

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 30, 2024

NEW ISSUE BOOK-ENTRY ONLY

RATING: Moody's: Aa2†

In the opinion of Bond Counsel, under existing law and assuming compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; provided, however, that with respect to certain corporations, interest on the Bonds will be taken into account in determining annual adjusted financial statement income for the purpose of computing the federal alternative minimum tax. Bond Counsel is of the opinion that, under existing law, interest on the Bonds is exempt from State of Arkansas income taxes and the Bonds are exempt from property taxes in the State of Arkansas. See the caption "Tax Exemption" herein.



\$22,260,000*
CENTRAL ARKANSAS WATER
CAPITAL IMPROVEMENT WATER REVENUE BONDS,
SERIES 2024A

Dated: Date of Delivery

Due: October 1, as shown on inside front cover

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 "APPENDIX F—BOOK-ENTRY ONLY SYSTEM."

Interest on the Bonds shall be payable on April 1 and October 1 of each year, commencing April 1, 2025. 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, 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 on a parity with the pledge thereof securing the Parity Debt (as defined herein). The pledge of Stabilized Net Revenues securing the Bonds is senior to the pledge thereof securing the Subordinate Indebtedness (as defined 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, subject to prior sale, when, as and if issued by the Underwriter named below. The Bonds are subject to the approval of legality by Friday, Eldredge & Clark, LLP, Little Rock, Arkansas, Bond Counsel, and to certain other conditions referred to herein and 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 October 31, 2024.

The date of this Official Statement is _____, 2024.

[Underwriter Logo]

†For an explanation of the rating, see the caption "RATING" herein.

* Preliminary; subject to change.

MATURITY SCHEDULE*

<u>Maturity (October 1)</u>	<u>Principal Amount</u>	<u>Rate (%)</u>	<u>Yield (%)</u>
2025	\$ 785,000		
2026	755,000		
2027	795,000		
2028	830,000		
2029	875,000		
2030	920,000		
2031	965,000		
2032	1,010,000		
2033	1,060,000		
2034	1,095,000		
2035	1,130,000		
2036	1,165,000		
2037	1,200,000		
2038	1,245,000		
2039	1,285,000		
2040	1,330,000		
2041	1,375,000		
2042	1,425,000		
2043	1,480,000		
2044	1,535,000		

* Preliminary; subject to change.

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 Financial 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 Financial 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 Financial 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, the inside front cover, the section entitled "Selected Data from the Official Statement," this Table of Contents, and the Appendices attached hereto are part of this Official Statement.



CAW ORGANIZATIONAL CHART

COMMISSION

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

ADMINISTRATION

C. TAD BOHANNON Chief Executive Officer	BLAKE WEINDORF, P.E., B.C.E.E. Chief Operating Officer
CYNTHIA EDWARDS, CPA Director of Finance	JO COURTNEY Chief Administrator Officer

ACCOUNTANTS

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Little Rock, Arkansas 72201

BOND COUNSEL

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Little Rock, Arkansas 72201

FINANCIAL ADVISOR

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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. 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 Water Revenue Bonds, Series 2024A (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 <i>et seq.</i> and Resolution _____ of the Board of Commissioners of the Issuer, adopted _____, 2024. See the caption "INTRODUCTION" herein.
The Bonds	The Bonds shall mature on the dates and in the amounts set forth on the inside front cover of this Official Statement. See the caption "THE BONDS" herein.
Payment of Interest	Interest on the Bonds is payable on April 1 and October 1 of each year, commencing April 1, 2025, until stated maturity or prior redemption. See the caption "THE BONDS" herein.
Security	<p>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, the Subordinate 2016 Bonds or other 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, the Subordinate 2016 Bonds or other 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 the Bonds, Parity Debt, Subordinate Indebtedness (excluding the Subordinate 2016 Bonds) 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 the Bonds, Parity Debt, Subordinate Indebtedness (excluding the Subordinate 2016 Bonds) 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.</p>

Use of Proceeds	Proceeds from the sale of the Bonds will be used to finance all or a portion of the costs of capital improvements, fund a debt service reserve and pay 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 April 1, 2032, at the election of the Issuer. See the captions "THE BONDS—Redemption".
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 EXEMPTION" 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 Trustee for the Bonds is Regions Bank, Little Rock, Arkansas (see the caption "THE BONDS—Transfer or 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 Water System and the Issuer and of the occurrence of certain listed events. A copy of the Continuing Disclosure Agreement is contained in "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 Friday, Eldredge & Clark, LLP, Bond Counsel.

For additional information regarding the Issuer, please contact:

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OFFICIAL STATEMENT

\$22,260,000*

CENTRAL ARKANSAS WATER CAPITAL IMPROVEMENT WATER REVENUE BONDS, SERIES 2024A

INTRODUCTORY 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 \$22,260,000* Capital Improvement Water Revenue Bonds, Series 2024A (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 and North Little Rock, Arkansas. 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 the cost of 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 _____, 2024 (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"), for the purpose of financing all or a portion of the costs of capital improvements, establishing a debt service reserve, and paying 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 net revenues of the Water System less amounts transferred to and plus amounts transferred from the Rate Stabilization Account (as defined herein) (the "Stabilized Net Revenues"), and 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 Parity Debt. The Issuer's currently outstanding Parity Debt consists of its Refunding Water Revenue Bond, Series 2010A (the "Series 2010A Bond"); 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 (the "Series 2016 Bonds"); Water Revenue Bond (Wilson Pump Station #1A Project), Series 2017A (the "Series 2017A Bond"); Capital Improvement Water Revenue Bonds, Series 2018B (the "Series 2018B Bonds"); Water Revenue Bond (Ozark Point Water Treatment Plant Project), Series 2019A (the "Series 2019A Bond"); Capital Improvement and Refunding Water Revenue Bonds, Series 2020B (the "Series 2020B Bonds"); Capital Improvement and Refunding Water Revenue Bonds, Series 2020C (Green Bonds) (the "Series 2020C Bonds"); Refunding Water Revenue Bonds, Series 2020D (Taxable) (the "Series 2020D Bonds"); Water Revenue Bond (Wilson Pump Station #1A Project),

* Preliminary; subject to change.

** The Series 2014 Bonds mature on October 1, 2024.

Series 2022B (the "Series 2022B Bond") and Water Revenue Bond (Wilson Treatment Plant Project), Series 2023B (the "Series 2023B Bond"). The pledge of Stabilized Net Revenues securing the Bonds is senior to the pledge in favor of the Subordinate Indebtedness. The Issuer's currently outstanding Subordinate Indebtedness consists of its Acquisition and Construction Water Revenue Bonds (Maumelle Water System Acquisition Project), Series 2016 (the "Subordinate 2016 Bonds"); Water Revenue Bond (POWA Project), Series 2020A (the "Subordinate 2020A Bond"); Water Revenue Bond (Frazier Pike Project), Series 2021A (the "Subordinate 2021A Bond"); Water Revenue Bond (Wye Mountain Project), Series 2021B (the "Subordinate 2021B Bond"); Water Revenue Bond (Ridgefield Project), Series 2022A (the "Subordinate 2022A Bond"); Water Revenue Bond (West Pulaski Project), Series 2023C (the "Subordinate 2023C Bond") and Water Revenue Bond (West Pulaski Project), Series 2023D (the "Subordinate 2023D Bond"). Other than the pledge of Stabilized Net Revenues securing the outstanding Parity Debt 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 and the Bonds during the forthcoming Fiscal Year, and (iii) 100% of the amounts, if any, required to be deposited in any debt service reserve fund or account securing the Parity Debt and the Bonds 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 Subordinate 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—Subordinate Indebtedness" herein. For information regarding the Issuer's projected capital expenses and plans for additional indebtedness, see the caption "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 listed 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 Financial Advisor, or the Underwriter.

THE BONDS

Description. The Bonds will be dated as of the date of their delivery, and will bear interest payable semiannually on April 1 and October 1 of each year, commencing April 1, 2025, 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 April 1, 2032, 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 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 or via other standard means, including electronic or facsimile communication, 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 the 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 Bond, 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 2020B Bonds, the Series 2020C Bonds, the Series 2020D Bonds, the Series 2022B Bond, the Series 2023B Bond and the Bonds, provided that (a) there is no Event of Default existing with respect to the Bonds and no event of default under the instruments securing any Outstanding Parity Debt, (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 the Bonds and any Outstanding Parity Debt, and (ii) the maximum annual Debt Service on the proposed Parity Debt. Until such time as the Issuer has issued indebtedness secured by the Watershed Protection Fee, the Issuer may include the revenue generated by the Watershed Protection Fee when computing Stabilized Net Revenues for the purpose 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.

The Issuer may incur Short-Term Indebtedness, secured by and payable from the 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.

Subordinate Indebtedness. The Issuer may incur Subordinate Indebtedness without limit as to amount. The Subordinate 2016 Bonds, the Subordinate 2020A Bond, the Subordinate 2021A Bond, the Subordinate 2021B Bond, the Subordinate 2022A Bond, the Subordinate 2023C Bond and the Subordinate 2023D Bond constitute the currently outstanding Subordinate Indebtedness.

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. The Issuer may issue 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 2016 Bonds, the Subordinate 2021A Bond, the Subordinate 2021B Bond, the Subordinate 2022A Bond, the Subordinate 2023C Bond and the Subordinate 2023D Bond are included within the definition of Special Debt Retirement Charge Indebtedness.

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

* The Series 2014 Bonds mature on October 1, 2024.

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, the Subordinate 2016 Bonds or other 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, the Subordinate 2016 Bonds or other 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 the Bonds, Parity Debt, or Subordinate Indebtedness (excluding the Subordinate 2016 Bonds) 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 the Bonds, Parity Debt, Subordinate Indebtedness (excluding the Subordinate 2016 Bonds) 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 on January 12, 2023, which increased rates effective July 1, 2023 and on January 1 in each of the years 2024 through and including 2032.

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 and (ii) 50% of the 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—Projected 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 Subordinate Indebtedness to provide adequate funding sources. See the caption "THE BONDS—Parity Debt."

THE IMPROVEMENTS

The proceeds of the Bonds will finance all or a portion of the costs of capital improvements to the Water System, including particularly, without limitation, the acquisition, construction, installation, relocation or replacement of water distribution and transmission pipes; the acquisition and installation or improvement to various water pumping, processing, production and/or distribution equipment; and the acquisition, construction, renovation, or development of administrative building facilities, treatment facilities, distribution facilities and related properties.

