilization percentage is calculated by dividing total Liabilities by total Assets. This financial metric measures the extent to which a company is using debt to finance operations and capital expenditures. A ratio of 34% means that for every dollar of assets, 34 cents is being financed with debt. A 2017 AWWA Benchmarking Study showed the national average to be 39%.***

Central Arkansas Water Statement of Net Position
August 31, 2020

Current Ratio (Current Assets/Current Liabilities)		2.14
Quick Ratio ([Current Assets - Inventories]/Current Liabilities)		2.03
Assets		
Current Assets		
Cash and Securities		26,953,399
Accounts Receivable - Customer		17,086,123
Accounts Receivable - Other		442,459
Inventories		2,979,342
Other Current Assets		1,427,018
Total Unrestricted Current Assets		48,888,341
Restricted Cash and Securities - Current		13,851,153
Total Current Assets	$	62,739,494
Noncurrent Assets		
Restricted Cash and Securities		13,474,627
Restricted Accrued Interest Receivable		26,486
Total Restricted Noncurrent Assets		13,501,113
Property, Plant, and Equipment - Net		426,291,691
Construction Work in Process		43,696,130
Other Assets		28,500
Total Noncurrent Assets	$	470,016,321
Deferred Outflows of Resources		10,346,765
Total Assets and Deferred Outflows of Resources	$	556,603,693
Cash Ratio (Cash & Securities + Restricted C&S)/Current Liabilities		1.39
Working Capital (Current Assets - Current Liabilities)		33,367,039
Liabilities		
Current Liabilities		
Accounts Payable and Accrued Expenses		2,582,111
Payroll and Related Liabilities		3,876,353
Billed for Other Agencies		8,642,838
Other Post-Employment Benefits Obligation		420,000
Total Current Liabilities Payable from Unrestricted Assets		15,521,302
Consumer Deposits - Current Portion		4,832,068
Long Term Obligations - Current Portion		5,648,935
Water Rights Payable - Current Portion		1,106,561
Bond Interest Payable		1,349,621
Accounts Payable and Accrued Expenses		913,968
Total Current Liabilities Payable from Restricted Assets		13,851,153
Total Current Liabilities	$	29,372,455
Noncurrent Liabilities		
Deferred Revenue		945,006
Long Term Obligations, Net		116,237,598
Net OPEB Liability		13,788,638
Net Pension Liability		25,504,252
Total Noncurrent Liabilities	$	156,475,494
Deferred Inflows of Resources		5,207,689
Total Liabilities and Deferred Inflows of Resources	$	191,055,638
Net Position		
Invested in Capital Assets, Net of Related Debt		353,352,339
Restricted		13,898,996
Unrestricted		(1,703,280)
Total Net Position	$	365,548,055
Total Liabilities, Deferred Inflows of Resources and Net Position	$	556,603,693

Central Arkansas Water
Comparative Statement of Revenue and Expense - by Department
For the Month Ending August 31, 2020