SOURCES AND USES OF FUNDS*

The proceeds of the Bonds are expected to be used as follows:

Sources of Funds

Par Amount of Bonds	\$22,260,000
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Uses of Funds

Deposit to Project Fund	\$20,976,273
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Debt Service Reserve Fund Deposit	800,279
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Costs of Issuance and Underwriter's Discount	<u>483,448</u>
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Total Uses:	\$22,260,000
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* Preliminary; subject to change.

ESTIMATED DEBT SERVICE REQUIREMENTS

As of the Closing Date, the Series 2010A Bond, the Series 2011A Bond, the Series 2012A Bonds, the Series 2016 Bonds, the Series 2017A Bond, the Series 2018B Bonds, the Series 2019A Bond, the Series 2020B Bonds, the Series 2020C Bonds, the Series 2020D Bonds, the Series 2022B Bond, the Series 2023B Bond, the Subordinate 2016 Bonds, the Subordinate 2020A Bond, the Subordinate 2021A Bond, the Subordinate 2021B Bond, the Subordinate 2022A Bond, the Subordinate 2023C Bond, the Subordinate 2023D Bond (collectively, the "Outstanding Debt") 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 Bonds and the Outstanding Debt during each Calendar Year:

<u>Year</u>	<u>Bonds</u> <u>Principal and Interest</u> **	<u>Parity Debt</u> <u>Principal and Interest</u>	<u>Subordinate Bond</u> <u>Principal and Interest</u>	<u>Total</u> <u>Debt Service</u>
2025	\$1,596,463.05	\$9,125,618.92	\$1,480,115.67	\$12,202,197.64
2026	1,598,308.00	9,226,726.92	1,477,715.63	12,302,750.55
2027	1,600,558.00	9,227,876.07	1,852,975.29	12,681,409.36
2028	1,595,808.00	9,700,135.50	2,227,115.99	13,523,059.49
2029	1,599,308.00	9,706,261.34	2,219,774.14	13,525,343.48
2030	1,600,558.00	9,702,611.50	2,121,544.31	13,424,713.81
2031	1,599,558.00	9,702,221.72	2,089,584.43	13,391,364.15
2032	1,596,308.00	9,702,841.14	2,087,983.09	13,387,132.23
2033	1,595,808.00	10,510,722.40	2,090,236.03	14,196,766.43
2034	1,599,008.00	10,681,569.67	2,068,062.23	14,348,639.90
2035	1,600,063.00	10,817,175.45	2,067,952.87	14,485,191.32
2036	1,598,903.00	10,004,264.97	2,066,545.48	13,669,713.45
2037	1,595,458.00	9,865,100.52	2,068,711.77	13,529,270.29
2038	1,600,258.00	9,727,582.84	2,069,349.51	13,397,190.35
2039	1,598,052.50	9,727,473.05	2,068,974.94	13,394,500.49
2040	1,598,463.00	9,742,173.17	1,870,962.53	13,211,598.70
2041	1,596,248.00	7,703,232.55	1,113,388.76	10,412,869.31
2042	1,596,198.00	6,039,819.49	1,113,389.02	8,749,406.51
2043	1,597,760.50	3,507,120.66	1,113,390.39	6,218,271.55
2044	1,595,632.50	2,199,628.09	972,200.46	4,767,461.05
2045		773,186.59	830,976.61	1,604,163.20
2046		654,231.52	830,974.54	1,485,206.06
2047		654,226.62	830,975.13	1,485,201.75
2048			830,975.93	830,975.93
2049			830,976.39	830,976.39
2050			830,974.79	830,974.79
2051			830,976.29	830,976.29
2052			830,976.70	830,976.70
2053			790,569.61	790,569.61
2054			750,120.34	750,120.34
2055			750,120.85	750,120.85
2056			750,120.26	750,120.26
2057			375,104.99	375,104.99
TOTALS	\$31,958,721.55	\$178,701,800.70	\$46,303,814.97	\$256,964,337.22

* The Series 2014 Bonds mature on October 1, 2024, which is prior to the Closing Date.

** Preliminary, subject to change; assuming a true interest cost of 3.93% for the Bonds.

ESTIMATED DEBT SERVICE COVERAGE

The following table shows Stabilized Net Revenues available to pay Debt Service on (i) the Bonds and the outstanding Parity Debt and (ii) the Bonds, the outstanding Parity Debt and the outstanding Subordinate Indebtedness for the twelve months ended December 31, 2023, calculated on the basis of the financial statements of the Issuer (attached hereto as Appendix D). The table further shows the extent to which maximum annual Debt Service on the Bonds and the outstanding Parity Debt is covered by such amount:

Net Revenues Available for Debt Service*	\$28,797,787
Watershed Protection Fee†	2,426,297
Transfer to Rate Stabilization Account	<u>-0-</u>
Stabilized Net Revenues (A)	\$31,224,084
Maximum Annual Debt Service Requirement on the Bonds and Parity Debt (B)**	\$12,417,238
Estimated Debt Service Coverage on the Bonds and Parity Debt (A/B)	2.51x
Maximum Annual Debt Service Requirement on the Bonds, the Parity Debt and the Subordinate Indebtedness (C)**	\$14,485,191
Estimated Debt Service Coverage on the Bonds, the Parity Debt and the Subordinate Indebtedness (A/C)	2.16x

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.

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 improvements, betterments, and extensions to the Water System. The Bonds are to be issued and secured by the Issuer pursuant to the Authorizing Resolution.

* 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. Revenues include proceeds from the sale of capital assets in the amount of \$49,519 and investment income in the amount of \$3,407,993. Operation and Maintenance Costs include transfers to the Cities of Little Rock and North Little Rock in the aggregate amount of \$829,752.

† Collection of the Watershed Protection Fee commenced May 1, 2009, and may be included in rate coverage calculations unless pledged to Special Purpose Bonds. Watershed Protection Fees are included in the operating revenues ancillary charges in the 2023 ACFR. See APPENDIX D.

** Preliminary; subject to change; assuming a true interest cost of 3.93% for the Bonds.

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, see the caption "THE WATER SYSTEM—Water Rates" herein and "APPENDIX B – Water Rates" attached hereto.

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:

<u>Name</u>	<u>Occupation</u>	<u>Term Expires (June 30)</u>
Carmen Smith, Chair	Senior Corporate Counsel (Datapath, Inc.)	2031
Jay Hartman, Vice Chair	Senior Customer Service Manager (Entergy Arkansas, Inc.)	2030
Kevin Newton, Secretary/Treasurer	President of C.B.M. Construction Co.	2026
Kandi Hughes	Senior Corporate Counsel (MISO)	2029
Anthony Kendall*	Retired VP of Finance (Baptist Health)	2028
Jim McKenzie	Retired (Metroplan)	2027
Jay Barth, Ph.D	Director of William J. Clinton Presidential Library and Museum	2025

* Anthony Kendall has announced his intention to resign from the Board. The Issuer selected Melanie Hoggard, a restaurateur and business owner, as his replacement. Such replacement must be approved by each of the Cities.

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. Mr. Bohannon served as Chief Legal Counsel of the Issuer since 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 the Issuer, Mr. Bohannon was a partner at Wright, Lindsey & Jennings, LLP and he had served as an outside legal advisor to the Issuer 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 Masters 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 has been 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 F. Weindorf, P.E., BCEE. Mr. Weindorf assumed the role of Chief Operating Officer at CAW in January 2020. His responsibilities encompass the day-to-day operational oversight of the utility, ensuring the reliability of essential resources and assets for delivering high-quality water and dependable service. As COO, he plays a pivotal role in developing, designing, and implementing business processes and systems that effectively and efficiently deliver water and service to customers. The COO directly supervises the Engineering, Distribution, Watershed, Water Production, Environmental Health and Safety, and Sustainability and Facilities areas of the Issuer. Mr. Weindorf draws

on over 25 years of experience in the water and wastewater industry, with 21 dedicated to CAW. Before joining CAW, Mr. Weindorf worked at Garver Engineers, where he contributed to the planning and design of municipal water treatment and distribution systems, as well as municipal wastewater collection and treatment facilities. His extensive leadership journey at CAW includes roles such as Senior Engineer, Assistant Director of Distribution, Director of Distribution, and his current position as COO. As a Senior Engineer, Mr. Weindorf successfully managed over \$35 million in Capital Improvement Projects and served as a project manager for numerous cross-departmental projects. In his roles as Assistant Director and Director of Distribution, he oversaw a substantial budget of \$18.5 million and 145 employees. His responsibilities included 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 2,600 miles of water main. Mr. Weindorf holds a Bachelor of Science in Civil Engineering from Louisiana Tech University and is a Registered Professional Engineer and a Board-Certified Environmental Engineer. He maintains a Class IV Water Treatment and Class IV Distribution Operator's License, along with a Class III Wastewater Operator's License. Actively involved in professional associations, Mr. Weindorf is a member of the American Water Works Association (AWWA), the Little Rock Engineers Club, and the Arkansas Water Works & Water Environment Association (AWW&WEA). His leadership extends beyond CAW, as evidenced by his service as Chair of the Southwest Section AWWA in 2013, receiving the 2016 Glen T. Kellogg Leadership Award and the 2019 George Warren Fuller Award from the Southwest Section AWWA. Mr. Weindorf served as a Director on AWWA's Board of Directors representing the Southwest Section from 2020-2023 and chaired AWW&WEA; the Arkansas Water Conference in 2019. An accomplished professional, Mr. Weindorf has been published in various AWWA Journals and has been a speaker at numerous AWWA conferences and events. Currently, he serves as Chair of the Arkansas Water/Wastewater Agency Response Network (ARWARN) and is on the boards of directors for the Mid Arkansas Water Alliance (MAWA), Arkansas Utility Protection Services (ArkUPS) and the Pulaski Area Geographic Information System (PAGIS).

Cynthia C. Edwards, CPA. Ms. Edwards was named Director of Finance of CAW in November 2019. She is responsible for the Accounting, Finance, Billing, and Purchasing areas of the Issuer. In addition to these responsibilities, she has overseen the preparation of annual budgets and completion of annual audits, Annual Comprehensive Financial Reports (ACFR) and Popular Annual Financial Reports (PAFR). Ms. Edwards has over 30 years of experience in the accounting and finance sector. She was Chief Financial Officer for Independent Living Services, a central Arkansas nonprofit, for over eight years prior to joining CAW. She began her tenure at CAW as the utility Controller. In this capacity, she oversaw the payroll and accounts payable functions as well as general ledger and financial reporting. Since July 2023, she has assumed the responsibilities of treasury management, cost of service rate studies, budget, ACFR, and PAFR development, as well as mergers and acquisitions activities in addition to her duties as Director of Finance. While at CAW, she has worked with rate consultants in the development of the rate model during the 2022 rate study. This model was used to set rates for the 10 years ending in 2032. CAW has received the Government Finance Officer Association (GFOA) Distinguished Budget Presentation Award for 15 consecutive years, the GFOA Certificate of Achievement for Excellence in Financial Reporting for 14 consecutive years, and the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting for six consecutive years. GFOA initiated a new award designation in 2019, the Triple Crown, which recognizes receipt of all three awards in one year. CAW has received this recognition for the four consecutive years since inception. Ms. Edwards holds a Bachelor of Business Administration degree in Accounting from the University of Central Arkansas and is a Certified Public Accountant.