	August			Year to Date		
	2019 Actual	2020 Actual	2020 Budget	2019 Actual	2020 Actual	2020 Budget
Operating Revenues						
Little Rock						
Residential	1,173,248	1,212,741	1,280,233	8,423,514	8,396,904	8,831,741
Commercial	798,432	748,857	787,161	5,822,105	5,288,036	5,519,409
Large Volume	174,011	171,067	180,826	1,198,812	1,095,944	1,144,113
Sprinkler	1,417,457	1,202,923	1,704,528	4,462,793	3,847,063	4,715,780
Raw Water	8,238	7,650	7,508	48,884	48,665	39,387
Private Fire Service	67,989	68,217	72,162	484,996	503,433	388,341
North Little Rock						
Residential	850,933	812,499	847,239	5,660,721	5,585,690	5,697,382
Commercial	336,031	301,977	348,772	2,317,194	2,124,312	2,338,898
Large Volume	43,204	47,423	47,447	322,487	308,607	319,951
Sprinkler	308,881	266,189	317,059	960,629	867,470	1,190,695
Private Fire Service	16,914	16,530	30,815	130,026	134,998	104,487
Maumelle						
Residential	169,664	165,597	178,287	1,199,825	1,216,111	1,290,661
Commercial	49,157	47,626	47,239	378,308	269,900	343,265
Large Volume	11,665	24,850	18,724	115,712	176,678	149,792
Sprinkler	172,939	134,467	146,206	510,624	419,408	467,261
Private Fire Service	4,345	3,869	4,050	7,693	29,514	32,400
Wholesale Customers						
Bryant Water & Sewer	134,948	118,059	119,923	835,132	819,093	781,193
Shannon Hills Water	14,530	15,031	14,779	108,871	109,082	107,336
Sardis Water Association	10,350	11,683	8,554	71,522	83,909	71,698
Jacksonville Waterworks	169,546	159,777	127,743	1,062,602	1,071,734	1,057,110
Mid-Arkansas Utilities	7,564	6,639	7,163	56,356	56,032	55,085
Woodland Hills (SCPFB)	3,962	4,054	2,666	21,889	25,987	19,661
Salem Water Users Public Water	114,152	116,221	109,603	770,134	769,715	722,815
Ridgefield Estates	2,247	2,630	1,468	9,832	11,730	8,623
Cabot Water	23,521	19,777	19,763	162,197	155,554	158,053
Penalties and Turn-On Charges						
Penalties on Past Due Accounts	99,645	107,531	79,583	638,235	694,264	636,664
Turn On Charges	114,206	89,601	117,500	952,906	690,985	939,997
Ancillary Charges						
System Development Charges	42,975	26,300	26,625	213,975	208,850	213,000
Miscellaneous Service Fees	22,336	8,467	16,458	159,162	105,452	131,667
Connection Fees	100,095	80,155	87,500	539,569	623,292	586,250
Capital Investment Charges	12,900	9,050	12,083	86,756	122,795	96,667
Watershed Protection Fees	123,381	159,416	143,750	826,837	1,235,918	1,150,000
Billing Fees	422,786	433,322	416,774	2,103,020	3,414,243	3,362,200
Other	30,460	(99,940)	44,009	400,397	(49,246)	352,072
Maumelle Surcharge Revenue	190,150	191,142	186,250	1,498,697	1,508,461	1,490,000
Total Operating Revenues	$ 7,242,861	$ 6,691,397	$ 7,560,450	$ 42,562,410	$ 41,970,582	$ 44,513,654

Central Arkansas Water

Comparative Statement of Revenue and Expense - by Department

For the Month Ending August 31, 2020

	August			Year to Date		
	2019 Actual	2020 Actual	2020 Budget	2019 Actual	2020 Actual	2020 Budget
Operating Expenses						
Administration	440,850	407,636	456,066	3,555,881	3,720,882	4,182,676
Information Services	249,003	308,246	329,556	2,238,146	2,464,266	2,493,050
Customer Service	294,329	279,729	287,116	2,254,257	2,300,714	2,368,658
Finance	229,840	215,383	235,035	1,805,118	1,883,882	1,912,087
General	197,294	224,362	183,272	1,612,054	1,546,682	1,499,116
Engineering	161,958	143,707	175,774	1,325,743	1,217,273	1,493,866
Water Production	1,135,157	1,004,609	1,147,717	7,360,585	7,027,023	7,532,165
Distribution	1,144,555	1,114,757	1,237,324	9,629,144	9,577,160	10,105,910
Depreciation	1,071,764	1,080,855	1,088,153	8,586,435	8,552,063	8,705,224
Total Operating Expenses	$ 4,924,751	$ 4,779,284	$ 5,140,012	$ 38,367,364	$ 38,289,945	$ 40,292,753
Operating Income (Loss)	$ 2,318,110	$ 1,912,113	$ 2,420,439	$ 4,195,046	$ 3,680,637	$ 4,220,901
Other Revenue (Expense)						
In Lieu of Taxes	(65,922)	(66,855)	(66,855)	(527,376)	(534,840)	(534,840)
Investment Income	133,165	9,499	93,459	956,444	272,211	747,672
Bond Interest Expense-Net	(126,621)	(166,121)	(168,728)	(1,104,930)	(1,331,235)	(1,352,476)
Bond Interest Expense - Maumelle	(45,336)	(42,115)	(53,650)	(384,791)	(343,736)	(433,174)
Interest Expense - Other	(1,436)	0	(8,398)	(6,437)	(6,457)	(67,184)
Gain/Loss on Sale of Assets	(2,988)	0	0	55,901	81,132	0
Total Other Revenue (Expense)	$ (109,138)	$ (265,591)	$ (204,172)	$ (1,011,188)	$ (1,862,925)	$ (1,640,001)
Net Income (Loss) before Contributions	2,208,973	1,646,522	2,216,266	3,183,857	1,817,712	2,580,900
Contributions						
Capital Contributions from Grantors	0	2,300	0	0	4,600	0
Contributions-in-aid of Construction	0	4,130	208,334	2,214,628	787,839	1,666,672
Total Contributions	$ -	$ 6,430	$ 208,334	$ 2,214,628	$ 792,439	$ 1,666,672
Change in Net Position	$ 2,208,973	$ 1,652,952	$ 2,424,600	$ 5,398,485	$ 2,610,151	$ 4,247,572