Jo Courtney. Ms. Courtney was named Chief Administrative Officer for CAW in January 2024. Together with the Chief Operating Officer, she assists the Chief Executive Officer in the overall management of the Utility. She directs and oversees the Finance, Information Services, Customer Service, Communications, and Human Resources areas of the Issuer and the Senior Project Manager. Additionally, she directs the development of programs, policies, and procedures to enable and encourage continuous improvement. Ms. Courtney brings nearly 30 years of government and operational experience to the utility. Before joining CAW, she was Associate Deputy Director and Chief Financial Officer at the Arkansas Department of Health (ADH), where she was chief fiscal officer for 23 business areas and was responsible for managing budgets totaling over one billion dollars. Additionally, while with ADH, Ms. Courtney provided oversight to the Office of Health Disparities Elimination and the Office of Policies and Procedures. Also, during her time with Arkansas state government, she served as Chief Operations Officer at the Arkansas Office of Health Information Technology and held multiple positions at the Arkansas Department of Human Services including Director of Data Management with the Division of Behavioral Health Services and Director of Children's Systems of Care with the Division of Children and Family Services. Ms. Courtney earned a Bachelor of Arts degree in Sociology at the University of Arkansas at Pine Bluff as well as a Master of Science degree in Sociology/Research and Statistics from the University of Central Arkansas.

Employee Relations and Benefits. As of December 31, 2023, the Issuer employed a total of approximately 350 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 a percentage of their pre-tax earnings to the plan (in addition to a contribution by the Issuer). Prior to the passage of legislation by the State in 2021, participants contributed five percent of their pre-tax earnings to the plan. Due to the passage of Act 365 of 2021, the contribution rate increases each year by 0.25% until it reaches a maximum of seven percent in 2029. The Issuer's contribution rate at December 31, 2023 was 15.32%. Pursuant to the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 68, the Issuer was required to reflect on its 2023 year-end financial statements a portion of the unfunded pension liability of APERS. That portion relates to the number of the Issuer's employees and retirees who are participants in APERS as compared to all participants in APERS. At December 31, 2023, the Issuer reported a liability of \$31,092,450 for its proportionate share of the net pension liability. The Issuer's employees and retirees make up 1.067% of all employees and retirees in the APERS. For a detailed description of the pension plans benefiting Issuer employees, see Note 13 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, 2023, 209 current and former employees 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 GASB Statement No. 45. Annual Other Post Employment Benefit ("OPEB") costs amounted to \$1,181,000 and \$571,000 for the years ended December 31, 2022 and 2023, respectively. Annual contribution amounts are expected to be funded from current operations of the Issuer.

THE WATER SYSTEM

The Issuer owns, operates, and maintains the consolidated water collection, holding, treatment, and distribution system (the "Water System") of the Cities of Little Rock and North Little Rock, Arkansas (the "Cities"). The service area for the Water System can generally be defined as Pulaski County, although retail and/or 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 serves all of the residential, commercial, and industrial users of the City of Maumelle, Arkansas. The Maumelle Water System consists of a water treatment plant and treated water storage and distribution system. Its source of water is twelve wells drilled into the Arkansas Alluvial Aquifer from which all water is drawn for use of customers within its service area. The Maumelle Water System is capable of delivering 6,700,000 gallons per day to its customers. There are two storage tanks with a storage capacity of over 4,750,000 gallons, 665 fire hydrants, 2 booster pump stations, and a sodium hydroxide softening plant. 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 System serves the towns and communities of Paron, Ford, Owensville, Reform, and Rubicon. This transaction resulted in an additional 1,000 accounts being added to the Issuer's service area in Saline County, Arkansas. The POWA 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 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 System has approximately 701,000 feet of water mains.

On October 29, 2021, the Issuer acquired the water system and related assets previously operated by Wye Mountain Water Facilities Board. This transaction resulted in an additional 563 accounts being added to the Issuer's service area. The Wye Mountain System consists of 25.7 square miles of service area located in northwest Pulaski County and southeast Perry County along Highway 113 and Highway 300, including the Wye Mountain and Little Italy Communities. The Issuer can deliver over 500,000 gallons per day to the customers within the Wye Mountain System. There are three storage tanks with a storage capacity of over 350,000 gallons, 54 fire hydrants, and one booster pump station. The Wye Mountain System has approximately 302,137 feet of water mains.

On June 1, 2022, the Issuer acquired the water system and related assets previously operated by the Ridgefield Estates Property Owners Water Association. This transaction resulted in an additional 51 accounts being added to the Issuer's service area western Pulaski County, Arkansas. The Ridgefield System consists of 0.6 square miles of service area in Western Pulaski County just south of Highway 10 along Ridgefield Lane. The Issuer can deliver over 250,000 gallons per day to the customers within the Ridgefield System with a booster pump station and tank nearby. The Ridgefield System has approximately 17,030 feet of water mains.

On September 13, 2023, the Issuer acquired the water system and related assets previously operated by the Brushy Island Public Water Authority (the "Brushy Island System"). This transaction resulted in an additional 670 accounts being added to the Issuer's service area northeastern Pulaski County, Arkansas. The Brushy Island System consists of one square mile of service area of Brushy Island Community situated just east of Sherwood along primarily the south side of Highway 167/67 and along Rixie Road. The Issuer can deliver over 1,500,000 gallons per day to the customers within the Brushy Island System. The Brushy Island System has approximately 43,449 feet of water mains.

After years of discussions, negotiations, and planning, a project to build the water infrastructure necessary to connect to CAW's distribution system and deliver a safe and dependable source of potable water to residences and businesses in the unserved West Pulaski area began. Phases one and two of this project are ongoing and will bring water services to residents who have wells as their water sources. The number of accounts that will be added to the CAW service area are pending.

Customers. As of December 31, 2023, the Water System served a total of approximately 139,746 customers. The following table classifies Water System customers for the years indicated:

<u>Customer Type</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Residential	118,354	122,247	118,576	121,191	121,399
Commercial	12,249	12,460	11,880	12,177	12,220
Large Volume	48	49	44	60	---*
Irrigation	3,976	4,199	3,721	3,661	3,749
Private Fire Service	2,295	2,326	2,301	2,370	2,370
Wholesale	9	9	9	8	8
Raw Water	3	3	3	3	3
Totals:	136,934	141,293	136,534	139,470	139,749

Source: Issuer records.

* As a result of the rate structure implemented July 1, 2023, the large volume customer classification was eliminated and consolidated with the commercial customer classification.

The Water System's ten largest customers, based upon revenues produced during the twelve months ended December 31, 2023, were as follows:

<u>Customer</u>	<u>Total 2023 Revenues</u>	<u>Percentage of Total</u>
Jacksonville Water Works	\$2,250,690	2.50%
Salem Water Alliance	1,631,882	1.82
Bryant Water and Sewer	1,312,178	1.46
University of Arkansas for Medical Sciences	465,600	0.52
Arkansas Department of Corrections	303,764	0.34
Cabot Waterworks	294,635	0.33
Arkansas Electric Cooperative	276,024	0.31
3M Company	263,403	0.29
Shannon Hills Water Department	237,876	0.26
Kimberly Clark	227,972	0.25

Source: Issuer records.

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

<u>Year</u>	<u>Average Daily Use in Million Gallons</u>	<u>Maximum Days' Use in Million Gallons</u>
2019	59.6 MG	88.7 MG
2020	58.1	90.7
2021	63.7	121.2
2022	66.3	106.1
2023	68.6	102.5

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 million gallons per day ("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 60 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 able 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 online 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 is 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 System's source of water is Lake Winona. Until the June 1, 2020 acquisition of the POWA System, POWA purchased raw water from the Issuer.

The Wye Mountain System's source of water is Lake Maumelle. Prior to CAW's acquisition, Wye Mountain purchased treated water from the Perryville Water Department.

The Frazier Pike System's source of water is Lake Winona. Prior to CAW's acquisition of the Frazier Pike System, customers received water from individual wells.

The Ridgefield System's source of water is Lake Maumelle. Until the June 1, 2022 acquisition of the Ridgefield System, Ridgefield purchased treated water from the Issuer.

The Brushy Island System's source of water is Lake Winona. Prior to CAW's acquisition of the system, Brushy Island purchased treated water from the Issuer.

The West Pulaski expansion area's source of water will be Lake Maumelle. Until the expansion project is completed, residents will continue to receive water from individual wells.

Water treatment takes place at the Issuer's Ozark Point Water Treatment Plant and Jack H. Wilson Water Treatment Plant. The Issuer believes that capacity at its current water treatment facilities is 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 2023. The Ozark Point Water Treatment 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. Improvements to the plant were completed in 2014 and additional improvements are scheduled to begin in January 2025.

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) 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 and 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 high water usage. 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 \$153,985,703 of additions and 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, Sherwood, Wrightsville, Maumelle, rural areas of Pulaski and Saline Counties and to the Wye Mountain System service area 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, and the Sardis Water Association Public Water Authority.

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 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 its retired Refunding Revenue Bonds, Series 2010C (Watershed Protection Project) 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 continues to look for opportunities to acquire real property within the watershed from The Trust for Public Lands. The Issuer utilized approximately \$3,467,000 of the proceeds of its retired Water Revenue Bond, Series 2018A 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. Proceeds of the Series 2020C Bonds in the amount of \$7,100,000 were used to purchase property and secure a conservation easement of approximately 2.825 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 (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.

On January 12, 2023, the Issuer adopted Resolution 2023-01, which amended the Issuer's rate schedules as set forth in Resolution 2014-0, Resolution 2015-20 and Resolution 2018-13, respectively. 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 13, 2023. 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 12, 2024 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 2023-01, on July 1, 2023 and on January 1 in each of the years 2024 through and including 2032. A detailed description of the new rates is set forth in Appendix B hereto.

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.