Central Arkansas Water
Comparative Statement of Revenue and Expense - by Natural Classification
For the Month Ending August 31, 2020

	August			Year to Date		
	2019 Actual	2020 Actual	2020 Budget	2019 Actual	2020 Actual	2020 Budget
Operating Revenues						
Little Rock						
Residential	1,173,248	1,212,741	1,280,233	8,423,514	8,396,904	8,831,741
Commercial	798,432	748,857	787,161	5,822,105	5,288,036	5,519,409
Large Volume	174,011	171,067	180,826	1,198,812	1,095,944	1,144,113
Sprinkler	1,417,457	1,202,923	1,704,528	4,462,793	3,847,063	4,715,780
Raw Water	8,238	7,650	7,508	48,884	48,665	39,387
Private Fire Service	67,989	68,217	72,162	484,996	503,433	388,341
North Little Rock						
Residential	850,933	812,499	847,239	5,660,721	5,585,690	5,697,382
Commercial	336,031	301,977	348,772	2,317,194	2,124,312	2,338,898
Large Volume	43,204	47,423	47,447	322,487	308,607	319,951
Sprinkler	308,881	266,189	317,059	960,629	867,470	1,190,695
Private Fire Service	16,914	16,530	30,815	130,026	134,998	104,487
Maumelle						
Residential	169,664	165,597	178,287	1,199,825	1,216,111	1,290,661
Commercial	49,157	47,626	47,239	378,308	269,900	343,265
Large Volume	11,665	24,850	18,724	115,712	176,678	149,792
Sprinkler	172,939	134,467	146,206	510,624	419,408	467,261
Private Fire Service	4,345	3,869	4,050	7,693	29,514	32,400
Wholesale Customers						
Bryant Water & Sewer	134,948	118,059	119,923	835,132	819,093	781,193
Shannon Hills Water	14,530	15,031	14,779	108,871	109,082	107,336
Sardis Water Association	10,350	11,683	8,554	71,522	83,909	71,698
Jacksonville Waterworks	169,546	159,777	127,743	1,062,602	1,071,734	1,057,110
Mid-Arkansas Utilities	7,564	6,639	7,163	56,356	56,032	55,085
Woodland Hills (SCPFB)	3,962	4,054	2,666	21,889	25,987	19,661
Salem Water Users Public Water	114,152	116,221	109,603	770,134	769,715	722,815
Ridgefield Estates	2,247	2,630	1,468	9,832	11,730	8,623
Cabot Water	23,521	19,777	19,763	162,197	155,554	158,053
Penalties and Turn-On Charges						
Penalties on Past Due Accounts	99,645	107,531	79,583	638,235	694,264	636,664
Turn On Charges	114,206	89,601	117,500	952,906	690,985	939,997
Ancillary Charges						
System Development Charges	42,975	26,300	26,625	213,975	208,850	213,000
Miscellaneous Service Fees	22,336	8,467	16,458	159,162	105,452	131,667
Connection Fees	100,095	80,155	87,500	539,569	623,292	586,250
Capital Investment Charges	12,900	9,050	12,083	86,756	122,795	96,667
Watershed Protection Fees	123,381	159,416	143,750	826,837	1,235,918	1,150,000
Billing Fees	422,786	433,322	416,774	2,103,020	3,414,243	3,362,200
Other	30,460	(99,940)	44,009	400,397	(49,246)	352,072
Maumelle Surcharge Revenue	190,150	191,142	186,250	1,498,697	1,508,461	1,490,000
Total Operating Revenues	$ 7,242,861	$ 6,691,397	$ 7,560,450	$ 42,562,410	$ 41,970,582	$ 44,513,654

Central Arkansas Water
Comparative Statement of Revenue and Expense - by Natural Classification
For the Month Ending August 31, 2020