<u>Year</u>	<u>System Revenues</u>	<u>Bad Debt Expense</u>	<u>Percentage</u>
2019	\$67,835,000	\$ 397,000	0.59%
2020	67,487,000	1,209,000	1.79
2021	76,169,000	1,232,000	1.62
2022	80,081,000	633,000	0.79
2023	89,905,000	849,000	0.94

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, (i) proceeds from the Series 2020B Bonds; (ii) proceeds from the Series 2020C Bonds; (iii) proceeds from the Series 2022B Bond; (iv) proceeds from the Series 2023B Bond; (v) proceeds from the Subordinate 2023C Bond; (vi) cash funds generated by the Issuer's Water System and (vii) additional bonds. If any anticipated source of funds should not be available, the amount or timing of the contemplated capital improvements would have to be adjusted.

<u>Category of Improvement</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>Totals</u>
Lake Maumelle						
Watershed Protection	\$ 2,470,922	\$ 1,389,300	\$ 1,131,863	\$ 1,057,490	\$ 1,110,365	\$ 7,159,940
Equipment and Services	10,000,465	11,870,950	10,696,932	10,610,686	13,425,384	56,604,417
Storage and Surge Tanks	4,158,583	1,267,875	100,000	1,915,869	394,652	7,836,979
Facilities Upgrades	47,994,750	61,051,400	37,178,605	29,036,081	12,078,632	187,339,468
Transmission Mains	3,750,000	-0-	5,000,000	31,400,000	30,000,000	70,150,000
Distribution Mains	<u>24,053,370</u>	<u>25,879,375</u>	<u>19,260,500</u>	<u>16,617,902</u>	<u>24,627,739</u>	<u>110,438,886</u>
Totals:	\$92,428,090	\$101,458,900	\$73,367,900	\$90,638,028	\$81,636,772	\$439,529,690

The Issuer plans to issue in January 2025 a water revenue bond in the maximum principal amount of \$230,000,000 (the "Series 2025 Wilson Treatment Plant Bond") for the purpose of financing all or a portion of the costs of improvements to the Jack H. Wilson Water Treatment Plant. The Series 2025 Wilson Treatment Plant Bond will be secured by a pledge of Stabilized Net Revenues, which pledge will be on a parity with the pledge in favor of the Bonds. The Series 2025 Wilson Treatment Plant Bond will be purchased by the Arkansas Development Finance Authority as part of the Drinking Water Revolving Loan Fund Program administered by the Arkansas Natural Resources Commission.

The Issuer plans to issue in 2025 one or more series of water revenue bonds in the maximum aggregate principal amount of \$170,000,000 to finance all or a portion of capital improvements necessary to comply with the U.S. Environmental Protection Agency's proposed Lead and Copper Rule. The Issuer intends to apply to the State of Arkansas for such funding.

The Issuer plans to issue prior to December 31, 2024 a water revenue bond (the "Subordinate 2024B Bond") in the maximum principal amount of \$1,000,000. The Subordinate 2024B Bond will be issued to finance all or a portion of the costs of improvements associated with the Environmental Protection Agency's Lead and Copper Rule as recently revised. The Subordinate 2024B Bond will be secured by a pledge of Stabilized Net Revenues, which pledge will be subordinate to the pledge in favor of the Bonds. The Subordinate 2024B Bond will be purchased by the Arkansas Development Finance Authority as part of the Drinking Water Revolving Loan Fund Program administered by the Arkansas Natural Resources Commission.

Financial Information. Set forth in Appendix D to this Official Statement are the financial statements of the Issuer as of and for the fiscal years ended December 31, 2023 and 2022, which have been audited by Forvis, LLP, independent certified public accountants, Little Rock, Arkansas. The accountant's report with respect to such financial statements also appears

in Appendix D. The notes set forth in Appendix D are an integral part of the financial statements, and the statements and the notes should be read in their entirety. The Issuer did not request Forvis, LLP to perform any updating procedures subsequent to the date of its audit report on the financial statements for the years ended December 31, 2023 and 2022. Forvis, LLP also has not performed any procedures relating to this Official Statement. The Issuer has covenanted in the Indenture to have its annual financial statement audited by an independent certified public accountant. Set forth in Appendix E are the unaudited financial statements of the Issuer for the eight months ended August 31, 2024.

The following summary of revenue and expenses for the five years ended December 31, 2019 through 2023, inclusive, is derived from the audited financial statements of the Issuer for such periods. Information for the summary for the eight months ended August 31, 2024 was derived from the unaudited internal accounting records of the Issuer. The summary of revenue and expenses should be read in conjunction with the Issuer's audited financial statements and notes thereto in Appendix D, the Issuer's unaudited financial statements in Appendix E, and the other financial information included herein.

	Summary of Revenue and Expenses					
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024¹</u>
Operating Revenue	\$66,433,920	\$66,925,527	\$75,532,048	\$80,080,964	\$89,905,207	\$64,870,103
Non-Operating Revenue (Expense)	<u>(2,179,381)</u>	<u>(4,173,496)</u>	<u>(3,974,698)</u>	<u>(3,295,213)</u>	<u>(171,002)</u>	<u>(504,999)</u>
Total Revenue	64,254,539	62,752,031	71,557,350	76,785,751	89,734,205	64,365,104
Operating Expenses	47,910,431	48,397,940	45,986,704	51,367,982	61,308,883	38,779,287
Depreciation and Amortization	12,888,536	13,165,555	13,599,898	13,668,270	17,154,137	10,646,044
Total Expenses	<u>60,798,967</u>	<u>61,563,495</u>	<u>59,586,602</u>	<u>65,036,252</u>	<u>78,463,020</u>	<u>49,425,331</u>
Income (Loss) Before Contributions	3,455,572	1,188,536	11,970,748	11,749,499	11,271,185	14,939,773
Contributions	<u>3,079,598</u>	<u>1,090,750</u>	<u>3,845,608</u>	<u>3,529,406</u>	<u>4,708,168</u>	<u>8,089,723</u>
Change in Net Position	<u>\$6,535,170</u>	<u>\$2,279,286</u>	<u>\$15,816,356</u>	<u>\$15,278,905</u>	<u>\$15,979,353</u>	<u>\$23,029,496</u>

¹ For the eight months ended August 31, 2024

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 third 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 Little Rock Regional Airport provides daily flights to numerous destinations.

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

<u>Year</u>	<u>Population</u>	<u>Median Household Income</u>	<u>Per Capita Personal Income</u>	<u>Total Personal Income</u>	<u>Unemployment Rate</u>
2019	391,911	\$51,749	\$32,692	\$20,281,002,000	3.3%
2020	391,904	52,930	33,773	20,743,949,000	5.0
2021	398,069	55,235	35,718	21,987,341,000	2.9
2022	399,145	58,326	39,146	23,280,531,000	3.0
2023	400,221	N/A*	N/A*	N/A*	3.5

* Information unavailable at this time.

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 Indebtedness remains outstanding, shall include within special accounts to hold Special Debt Retirement Charge Revenues or any other revenues derived from customers in a defined service area;
- (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; and
- (5) Project 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. The Maumelle Long Term Debt Surcharge Revenues shall be deposited into the Maumelle Long Term Debt Surcharge Account. The POWA Revenues shall be deposited into the POWA Revenue Account. The Frazier Pike Long Term Debt Surcharge Revenues shall be deposited into the Frazier Pike Long Term Debt Surcharge Revenue Account. The Wye Mountain Long Term Debt Surcharge Revenues shall be deposited into the Wye Mountain Long Term Debt Surcharge Revenue Account. The Ridgefield Long Term Debt Surcharge Revenues shall be deposited into the Ridgefield Long Term Debt Surcharge Revenue Account. The West Pulaski Long Term Debt Surcharge Revenues shall be deposited into the West Pulaski Long Term Debt Surcharge Revenue 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. Operation and Maintenance Costs of the POWA System shall be paid from the POWA Revenue Account in 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; provided that if there are not sufficient moneys to satisfy the requirements of this subsection with respect to all Parity Debt, all moneys available for distribution among such Parity Debt and the Bonds shall be distributed on a pro rata basis to the deficient bond funds; such distribution to be determined by multiplying the amount available for distribution by the proportion that the deficiency for each bond series bears to the total deficiency for all bond series; 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 applicable; provided that if there are not sufficient moneys to satisfy the requirements of this subsection with respect to all series of Parity Debt bond issues, all moneys available for distribution among such series of Parity Debt bonds shall be distributed on a pro rata basis to the deficient debt service reserve accounts by the proportion that the deficiency for each series of bond issues bears to the total deficiency for all such accounts.

As a third charge on the Revenue Fund, the Issuer shall transfer and pay from moneys in the Revenue Fund the Parity Debt Financing Fees that are due and owing to the Authority. The payment of the Parity Debt Financing Fees is subordinate to the payment of the principal of and interest on the Bonds and the Parity Debt.

To the extent available prior to the Stabilized Net Revenues Adjustment Date and at all times thereafter, the payments and deposits required above shall be made by the Issuer from moneys in the Revenue Fund outside of the Maumelle Long Term Debt Surcharge Revenue Account, the POWA Revenue Account, the Frazier Pike Long Term Debt Surcharge Revenue Account, the Wye Mountain Long Term Debt Surcharge Revenue Account, the Ridgefield Long Term Debt Surcharge Revenue Account and the West Pulaski Long Term Debt Surcharge Revenue Account.

As a fourth charge on the Revenue Fund, but only to the extent of moneys available in the Maumelle Long Term Debt Surcharge Account in the Revenue Fund, there shall be made the various deposits and transfers required by the indenture securing the Subordinate 2016 Bonds, including 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 Maumelle 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 2016 Bonds and (ii) shall no longer be subject to the lien and pledge securing the Bonds.

Also, as a fourth charge on the Revenue Fund, but only to the extent of moneys available in the POWA Revenue Account in the Revenue Fund, there shall be paid the principal of and interest on the Subordinate 2020A Bond and any debt ranking on a parity with the Subordinate 2020A Bond, when due. From and after the Stabilized Net Revenues Adjustment Date, moneys in the POWA Revenue Account (i) shall only be used to make payments of principal of, interest on and financing fees with respect to the Subordinate 2020A Bond and bonds issued on a parity therewith and (ii) shall no longer be subject to the lien and pledge securing the Bonds.

Also, as a fourth charge on the Revenue Fund, but only to the extent of moneys available in the Frazier Pike Long Term Debt Surcharge Account in the Revenue Fund, there shall be paid the principal of and interest on the Subordinate 2021A Bond and any debt ranking on a parity with the Subordinate 2021A Bond, when due. From and after the Stabilized Net Revenues Adjustment Date, moneys in the Frazier Pike Long-Term Debt Surcharge Account (i) shall only be used to make payments of principal of and interest on the Subordinate 2021A Bond and bonds issued on a parity therewith and (ii) shall no longer be subject to the lien and pledge securing the Bonds.

Also, as a fourth charge on the Revenue Fund, but only to the extent of moneys available in the Wye Mountain Long Term Debt Surcharge Account in the Revenue Fund, there shall be paid the principal of and interest on the Subordinate 2021B Bond and any debt ranking on a parity with the Subordinate 2021B Bond, when due. From and after the Stabilized Net Revenues Adjustment Date, moneys in the Wye Mountain Long-Term Debt Surcharge Account (i) shall only be used to make payments of principal of, interest on and financing fees with respect to the Subordinate 2021B Bond and bonds issued on a parity therewith and (ii) shall no longer be subject to the lien and pledge securing the Bonds.

Also, as a fourth charge on the Revenue Fund, but only to the extent of moneys available in the Ridgefield Long Term Debt Surcharge Account in the Revenue Fund, there shall be paid the principal of and interest on the Subordinate 2022A Bond and any debt ranking on a parity with the Subordinate 2022A Bond, when due. From and after the Stabilized Net Revenues Adjustment Date, moneys in the Ridgefield Long-Term Debt Surcharge Account (i) shall only be used to make payments of the principal of, interest on and financing fees with respect to the Subordinate 2022A Bond and bonds issued on a parity therewith and (ii) shall no longer be subject to the lien and pledge securing the Bonds.

Also, as a fourth charge on the Revenue Fund, but only to the extent of moneys available in the West Pulaski Long Term Debt Surcharge Account in the Revenue Fund, there shall be paid principal of and interest on the Subordinate 2023C Bond and the Subordinate 2023D Bond and any debt ranking on a parity with the Subordinate 2023C Bond and the Subordinate 2023D Bond, when due. From and after the Stabilized Net Revenues Adjustment Date, moneys in the West Pulaski Long Term Debt Surcharge Account (i) shall only be used to make payments of principal of, interest on and financing fees with respect to the Subordinate 2023C Bond and the Subordinate 2023D Bond and bonds issued on a parity therewith and (ii) shall no longer be subject to the lien and pledge securing the Bonds.

As a fifth charge on the Revenue Fund, but only to the extent of moneys available in the POWA Revenue Account in the Revenue Fund, there shall be paid the financing fees due the Authority in connection with the Subordinate 2020A Bond and any debt ranking on a parity with the Subordinate 2020A Bond, when due.

Also, as a fifth charge on the Revenue Fund, but only to the extent of moneys available in the Wye Mountain Long Term Debt Surcharge Account in the Revenue Fund, there shall be paid the financing fees due the Authority in connection with the Subordinate 2021B Bond and any debt ranking on a parity with the Subordinate 2021B Bond, when due.

Also, as a fifth charge on the Revenue Fund, but only to the extent of moneys available in the Ridgefield Long Term Debt Surcharge Account in the Revenue Fund, there shall be paid the financing fees due the Authority in connection with the Subordinate 2022A Bond and any debt ranking on a parity with the Subordinate 2022A Bond, when due.

Also, as a fifth charge on the Revenue Fund, but only to the extent of moneys available in the West Pulaski Long Term Debt Surcharge Account in the Revenue Fund, there shall be paid the financing fees due the Authority in connection with the Subordinate 2023C Bond and the Subordinate 2023D Bond and any debt ranking on a parity with the Subordinate 2023C Bond and the Subordinate 2023D Bond, when due.

As a sixth charge on the Revenue Fund, the Issuer shall deposit into the Depreciation Fund from moneys in the Revenue Fund the amount required to be deposited therein by the resolutions of the Issuer authorizing the Parity Debt and Subordinate Indebtedness owned by the Authority.

There shall be retained in the Revenue Fund, to the extent not required to be transferred from the Revenue Fund (A) into the Bond Fund or the Debt Service Reserve Fund or pursuant to the provisions of the indentures and resolutions securing the Parity Debt and corresponding provisions of the resolutions of the Issuer securing the Subordinate Indebtedness and (B) into the Depreciation Fund, (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 funds established for the Subordinate Indebtedness 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 one 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 Parity 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 Protection 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.

The Issuer may incur Short-Term Indebtedness, payable on a parity as to the pledge of Stabilized Net Revenues securing the Bonds, 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 of the Water System as shown on the annual budget for the current Fiscal Year.

Subordinate Indebtedness. The Issuer may incur Subordinate 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 incur Special Debt Retirement Charge Indebtedness that is not Subordinate Indebtedness on the date issued or incurred.

Defeasance. Any Outstanding Bond shall, prior to the maturity or redemption date thereof, be deemed to have been paid under the Indenture if (1) in case any such Bond is 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 Bond 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 Bond on and prior to the redemption date or maturity date thereof, as the case may be, and (3) in the event said Bond is not by its 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 Holder of such Bond that the deposit required by (2) above has been made with the Trustee and that said Bond is 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 Bond.

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 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;

(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 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

The Issuer, as Dissemination Agent, and the Trustee will enter into a Continuing Disclosure Agreement which is being executed and delivered for the benefit of the owners of the Bonds and to assist the Underwriter in complying with Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934. See "APPENDIX C—FORM OF CONTINUING DISCLOSURE AGREEMENT" attached hereto.

In the past five years, the Issuer has been a party to certain continuing disclosure agreements in connection with its outstanding bonds. Such agreements require the Issuer to file annual reports with the Municipal Securities Rulemaking Board on its Electronic Municipal Market Access system ("EMMA") within the time periods set forth in the agreements. The following summarizes a non-exhaustive discussion of the Issuer's compliance with its continuing disclosure obligations over the past five years.

As part of each annual report, the Issuer has been obligated to file annual audited financial statements which are contained in the Issuer's Annual Comprehensive Financial Report ("ACFR"). During the past five years, the ACFR of the Issuer has been filed in a timely manner.

The continuing disclosure agreements have also obligated the Issuer to file certain supplemental financial and operating data as part of the annual report. During the past five years, all of the required supplemental financial and operating data has been filed; however, the supplemental financial and operating data for the year ended December 31, 2022 was filed one (1) day late for certain CUSIPs. A notice concerning the City's failure to timely file such supplemental financial and operating data was not filed on EMMA.

The continuing disclosure agreements have also obligated the Issuer to file a notice of the occurrence of any event listed in Securities and Exchange Commission, Rule 15c2-12(b)(5)(i)(C). Such listed events include the incurrence of a financial obligation (as defined in Rule 15c2-12). A notice concerning the incurrence of a financial obligation was filed approximately 83 days late. A notice concerning such failure was not filed on EMMA. The Issuer has timely filed notices of all other occurrences of listed events during the past five years.

FINANCIAL ADVISOR

Stephens Inc. has been retained by the Issuer as Financial 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 Financial Advisor. Stephens Inc. may serve from time to time as Underwriter or Financial 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 \$_____ (principal amount less Underwriter's discount of \$_____). 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 Friday, Eldredge & Clark, LLP, Bond Counsel, to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; provided, however, that with respect to certain corporations, interest on the Bonds will be taken into account in determining annual adjusted financial statement income for the purpose of computing the federal alternative minimum tax. 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.

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 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 Friday, Eldredge & Clark, LLP, Little Rock, Arkansas, Bond Counsel, a copy of whose approving opinion will be delivered with the Bonds. A form of the approving opinion is attached hereto as Appendix G.

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 for the fiscal years ended December 31, 2023 and 2022. These financial statements were prepared in accordance with accounting principles generally accepted in the United States of America and were audited in accordance with auditing standards generally accepted in the United States of America. The financial statements as of December 31, 2023 and 2022 and for the years then ended have been audited by Forvis, LLP, independent auditors, as stated by its report appearing therein. The notes set forth in Appendix D are an integral part of the financial statements, and the statements and the notes should be read in their entirety.

The Issuer did not request Forvis, LLP to perform any updating procedures subsequent to the date of its audit report on the financial statements for the years ended December 31, 2023 and 2022. Forvis, LLP also has not performed any procedures relating to this Official Statement

Set forth in Appendix E to this Official Statement are the unaudited financial statements of the Issuer as of and for the eight-month period ended August 31, 2024.

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.

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.

This Official Statement has been approved by the Issuer.

CENTRAL ARKANSAS WATER

By: _____
Carmen Smith, Chair

By: _____
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 or Parity Debt, as applicable, calculating the Debt Service that has accrued with respect to the Bonds or Parity Debt as an amount equal to the sum of (a) the interest on the Bonds or Parity Debt 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 or Parity Debt 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.).

"Authority" means the Arkansas Development Finance Authority, and its successors and assigns.

"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 2024-__ adopted by the Issuer on _____, 2024, authorizing the execution and delivery of the Indenture and the sale and issuance of the Bonds.

"Bond" or "Bonds" means the \$22,260,000* Capital Improvement Water Revenue Bonds, Series 2024A, issued by the Issuer in accordance with the terms and conditions of the Indenture.

"Bond Counsel" means Friday, Eldredge & Clark, LLP, 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.

"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, and any regulations issued thereunder or otherwise effective thereunder. Each reference to a section of the Code shall be deemed to include the United States Treasury Regulations relating to such section, which are applicable to the Indenture, including the Bonds, the use of Bond proceeds and the Project.

* Preliminary; subject to change.

"Commission" means the Issuer's Board of Commissioners, which has full and complete charge of the Issuer's Water System and the authority to merge, operate, maintain, improve, and extend the Issuer's 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 financial 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 the Bonds as issued and (ii) 50% of the maximum annual principal amount of 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.

"Depreciation Fund" means the Depreciation Trust Fund maintained by the Issuer. The Depreciation Fund is used for replacements and repairs to the Water System.

"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.

"Frazier Pike Long Term Debt Surcharge Revenues" means collections of the long-term debt surcharge levied by the Issuer pursuant to Resolution No. 2021-13 for collection from customers within the Frazier Pike System service area and pledged to secure the Subordinate 2021A Bond.

"Frazier Pike System" means the water system acquired from the Frazier Pike Public Facilities Board of Pulaski County, Arkansas and any extensions, betterments and improvements of such system.

"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 Depreciation Fund and the Revenue Fund, but excluding the Rebate Fund, and for so long as any Parity Debt is outstanding, those "Funds" conformed or established pursuant to the indenture or 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 Parity Debt, any subsequently issued Parity Debt, or Subordinate 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 capital improvements to the Water System including particularly, without limitation, the acquisition, construction, installation, relocation or replacement of water distribution and transmission pipes; the acquisition and installation or improvement to various water pumping, processing, production and/or distribution equipment; and the acquisition, construction, renovation, or development of administrative building facilities, treatment facilities, distribution facilities and related properties.

"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.

"Maumelle Long Term Debt Surcharge Revenues" means one hundred percent (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 and pledged to the Subordinate 2016 Bonds.