	August			Year to Date		
	2019 Actual	2020 Actual	2020 Budget	2019 Actual	2020 Actual	2020 Budget
Operating Expenses						
Labor and Benefits	2,280,125	2,241,612	2,411,079	18,765,594	18,959,150	20,011,279
Materials, Supplies, and Maintenance	501,302	493,979	661,480	4,488,917	4,419,555	5,105,969
Electric and Other Utilities	565,976	500,011	502,539	3,172,654	3,101,501	2,878,212
Contract Services	279,799	242,177	223,051	2,091,622	1,980,120	2,209,779
Chemicals	232,449	189,417	249,396	1,233,749	1,090,572	1,347,787
Transition Cost - Paron	0	17,576	0	7,408	57,198	0
Depreciation	1,071,764	1,080,855	1,088,153	8,586,435	8,552,063	8,705,224
Other	(6,665)	13,658	4,313	20,985	129,786	34,504
Total Operating Expenses	$ 4,924,751	$ 4,779,284	$ 5,140,012	$ 38,367,364	$ 38,289,945	$ 40,292,753
Operating Income (Loss)	$ 2,318,110	$ 1,912,113	$ 2,420,439	$ 4,195,046	$ 3,680,637	$ 4,220,901
Other Revenue (Expense)						
In Lieu of Taxes	(65,922)	(66,855)	(66,855)	(527,376)	(534,840)	(534,840)
Investment Income	133,165	9,499	93,459	956,444	272,211	747,672
Bond Interest Expense-Net	(126,621)	(166,121)	(168,728)	(1,104,930)	(1,331,235)	(1,352,476)
Bond Interest Expense - Maumelle	(45,336)	(42,115)	(53,650)	(384,791)	(343,736)	(433,174)
Interest Expense - Other	(1,436)	0	(8,398)	(6,437)	(6,457)	(67,184)
Gain/Loss on Sale of Assets	(2,988)	0	0	55,901	81,132	0
Total Other Revenue (Expense)	$ (109,138)	$ (265,591)	$ (204,172)	$ (1,011,188)	$ (1,862,925)	$ (1,640,001)
Net Income (Loss) before Contributions	2,208,973	1,646,522	2,216,266	3,183,857	1,817,712	2,580,900
Contributions						
Capital Contributions from Grantors	0	2,300	0	0	4,600	0
Contributions-in-aid of Construction	0	4,130	208,334	2,214,628	787,839	1,666,672
Total Contributions	$ 0	$ 6,430	$ 208,334	$ 2,214,628	$ 792,439	$ 1,666,672
Change in Net Position	$ 2,208,973	$ 1,652,952	$ 2,424,600	$ 5,398,485	$ 2,610,151	$ 4,247,572

Central Arkansas Water
Comparative Statement of Revenue and Expense
By Natural Classification
For Paron Service Area
For the Month Ending August 31, 2020

	August		Year to Date	
	2020 Actual	2020 Budget	2020 Actual	2020 Budget
Operating Revenues				
Paron				
Residential	52,331	38,000	142,706	114,000
Commercial	5,755	5,000	14,520	15,000
Penalties and Turn-On Charges				
Penalties on Past Due Accounts	872	0	872	0
Turn On Charges	0	0	90	0
Ancillary Charges				
System Development Charges	(9,764)	0	450	0
Miscellaneous Service Fees	50	0	159	0
Connection Fees	5,295	0	5,295	0
Watershed Protection Fees	(1,444)	0	0	0
Other	(36)	0	(88)	0
Paron Debt Surcharge Revenue	15,378	0	15,378	0
Total Operating Revenues	$ 68,437	$ 43,000	$ 179,382	$ 129,000
Operating Expenses				
Materials, Supplies, and Maintenance	21,456	17,332	59,296	51,996
Electric and Other Utilities	2,301	2,024	8,753	6,072
Contract Services	4,909	2,412	17,035	7,236
Chemicals	3,311	750	5,771	2,250
Depreciation	11,508	12,500	34,526	37,500
Total Operating Expenses	$ 43,485	$ 35,018	$ 125,381	$ 105,054
Operating Income (Loss)	$ 24,952	$ 7,982	$ 54,001	$ 23,946
Other Revenue (Expense)				
Investment Income	6	0	21	0
Total Other Revenue (Expense)	$ 6	$ 0	$ 21	$ 0
Net Income (Loss) before Contributions	24,958	7,982	54,022	23,946
Change in Net Position	$ 24,958	$ 7,982	$ 54,022	$ 23,946