"Maumelle Water System" means the water collection, holding, treatment and distribution system and related assets currently owned, operated and managed by the Issuer pursuant to the Water Consolidation Agreement.

"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 financial 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); and (c) Bonds in exchange for or in lieu of which other Bonds have been authenticated or delivered as permitted by the Indenture.

"Outstanding Parity Debt means, as of the applicable date, all Parity Debt bonds which have been lawfully authenticated and delivered, except Parity Debt bonds (a) canceled upon payment, redemption, surrender, exchange or transfer; (b) delivered to the Trustee for cancellation; (c) defeased as permitted by applicable indenture such that those bonds would no longer be considered to be "Outstanding" as defined in the applicable indenture for such bond; or (d) owned by the Issuer.

"Parity Debt" means the Issuer's (i) Refunding Water Revenue Bond, Series 2010A; (ii) Water Revenue Bond, Series 2011A (Wye Mountain Extension Project); (iii) Capital Improvement Water Revenue Bonds, Series 2012A; (iv) Refunding Water Revenue Bonds, Series 2014; (v) Refunding Water Revenue Bonds, Series 2016; (vi) Water Revenue Bond (Wilson Pump Station Project), Series 2017A; (vii) Water Revenue Bonds, Series 2018B; (viii) Water Revenue Bond (Ozark Point Water Treatment Plant Project), Series 2019A; (ix) Capital Improvement and Refunding Water Revenue Bonds, Series 2020B; (x) Capital Improvement and Refunding Water Revenue Bonds, Series 2020C (Green Bonds); (xi) Water Revenue Bonds, Series 2020D (Taxable); (xii) Water Revenue Bond (Wilson Pump Station #1A Project), Series 2022B; (xiii) Water Revenue Bond (Wilson Treatment Plant Project), Series 2023B; and (xiv) any future parity debt.

"Parity Debt Financing Fees" means the financing and servicing fees owed to the Authority in connection with 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, 2025. 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.

"POWA Revenues" means the Revenues derived by the Issuer from the POWA System that are pledged to secure the Subordinate 2020A Bond.

"POWA System" means the water system acquired by the Issuer from Paron-Owensville Water Authority of the State of Arkansas and any extensions, betterments and improvements of such system.

"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.

"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.

"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 previously issued Outstanding Parity Debt, the fund by that name established in the trust indenture 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, Subordinate 2016 Bonds or other Subordinate Indebtedness and required to be paid into the Revenue Fund and the proceeds of any interest subsidy with respect to the Bonds, the Parity Debt, Subordinate 2016 Bonds or other 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 Issuer's 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 (excluding the Subordinate 2016 Bonds) or other obligations issued for Issuer's 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 the Bonds, Parity Debt, Subordinate Indebtedness (excluding the Subordinate 2016 Bonds) 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.**

"Ridgefield Long Term Debt Surcharge Revenues" means collections of the long-term debt surcharge levied by the Issuer pursuant to Resolution No. 2022-08 for collection from customers within the Ridgefield System service area and pledged to secure the Subordinate 2022A Bond.

"Ridgefield System" means the water system acquired from Ridgefield Property Owners Association and any extensions, betterments and improvements of such system.

"Short-Term Indebtedness" means all indebtedness incurred or assumed by the Issuer with respect to the Issuer's 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 2016 Bonds, the Subordinate 2021A Bond, the Subordinate 2021B Bond, the Subordinate 2022A Bond, the Subordinate 2023C Bond and the Subordinate 2023D Bond 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 2012A Bonds, the Series 2014 Bonds, the Series 2016 Bonds, the Series 2017A Bond and the Series 2018B Bond are fully paid or defeased and (ii) the 2010A Bond and the Series 2011A Bond are either paid in full or the owners of the Series 2010A Bond and the Series 2011A Bond have agreed to release any Special Debt Retirement Charge Revenues from the pledge in favor of the Series 2010A Bond and the Series 2011A Bond.

"State" means the State of Arkansas.

"Subordinate 2016 Bonds" means the Issuer's Acquisition and Construction Water Revenue Bonds (Maumelle Water System Acquisition Project), Series 2016.

"Subordinate 2020A Bond" means the Issuer's Water Revenue Bond (POWA Project), Series 2020A.

"Subordinate 2021A Bond" means the Issuer's Water Revenue Bond (Frazier Pike Project), Series 2021A.

"Subordinate 2021B Bond" means the Issuer's Water Revenue Bond (Wye Mountain Project), Series 2021B.

"Subordinate 2022A Bond" means the Issuer's Water Revenue Bond (Ridgefield Project), Series 2022A.

"Subordinate 2023C Bond" means the Issuer's Water Revenue Bond (West Pulaski Project), Series 2023C.

"Subordinate 2023D Bond" means the Issuer's Water Revenue Bond (West Pulaski Project), Series 2023D.

"Subordinate Indebtedness" shall mean the Subordinate 2016 Bonds, the Subordinate 2020A Bond, the Subordinate 2021A Bond, the Subordinate 2021B Bond, the Subordinate 2022A Bond, the Subordinate 2023C Bond, the Subordinate 2023D Bond and other 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 _____, 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 the Maumelle Water System, plus future additions thereto and all present and future improvements and facilities thereof or acquired or constructed for purposes associated therewith.

"West Pulaski Long Term Debt Surcharge Revenues" means the collections of the long term debt surcharge levied by the Issuer pursuant to Resolution No. 2020-03 for collections from customers within the West Pulaski Service Area and pledged to secure the Subordinate 2023C Bond and the Subordinate 2023D Bond.

"West Pulaski Service Area" means the customers of the System in a certain area of west Pulaski County in and around the vicinity of Ferndale not currently served by a water system.

"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.

"Wye Mountain Long Term Debt Surcharge Revenues" means the collections of the long term debt surcharge levied by the Issuer pursuant to Resolution No. 2021-18 for collections from customers within the Wye Mountain System service area and pledged to secure the Subordinate 2021B Bond.

"Wye Mountain System" means the water system acquired by the Issuer from Wye Mountain Water Facilities Board of Perry County, Arkansas and any extensions, betterments and improvements of such system.

APPENDIX B

WATER RATES

Current Rates. The Issuer has most recently established water rates within the Water System by Resolution 2023-01 approved by the Commission on January 12, 2023. A summary of the current rates are as follows:

The following schedule of rates is established by the Issuer for Residential, Commercial, and Sprinkler customer classes inside and outside the corporate limits of the City of Little Rock (LR), Arkansas and the City of North Little Rock (NLR), Arkansas and whose water service meters are located both south (LR) and north (NLR) of the Arkansas River.

Availability Charge

The monthly Availability Charge for each Residential Customer and Commercial Customer is as follows:

METER SIZE (diameter)	INSIDE CITY (RESIDENTIAL AND COMMERCIAL)				
	AVAILABILITY CHARGE				
	7/1/2023	1/1/2024	1/1/2025	1/1/2026	1/1/2027
5/8"	\$8.46	\$9.40	\$10.44	\$11.23	\$12.08
3/4"	\$11.23	\$12.47	\$13.85	\$14.89	\$16.01
1"	\$16.77	\$18.62	\$20.67	\$22.23	\$23.90
1 1/2"	\$30.61	\$33.98	\$37.72	\$40.55	\$43.60
2"	\$47.22	\$52.42	\$58.19	\$62.56	\$67.26
3"	\$99.83	\$110.82	\$123.02	\$132.25	\$142.17
4"	\$177.36	\$196.87	\$218.53	\$234.92	\$252.54
6"	\$362.87	\$402.79	\$447.10	\$480.64	\$516.69
8"	\$778.19	\$863.80	\$958.82	\$1,030.74	\$1,108.05
10"	\$1,165.82	\$1,294.07	\$1,436.42	\$1,544.16	\$1,659.98
12"	\$1,470.39	\$1,632.14	\$1,811.68	\$1,947.56	\$2,093.63

METER SIZE (diameter)	INSIDE CITY (RESIDENTIAL AND COMMERCIAL)				
	AVAILABILITY CHARGE				
	1/1/2028	1/1/2029	1/1/2030	1/1/2031	1/1/2032
5/8"	\$12.96	\$13.61	\$14.30	\$15.02	\$15.78
3/4"	\$17.18	\$18.04	\$18.95	\$19.90	\$20.90
1"	\$25.64	\$26.93	\$28.28	\$29.70	\$31.19
1 1/2"	\$46.77	\$49.11	\$51.57	\$54.15	\$56.86
2"	\$72.14	\$75.75	\$79.54	\$83.52	\$87.70
3"	\$152.48	\$160.11	\$168.12	\$176.53	\$185.36
4"	\$270.85	\$284.40	\$298.62	\$313.56	\$329.24
6"	\$554.16	\$581.87	\$610.97	\$641.52	\$673.60
8"	\$1,188.39	\$1,247.81	\$1,310.21	\$1,375.73	\$1,444.52
10"	\$1,780.33	\$1,869.35	\$1,962.82	\$2,060.97	\$2,164.02
12"	\$2,245.42	\$2,357.70	\$2,475.59	\$2,599.37	\$2,729.34

METER SIZE (diameter)	OUTSIDE CITY (RESIDENTIAL AND COMMERCIAL)				
	AVAILABILITY CHARGE				
	7/1/2023	1/1/2024	1/1/2025	1/1/2026	1/1/2027
5/8"	\$6.90	\$7.66	\$8.51	\$9.15	\$9.84
3/4"	\$10.35	\$11.49	\$12.76	\$13.72	\$14.75
1"	\$17.25	\$19.15	\$21.26	\$22.86	\$24.58
1 1/2"	\$34.50	\$38.30	\$42.52	\$45.71	\$49.14
2"	\$55.19	\$61.27	\$68.01	\$73.12	\$78.61
3"	\$120.73	\$134.02	\$148.77	\$59.93	\$171.93
4"	\$217.31	\$241.22	\$267.76	\$287.85	\$309.44
6"	\$448.41	\$497.74	\$552.50	\$593.94	\$638.49
8"	\$965.81	\$1,072.05	\$1,189.98	\$1,279.23	\$1,375.18
10"	\$1,448.71	\$1,608.07	\$1,784.96	\$1,918.84	\$2,062.76
12"	\$1,828.14	\$2,029.24	\$2,252.46	\$2,421.40	\$2,603.01

METER SIZE (diameter)	OUTSIDE CITY (RESIDENTIAL AND COMMERCIAL)				
	AVAILABILITY CHARGE				
	1/1/2028	1/1/2029	1/1/2030	1/1/2031	1/1/2032
5/8"	\$10.56	\$11.09	\$11.65	\$12.24	\$12.86
3/4"	\$15.82	\$16.62	\$17.46	\$18.34	\$19.26
1"	\$26.37	\$27.69	\$29.08	\$30.54	\$32.07
1 1/2"	\$52.71	\$55.35	\$58.12	\$61.03	\$64.09
2"	\$84.31	\$88.53	\$92.96	\$97.61	\$102.50
3"	\$184.40	\$193.62	\$203.31	\$213.48	\$224.16
4"	\$331.88	\$348.48	\$365.91	\$384.21	\$403.43
6"	\$684.79	\$719.03	\$754.99	\$792.74	\$832.38
8"	\$1,474.89	\$1,548.64	\$1,626.08	\$1,707.39	\$1,792.76
10"	\$2,212.32	\$2,322.94	\$2,439.09	\$2,561.05	\$2,689.11
12"	\$2,791.73	\$2,931.32	\$3,077.89	\$3,231.79	\$3,393.38

The monthly Availability Charge for each Sprinkler Customer is as follows:

METER SIZE (diameter)	INSIDE CITY (SPRINKLER)				
	AVAILABILITY CHARGE				
	7/1/2023	1/1/2024	1/1/2025	1/1/2026	1/1/2027
5/8"	\$5.31	\$5.90	\$6.55	\$7.05	\$7.58
3/4"	\$7.96	\$8.84	\$9.82	\$10.56	\$11.36
1"	\$13.27	\$14.73	\$16.36	\$17.59	\$18.91
1 1/2"	\$26.54	\$29.46	\$32.71	\$35.17	\$37.81
2"	\$42.46	\$47.14	\$52.33	\$56.26	\$60.48
3"	\$92.87	\$103.09	\$114.43	\$123.02	\$132.25
4"	\$167.16	\$185.55	\$205.97	\$221.42	\$238.03
6"	\$344.94	\$382.89	\$425.01	\$456.89	\$491.16
8"	\$742.93	\$824.66	\$915.38	\$984.04	\$1,057.85
10"	\$1,114.40	\$1,236.99	\$1,373.06	\$1,476.04	\$1,586.75
12"	\$1,406.26	\$1,560.95	\$1,732.66	\$1,862.61	\$2,002.31

METER SIZE (diameter)	INSIDE CITY (SPRINKLER)				
	AVAILABILITY CHARGE				
	1/1/2028	1/1/2029	1/1/2030	1/1/2031	1/1/2032
5/8"	\$8.13	\$8.54	\$8.97	\$9.42	\$9.90
3/4"	\$12.19	\$12.80	\$13.44	\$14.12	\$14.83
1"	\$20.29	\$21.31	\$22.38	\$23.50	\$24.68
1 1/2"	\$40.56	\$42.59	\$44.72	\$46.96	\$49.31
2"	\$64.87	\$68.12	\$71.53	\$75.11	\$78.87
3"	\$141.84	\$148.94	\$156.39	\$164.21	\$172.43
4"	\$255.29	\$268.06	\$281.47	\$295.55	\$310.33
6"	\$526.77	\$553.11	\$580.77	\$609.81	\$640.31
8"	\$1,134.55	\$1,191.28	\$1,250.85	\$1,313.40	\$1,379.07
10"	\$1,701.79	\$1,786.88	\$1,876.23	\$1,970.05	\$2,068.56
12"	\$2,147.48	\$2,254.86	\$2,367.61	\$2,486.00	\$2,610.30

METER SIZE (diameter)	OUTSIDE CITY (SPRINKLER)				
	AVAILABILITY CHARGE				
	7/1/2023	1/1/2024	1/1/2025	1/1/2026	1/1/2027
5/8"	\$6.90	\$7.66	\$8.51	\$9.15	\$9.84
3/4"	\$10.35	\$11.49	\$12.76	\$13.72	\$14.75
1"	\$17.25	\$19.15	\$21.26	\$22.86	\$24.58
1 1/2"	\$34.50	\$38.30	\$42.52	\$45.71	\$49.14
2"	\$55.19	\$61.27	\$68.01	\$73.12	\$78.61
3"	\$120.73	\$134.02	\$148.77	\$159.93	\$171.93
4"	\$217.31	\$241.22	\$267.76	\$287.85	\$309.44
6"	\$448.41	\$497.74	\$552.50	\$593.94	\$638.49
8"	\$965.81	\$1,072.05	\$1,189.98	\$1,279.23	\$1,375.18
10"	\$1,448.71	\$1,608.07	\$1,784.96	\$1,918.84	\$2,062.76
12"	\$1,828.14	\$2,029.24	\$2,252.46	\$2,421.40	\$2,603.01

METER SIZE (diameter)	OUTSIDE CITY (SPRINKLER)				
	AVAILABILITY CHARGE				
	1/1/2028	1/1/2029	1/1/2030	1/1/2031	1/1/2032
5/8"	\$10.56	\$11.09	\$11.65	\$12.24	\$12.86
3/4"	\$15.82	\$16.62	\$17.46	\$18.34	\$19.26
1"	\$26.37	\$27.69	\$29.08	\$30.54	\$32.07
1 1/2"	\$52.71	\$55.35	\$58.12	\$61.03	\$64.09
2"	\$84.31	\$88.53	\$92.96	\$97.61	\$102.50
3"	\$184.40	\$193.62	\$203.31	\$213.48	\$224.16
4"	\$331.88	\$348.48	\$365.91	\$384.21	\$403.43
6"	\$684.79	\$719.03	\$754.99	\$792.74	\$832.38
8"	\$1,474.89	\$1,548.64	\$1,626.07	\$1,707.39	\$1,792.76
10"	\$2,212.32	\$2,322.94	\$2,439.09	\$2,561.05	\$2,689.11
12"	\$2,791.73	\$2,931.32	\$3,077.89	\$3,231.79	\$3,393.38

The Board of Commissioners of the Issuer may, at any time by Resolution passed by a majority of the Board of Commissioners, elect to include up to 500 CF of water in the Monthly Availability Charge before the Volume Based Rates are applicable when adequate cash reserves and revenues are available to meet the Issuer's upcoming operating, maintenance, and capital expenditure requirements. Effective June 1, 2022, CAW included zero cubic feet of water in the Monthly Availability Charge pursuant to Resolution 2021-27, adopted on December 16, 2021.

Additional Monthly Charge

In addition to the Monthly Availability Charge, the Table of Volume-Based Rates adopted by Resolution 2023-01 for calendar years 2023 and beyond (as set forth below) shall continue to apply to the amount of water delivered by the Issuer per month:

Effective July 1, 2023:

CUSTOMER CLASS	INSIDE-CITY \$ PER 100 CF 1 - 5	INSIDE-CITY \$ PER 100 CF 6 - 15	INSIDE-CITY \$ PER 100 CF OVER 15
RESIDENTIAL	\$1.71	\$2.23	\$2.73
COMMERCIAL	\$1.69	\$1.69	\$1.69
SPRINKLER	\$2.23	\$2.23	\$2.73

CUSTOMER CLASS	OUTSIDE-CITY \$ PER 100 CF 1 - 5	OUTSIDE-CITY \$ PER 100 CF 6 - 15	OUTSIDE-CITY \$ PER 100 CF OVER 15
RESIDENTIAL	\$2.74	\$3.56	\$4.38
COMMERCIAL	\$2.70	\$2.70	\$2.70
SPRINKLER	\$3.56	\$3.56	\$4.38

Effective January 1, 2024:

CUSTOMER CLASS	INSIDE-CITY \$ PER 100 CF 1 - 5	INSIDE-CITY \$ PER 100 CF 6 - 15	INSIDE-CITY \$ PER 100 CF OVER 15
RESIDENTIAL	\$1.90	\$2.48	\$3.04
COMMERCIAL	\$1.88	\$1.88	\$1.88
SPRINKLER	\$2.48	\$2.48	\$3.04

CUSTOMER CLASS	OUTSIDE-CITY \$ PER 100 CF 1 - 5	OUTSIDE-CITY \$ PER 100 CF 6 - 15	OUTSIDE-CITY \$ PER 100 CF OVER 15
RESIDENTIAL	\$3.05	\$3.96	\$4.87
COMMERCIAL	\$3.00	\$3.00	\$3.00
SPRINKLER	\$3.96	\$3.96	\$4.87

Effective January 1, 2025:

CUSTOMER CLASS	INSIDE-CITY \$ PER 100 CF 1 - 5	INSIDE-CITY \$ PER 100 CF 6 - 15	INSIDE-CITY \$ PER 100 CF OVER 15
RESIDENTIAL	\$2.11	\$2.76	\$3.38
COMMERCIAL	\$2.09	\$2.09	\$2.09
SPRINKLER	\$2.76	\$2.76	\$3.38

CUSTOMER CLASS	OUTSIDE-CITY \$ PER 100 CF 1 - 5	OUTSIDE-CITY \$ PER 100 CF 6 - 15	OUTSIDE-CITY \$ PER 100 CF OVER 15
RESIDENTIAL	\$3.39	\$4.40	\$5.41
COMMERCIAL	\$3.33	\$3.33	\$3.33
SPRINKLER	\$4.40	\$4.40	\$5.41

Effective January 1, 2026:

CUSTOMER CLASS	INSIDE-CITY \$ PER 100 CF 1 - 5	INSIDE-CITY \$ PER 100 CF 6 - 15	INSIDE-CITY \$ PER 100 CF OVER 15
RESIDENTIAL	\$2.27	\$2.97	\$3.64
COMMERCIAL	\$2.25	\$2.25	\$2.25
SPRINKLER	\$2.97	\$2.97	\$3.64

CUSTOMER CLASS	OUTSIDE-CITY \$ PER 100 CF 1 - 5	OUTSIDE-CITY \$ PER 100 CF 6 - 15	OUTSIDE-CITY \$ PER 100 CF OVER 15
RESIDENTIAL	\$3.65	\$4.73	\$5.82
COMMERCIAL	\$3.58	\$3.58	\$3.58
SPRINKLER	\$4.73	\$4.73	\$5.82

Effective January 1, 2027:

CUSTOMER CLASS	INSIDE-CITY \$ PER 100 CF 1 - 5	INSIDE-CITY \$ PER 100 CF 6 - 15	INSIDE-CITY \$ PER 100 CF OVER 15
RESIDENTIAL	\$2.45	\$3.20	\$3.92
COMMERCIAL	\$2.42	\$2.42	\$2.42
SPRINKLER	\$3.20	\$3.20	\$3.92

CUSTOMER CLASS	OUTSIDE-CITY \$ PER 100 CF 1 - 5	OUTSIDE-CITY \$ PER 100 CF 6 - 15	OUTSIDE-CITY \$ PER 100 CF OVER 15
RESIDENTIAL	\$3.93	\$5.09	\$6.26
COMMERCIAL	\$3.85	\$3.85	\$3.85
SPRINKLER	\$5.09	\$5.09	\$6.26