Central Arkansas Water
Revenue Summary by Classification
For the Month Ending August 31, 2020

	Current Month		Year-to-Date	
Operating Revenues	Inside City August 2020	Outside City August 2020	Inside City August 2020	Outside City August 2020
Little Rock				
Residential	992,431	220,310	7,067,501	1,329,403
Commercial	703,475	45,382	4,970,480	317,555
Large Volume	134,652	36,415	894,142	201,802
Sprinkler	1,168,752	34,170	3,740,371	106,692
Raw Water	1,744	5,907	3,091	45,574
Private Fire Service	64,225	3,992	471,234	32,198
Total Little Rock	**3,065,278**	**346,177**	**17,146,819**	**2,033,225**
North Little Rock				
Residential	339,278	473,221	2,439,080	3,146,610
Commercial	213,319	88,658	1,519,754	604,559
Large Volume	42,393	5,030	272,136	36,471
Sprinkler	170,843	95,345	566,613	300,857
Private Fire Service	13,473	3,057	110,545	24,454
Total North Little Rock	**779,306**	**665,311**	**4,908,128**	**4,112,950**
Maumelle				
Residential		165,597		1,216,111
Commercial		47,626		269,900
Large Volume		24,850		176,678
Sprinkler		134,467		419,408
Private Fire Service		3,869		29,514
Total Maumelle		**376,409**		**2,111,611**
Wholesale Customers				
Bryant Water & Sewer		118,059		819,093
Shannon Hills Water		15,031		109,082
Sardis Water Association		11,683		83,909
Jacksonville Waterworks		159,777		1,071,734
Mid-Arkansas Utilities-Mid-Arkansas Utilities		6,639		56,032
Woodland Hills (SCPFB)		4,054		25,987
Salem Water Users Public Water Assn.		116,221		769,715
Ridgefield Estates		2,630		11,730
Cabot Water		19,777		155,554
Total Wholesale Customers		**453,872**		**3,102,835**
Penalties and Turn-on Charges				
Penalties	107,531		694,264	
Turn On Charges	89,601		690,985	
Total Penalties and Turn-on Charges	**197,132**		**1,385,249**	
Ancillary Charges				
Billing Fees	441,789		3,519,696	
Connection Fees	80,155		623,292	
Watershed Protection Fees	159,416		1,235,918	
Capital Investment Charges - Water Mains	-		66,020	
Capital Investment Charges - Geographic Area	9,050		56,775	
System Development Charges	26,300		208,850	
Other	(99,940)		(49,246)	
Maumelle Surcharge Revenue	191,142		1,508,461	
Total Ancillary Charges	**807,912**		**7,169,765**	
Total Operating Revenues	**4,849,628**	**1,841,769**	**30,609,961**	**11,360,621**

CENTRAL ARKANSAS WATER
NUMBER OF CUSTOMERS BY CLASSIFICATION
August 31, 2020

CLASSIFICATION	2019 INSIDE CITY	2020 INSIDE CITY	CHANGE INSIDE CITY	2019 OUTSIDE CITY	2020 OUTSIDE CITY	CHANGE OUTSIDE CITY	2019 TOTAL	2020 TOTAL	TOTAL CHANGE
LITTLE ROCK CUSTOMERS									
RESIDENTIAL	63,083	63,722	639	6,710	6,770	60	69,793	70,492	699
SPRINKLER	3,223	3,151	(72)	74	73	(1)	3,297	3,224	(73)
COMMERCIAL	7,500	7,466	(34)	463	471	8	7,963	7,937	(26)
LARGE VOLUME	29	30	1	3	4	1	32	34	2
RAW WATER IRRIGATION	2	2	0	1	1	0	3	3	0
FIRE SERVICES	1,674	1,671	(3)	46	46	0	1,720	1,717	(3)
TOTAL LITTLE ROCK CUSTOMERS	*75,511*	*76,042*	*531*	*7,297*	*7,365*	*68*	*82,808*	*83,407*	*599*
NORTH LITTLE ROCK CUSTOMERS									
RESIDENTIAL	22,725	22,880	155	18,534	18,693	159	41,259	41,573	314
SPRINKLER	763	747	(16)	245	248	3	1,008	995	(13)
COMMERCIAL	2,940	2,961	21	1,129	1,149	20	4,069	4,110	41
LARGE VOLUME	9	11	2	1	1	0	10	12	2
FIRE SERVICES	468	471	3	91	87	(4)	559	558	(1)
TOTAL NORTH LITTLE ROCK CUSTOMERS	*26,905*	*27,070*	*165*	*20,000*	*20,178*	*178*	*46,905*	*47,248*	*343*
MAUMELLE CUSTOMERS									
RESIDENTIAL				7,302	7,376	74	7,302	7,376	74
SPRINKLER				194	196	2	194	196	2
COMMERCIAL				245	244	(1)	245	244	(1)
LARGE VOLUME				1	3	2	1	3	2
FIRE SERVICES				16	51	35	16	51	35
TOTAL MAUMELLE CUSTOMERS	*0*	*0*	*0*	*7,758*	*7,870*	*112*	*7,758*	*7,870*	*112*
PARON CUSTOMERS									
RESIDENTIAL					947	947	0	947	947
SPRINKLER					0	0	0	0	0
COMMERCIAL					48	48	0	48	48
TOTAL PARON CUSTOMERS	*0*	*0*	*0*	*0*	*995*	*995*	*0*	*995*	*995*
WHOLESALE CUSTOMERS									
BRYANT				1	1	0	1	1	0
SHANNON HILLS				1	1	0	1	1	0
JACKSONVILLE				1	1	0	1	1	0
WOODLAND HILLS				1	1	0	1	1	0
SALEM				1	1	0	1	1	0
MID-ARKANSAS				1	1	0	1	1	0
SARDIS				1	1	0	1	1	0
RIDGEFIELD ESTATES				1	1	0	1	1	0
CABOT				1	1	0	1	1	0
TOTAL WHOLESALE CUSTOMERS				*9*	*9*	*0*	*9*	*9*	*0*
GRAND TOTAL	*102,416*	*103,112*	*696*	*35,064*	*36,417*	*1,353*	*137,480*	*139,529*	*2,049*

CENTRAL ARKANSAS WATER
CHARGES TO CAPITAL
August 31, 2020

	BALANCE 12/31/19	ADDITIONS	DISPOSALS	TRANSFERS, net	BALANCE 8/31/20	CAW 12 MO BUDGET 2020
LAND	$ 60,324,790	1,228,766	0	0	$61,553,555	$520,000
LAND IMPROVEMENT	2,974,389	15,000	0	0	2,989,389	$300,000
WATER SOURCE	37,810,579	375,476	0	0	38,186,055	$350,000
BUILDINGS, GROUNDS, TANKS	63,505,997	230,000	(572,862)	0	63,163,135	$23,020,000
FURNITURE & FIXTURES	972,511	0	0	0	972,511	$25,000
PUMPING EQUIPMENT	28,569,648	0	(5,636)	4,442,149	33,006,161	$2,148,335
PURIFICATION EQUIPMENT	42,984,524	51,459	0	0	43,035,984	$797,000
TRANSPORTATION EQUIPMENT	7,538,388	405,134	(163,945)	0	7,779,577	$713,000
COMPUTER HARD/SOFTWARE	15,131,533	32,620	0	0	15,164,153	$3,576,130
ELECTRONIC EQUIPMENT	348,750	34,013	0	0	382,763	$30,000
MISCELLANEOUS EQUIPMENT	10,504,569	49,048	0	0	10,553,617	$117,000
SERVICES	43,551,065	0	0	1,224,268	44,775,333	$1,530,000
METER INSTALLATIONS	17,595,984	0	0	530,136	18,126,120	$737,500
MAIN INSTALLATIONS	326,164,453	0	0	311,418	326,475,871	$15,029,000
FIRE HYDRANTS	13,408,994	0	0	169,385	13,578,379	$131,250
VALVES	1,106,734	0	0	72,038	1,178,772	$183,000
WELLS	0	0	0	0	0	$0
CONSTRUCTION EQUIPMENT	449,671	19,999	0	0	469,670	$0
CONSTRUCTION WORK IN PROCESS	29,266,198	21,180,214	0	(6,749,395)	43,697,018	
CAPITAL BUDGET SUBTOTAL						$49,207,215
CONTRIBUTIONS-IN-AID OF CONSTRUCTION						$2,500,000
TOTAL	$702,208,775	$23,621,729	($742,443)	$0	$725,088,061	$51,707,215
YTD CHARGES DISTRIBUTION:						
CONTRIBUTIONS-IN-AID OF CONSTRUCTION		787,839				
WATERSHED PROTECTION FEES		973,191				
ANRC BOND ISSUE		10,547,647				
CAPITAL INVESTMENT CHARGES		384,354				
DEPARTMENT OF THE ARMY		0				
2018A BOND ISSUE		0				
2018B BOND ISSUE		3,228,149				
MWM TRANSITION COSTS		(16,760)				
CAPITAL FROM RATES		7,717,308				
TOTAL		$23,621,729				

Central Arkansas Water
Total Cash and Securities
August 2020

Checking Accounts	
Petty Cash	109,628
Workers Compensation Checking	449
Water Fund Checking	4,253,213
Paron Water Fund Checking	121,414
Total Checking Accounts	4,484,704

Restricted Checking Accounts	
2018 ANRC Checking	11
Frazier Pike - Administration	18,049
Frazier Pike - Debt Service	31,616
MWM Surcharge Revenue - Intermediate Term	526,485
MWM Surcharge Revenue - Long Term	652,399
Paron BOZ Deposits	76,964
Total Restricted Checking Accounts	1,305,524

Trust Funds	
Operation & Maintenance Fund	11,214,596
Depreciation Trust Fund	1,004,183
Consumers Deposit Trust Fund	4,761,160
System Development Trust Fund	2,135,187
Capital Investment Charge Trust Fund	635,044
Watershed Protection Trust Fund	689,973
Rate Stabilization Trust Fund	10,564,126
Bond Fund - 2010C	405,377
Debt Service Reserve Fund - 2010C	309,291
Bond Fund - 2012A	883,239
Debt Service Reserve Fund - 2012A	602,159
Bond Fund - 2014	1,136,471
Debt Service Reserve Fund - 2014	542,500
Bond Fund - 2015	483,295
Debt Service Reserve Fund - 2015	301,275
Bond Fund - 2016 Maumelle	442,975
Debt Service Reserve Fund - 2016 Maumelle	600,713
Construction Fund - 2016 Maumelle	163,534
Bond Fund - 2016 Refinance	1,957,889
Debt Service Reserve Fund - 2016 Refinance	893,000
Bond Fund - 2018B	937,023
Debt Service Reserve Fund - 2018B	717,894
Construction Fund - 2018B	7,108,047
Total Trust Funds	48,488,951

Central Arkansas Water
Accounts Receivable Aged Trial Balance
As of August 31, 2020

	Days				
	Current	*31 - 60*	*61 - 90*	*91 - Over*	*Total*
Central Arkansas Water Customer Accounts					
Water	**$4,067,628**	**$640,607**	**$337,448**	**$718,234**	**$5,763,917**
Sewer	**4,741,270**	**758,798**	**480,449**	**950,633**	**6,931,150**
Refuse	**1,803,944**	**318,713**	**197,233**	**355,223**	**2,675,112**
Total Customer Accounts	***10,612,841***	***1,718,118***	***1,015,129***	***2,024,090***	***15,370,179***
Maumelle Service Area	**0**	**0**	**0**	***42,580***	**42,580**
Paron Service Area	**95,932**	**0**	**0**	**0**	**95,932**
Wye Mtn Due To / From	**70,901**	**0**	**0**	**0**	**70,901**
Accrued Unbilled Revenue	**2,322,351**	**0**	**0**	**0**	**2,322,351**
Allowance for Bad Debts	**0**	**0**	**0**	**(815,820)**	**(815,820)**
Total Accounts Receivable - Customers	***$13,102,025***	***$1,718,118***	***$1,015,129***	***$1,250,851***	***17,086,123***

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

This Appendix describes how ownership of the Bonds is to be transferred and principal of and premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Issuer, the Municipal Advisor, and the Underwriter believe the source of such information to be reliable, but none of the Issuer, the Municipal Advisor, or the Underwriter takes any responsibility for the accuracy or completeness thereof.

The Issuer and the Underwriter cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each stated maturity of Bonds, as set forth on page 2 hereof, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee, on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

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APPENDIX G

FORM OF OPINION OF BOND COUNSEL

____

Central Arkansas Water
221 East Capitol Avenue
Little Rock, Arkansas 72203

Regions Bank, as Trustee
400 West Capitol Avenue
Little Rock, Arkansas 72201

Re: $12,920,000 Central Arkansas Water Capital Improvement Bonds, Series 2020B (the "Bonds")

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by Central Arkansas Water (the "Issuer"), of $12,920,000 Central Arkansas Water Capital Improvement and Refunding Water Revenue Bonds, Series 2020B (the "Bonds"). The Bonds are being issued pursuant to and in full compliance with the Constitution and laws of the State of Arkansas, including particularly Title 25, Chapter 20, Subchapter 3 of the Arkansas Code of 1987 Annotated (the "Authorizing Legislation"), a Resolution duly adopted by the Board of Commissioners of the Issuer on October 28, 2020 (the "Authorizing Resolution") and a Trust Indenture dated as of the date hereof between the Issuer and Regions Bank, as trustee (the "Indenture"). In the Indenture, the Issuer as pledged the Stabilized Net Revenues (as defined in the Indenture) of the consolidated water system of the Cities of Little Rock and North Little Rock, Arkansas (the "Cities") to the payment of the Bonds. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon the representations of the Issuer contained in the Authorizing Resolution and the Indenture and in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based on the foregoing, we are of the opinion, as of the date hereof and under existing law, as follows:

1. The Issuer has been duly created and validly exists as a public body corporate and politic pursuant to the provisions of the Authorizing Legislation and a Consolidation Agreement dated as of March 5, 2001 between the Cities, with the corporate power to adopt the Authorizing Resolution, enter into the Indenture, perform the agreements on its part contained therein and issue the Bonds.

2. The Bonds have been duly authorized, executed and delivered by the Issuer and are valid, binding and enforceable obligations of the Issuer, payable from the Stabilized Net Revenues.

3. The Indenture has been duly authorized, executed, and delivered by the Issuer and the Indenture is a valid and binding obligation of the Issuer enforceable in accordance with its terms.

4. The Indenture creates a valid lien on and pledge of the Stabilized Net Revenues, which lien and pledge is on a parity of security with the Issuer's outstanding Refunding Water Revenue Bond, Series

2010A (the “Series 2010A Bond”); Refunding Revenue Bonds, Series 2010C (Watershed Protection Project) (the “Series 2010C Bonds”); Water Revenue Bond, Series 2011A (Wye Mountain Extension Project) (the “Series 2011A Bond”); Capital Improvement Water Revenue Bonds, Series 2012A (the “Series 2012A Bonds”); Refunding Water Revenue Bonds, Series 2014 (the “Series 2014 Bonds”); Refunding Water Revenue Bonds, Series 2016 (that portion remaining after the partial refunding by Series 2020D Bonds) (the “Series 2016 Bonds”); the 1.5% Water Revenue Bond (Wilson Pump Station Project) Series 2017A (the “Series 2017A Bond”); Water Revenue Bonds, Series 2018B (the “Series 2018B Bonds”); the Water Revenue Bond (Ozark Point Water Treatment Plant Project), Series 2019A (the “Series 2019A Bond”); the proposed Capital Improvement and Refunding Water Revenue Bond, Series 2020C (Green Bonds) (“Series 2020C Bonds”); and the proposed Refunding Water Revenue Bonds, Series 2020D (Taxable) (the “Series 2020D Bonds”). Under certain circumstances, the Issuer may incur other indebtedness on a parity of security as to the Stabilized Net Revenues with the Series 2010A Bond, the Series 2010C Bonds, the Series 2011A Bond, the Series 2012A Bonds, the Series 2014 Bonds, the Series 2016 Bonds, the Series 2017A Bond, the Series 2018B Bonds, the Series 2019A Bond, the proposed Series 2020C Bonds, the proposed Series 2020D Bonds, and the Bonds. The lien on and pledge of Stabilized Net Revenues securing the Bonds is senior to the lien and pledge in favor of the Issuer’s Acquisition and Construction Water Revenue Bonds (Maumelle Water System Acquisition Project), Series 2016 and the lien and pledge in favor of the Issuer’s Water Revenue Bond (POWA Project), Series 2020A.

5. The interest on the Bonds is exempt from State of Arkansas income taxes and the Bonds are not subject to property taxes in the State of Arkansas.

6. The interest on the Bonds (including any original issue discount properly allocable thereto) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. The Issuer has covenanted in the Indenture to comply with all such requirements. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Sincerely,

WRIGHT LINDSEY & JENNINGS LLP