Effective January 1, 2028:

CUSTOMER CLASS	INSIDE-CITY \$ PER 100 CF 1 - 5	INSIDE-CITY \$ PER 100 CF 6 - 15	INSIDE-CITY \$ PER 100 CF OVER 15
RESIDENTIAL	\$2.63	\$3.44	\$4.21
COMMERCIAL	\$2.60	\$2.60	\$2.60
SPRINKLER	\$3.44	\$3.44	\$4.21

CUSTOMER CLASS	OUTSIDE-CITY \$ PER 100 CF 1 - 5	OUTSIDE-CITY \$ PER 100 CF 6 - 15	OUTSIDE-CITY \$ PER 100 CF OVER 15
RESIDENTIAL	\$4.22	\$5.46	\$6.72
COMMERCIAL	\$4.13	\$4.13	\$4.13
SPRINKLER	\$5.46	\$5.46	\$6.72

Effective January 1, 2029:

CUSTOMER CLASS	INSIDE-CITY \$ PER 100 CF 1 - 5	INSIDE-CITY \$ PER 100 CF 6 - 15	INSIDE-CITY \$ PER 100 CF OVER 15
RESIDENTIAL	\$2.77	\$3.62	\$4.43
COMMERCIAL	\$2.73	\$2.73	\$2.73
SPRINKLER	\$3.62	\$3.62	\$4.43

CUSTOMER CLASS	OUTSIDE-CITY \$ PER 100 CF 1 - 5	OUTSIDE-CITY \$ PER 100 CF 6 - 15	OUTSIDE-CITY \$ PER 100 CF OVER 15
RESIDENTIAL	\$4.44	\$5.74	\$7.06
COMMERCIAL	\$4.34	\$4.34	\$4.34
SPRINKLER	\$5.74	\$5.74	\$7.06

Effective January 1, 2030:

CUSTOMER CLASS	INSIDE-CITY \$ PER 100 CF 1 - 5	INSIDE-CITY \$ PER 100 CF 6 - 15	INSIDE-CITY \$ PER 100 CF OVER 15
RESIDENTIAL	\$2.91	\$3.81	\$4.66
COMMERCIAL	\$2.87	\$2.87	\$2.87
SPRINKLER	\$3.81	\$3.81	\$4.66

CUSTOMER CLASS	OUTSIDE-CITY \$ PER 100 CF 1 - 5	OUTSIDE-CITY \$ PER 100 CF 6 - 15	OUTSIDE-CITY \$ PER 100 CF OVER 15
RESIDENTIAL	\$4.67	\$6.03	\$7.42
COMMERCIAL	\$4.56	\$4.56	\$4.56
SPRINKLER	\$6.03	\$6.03	\$7.42

Effective January 1, 2031:

CUSTOMER CLASS	INSIDE-CITY \$ PER 100 CF 1 - 5	INSIDE-CITY \$ PER 100 CF 6 - 15	INSIDE-CITY \$ PER 100 CF OVER 15
RESIDENTIAL	\$3.06	\$4.01	\$4.90
COMMERCIAL	\$3.02	\$3.02	\$3.02
SPRINKLER	\$4.01	\$4.01	\$4.90

CUSTOMER CLASS	OUTSIDE-CITY \$ PER 100 CF 1 - 5	OUTSIDE-CITY \$ PER 100 CF 6 - 15	OUTSIDE-CITY \$ PER 100 CF OVER 15
RESIDENTIAL	\$4.91	\$6.34	\$7.80
COMMERCIAL	\$4.79	\$4.79	\$4.79
SPRINKLER	\$6.34	\$6.34	\$7.80

Effective January 1, 2032:

CUSTOMER CLASS	INSIDE-CITY \$ PER 100 CF 1 - 5	INSIDE-CITY \$ PER 100 CF 6 - 15	INSIDE-CITY \$ PER 100 CF OVER 15
RESIDENTIAL	\$3.22	\$4.22	\$5.15
COMMERCIAL	\$3.18	\$3.18	\$3.18
SPRINKLER	\$4.22	\$4.22	\$5.15

CUSTOMER CLASS	OUTSIDE-CITY \$ PER 100 CF 1 - 5	OUTSIDE-CITY \$ PER 100 CF 6 - 15	OUTSIDE-CITY \$ PER 100 CF OVER 15
RESIDENTIAL	\$5.16	\$6.66	\$8.19
COMMERCIAL	\$5.03	\$5.03	\$5.03
SPRINKLER	\$6.66	\$6.66	\$8.19

Nonresident Consumers

The term "outside city" used in the foregoing rates refers to any consumer receiving water 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.

Customer Classes

The customer classes described in the Additional Monthly Charge subsection above shall be defined as follows:

"Residential" shall mean all customers receiving water service at a single building or building unit that is owned, leased, or rented by one party, separately metered, and occupied as a residence.

"Commercial" shall mean all customers receiving water service at (i) a building containing two or more apartments or family units that are rented or leased to tenants as residences and are not separately metered; (ii) a building occupied by a retail or service business; or (iii) a building owned or occupied by a public utility, a department of a municipality, or a state or federal governmental agency.

"Sprinkler" shall mean each customer receiving separately metered water service used exclusively for irrigation sprinkler systems or other outdoor purposes.

"Raw Water Customers" shall mean all customers receiving raw (untreated) rather than potable water pursuant to a special arrangement with the Issuer.

"Wholesale-Metered Customer" shall mean any entity regulated by the Arkansas Department of Health as a "public water system" purchasing water from the Issuer pursuant to a written agreement for the purchase and sale of surplus water to which Wholesale rates apply. Any public water system acquiring water from the Issuer without a written agreement for the purchase and sale of surplus water shall be charged the rates applicable to the "outside the city" commercial class as established in accordance with Section 2 of Resolution 2023-01, as amended from time to time.

Wholesale Customers

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, whose rates are determined in accordance with nationally accepted cost of service rate setting standards for the water industry.

WHOLESALE-METERED CUSTOMER RATES						
	\$ PER 100 CF	\$ PER 100 CF	\$ PER 100 CF	\$ PER 100 CF	\$ PER 100 CF	\$ PER 100 CF
EFFECTIVE	1/1/2023	1/1/2024	1/1/2025	1/1/2026	1/1/2027	1/1/2028
WHOLESALE- METERED CUSTOMER	\$1.52	\$1.76	\$1.96	\$2.11	\$2.27	\$2.44

Such Wholesale-Metered Customers shall pay an Availability Charge as noted above based on meter size and an additional amount determined by the following volume-based rates for all water delivered each month by the Issuer, effective as follows:

WHOLESALE-METERED CUSTOMER RATES				
	\$ PER 100 CF	\$ PER 100 CF	\$ PER 100 CF	\$ PER 100 CF
EFFECTIVE	1/1/2029	1/1/2030	1/1/2031	1/1/2032
WHOLESALE- METERED CUSTOMER	\$2.57	\$2.70	\$2.84	\$2.99

The above schedule of wholesale rates is applicable to Wholesale-Metered Customers who have not elected to enter into revised wholesale contracts under the provisions outlined in Resolution 2018-14. As of December 31, 2023, six of the Issuer's wholesale customers have elected to enter into contract terms under the provisions of Resolution 2018-14.

Raw Water Customers

RAW WATER RATES						
	\$ PER 100 CF	\$ PER 100 CF	\$ PER 100 CF	\$ PER 100 CF	\$ PER 100 CF	\$ PER 100 CF
EFFECTIVE	7/1/2023	1/1/2024	1/1/2025	1/1/2026	1/1/2027	1/1/2028
RAW WATER CUSTOMER	\$0.74	\$0.83	\$0.93	\$1.00	\$1.08	\$1.16

All customers purchasing raw water shall pay an Availability Charge as noted above based on meter size and an additional amount determined by the following volume-based rate for all water, effective as of the dates stated.

RAW WATER RATES				
	\$ PER 100 CF	\$ PER 100CF	\$ PER 100 CF	\$ PER 100 CF
EFFECTIVE	1/1/2029	1/1/2030	1/1/2031	1/1/2032
RAW WATER CUSTOMER	\$1.22	\$1.29	\$1.36	\$1.43

Debt Surcharges

Resolution 2015-15, as amended by Resolution 2016-06, established a debt surcharge levied on accounts in the former Maumelle Water Management (MWM) service area which is pledged to the Subordinate 2016 Bonds. The Subordinate 2016 Bonds are junior and subordinate to the Bonds and the Parity Debt. The debt surcharges shall be in an amount sufficient to pay for the expenses identified in the Water Consolidation Agreement, dated as of October 13, 2015. Each debt surcharge will continue until the debt associated with the respective surcharge is repaid. Debt associated with the Short-Term Debt Surcharge was fully repaid and collection discontinued as of December 31, 2017. Debt Surcharges remaining in effect are as follows:

METER SIZE (DIAMETER)	INTERMEDIATE-TERM DEBT SURCHARGE	LONG-TERM DEBT SURCHARGE
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

Resolution 2020-08, as amended by Resolution 2020-09, established a debt surcharge levied on accounts in the former Paron-Owensville Water Authority (POWA) service area which is pledged to the Subordinate 2020A Bond. The Subordinate 2020A Bond is junior and subordinate to the Bonds and the Parity Debt. The debt surcharges shall be in an amount sufficient to pay for the expenses identified in the Water Consolidation Agreement, dated as of January 8, 2020. Each debt surcharge will continue until the debt associated with the respective surcharge is repaid. Debt Surcharges remaining are as follows:

DEBT SURCHARGE	
EFFECTIVE 6/1/2020	EFFECTIVE 1/1/2022
\$5.50	\$11.00

Resolution 2021-13 established a debt surcharge levied on accounts in the former Frazier Pike service area which is pledged to the Subordinate 2021A Bond. The Subordinate 2021A Bond is junior and subordinate to the Bonds and the Parity Debt. The debt surcharges shall be in an amount sufficient to pay for the expenses identified in the Agreement for Contribution of Assets and Assumption of Operations, dated October 2014. Each debt surcharge will continue until the debt associated with the respective surcharge is repaid. Debt Surcharges remaining are as follows:

DEBT SURCHARGE
EFFECTIVE 5/13/2021
\$28.15

Resolution 2021-18 established a debt surcharge levied on accounts in the former Wye Mountain service area which is pledged to the Subordinate 2021B Bond. The Subordinate 2021B Bond is junior and subordinate to the Bonds and the Parity Debt. The debt surcharges shall be in an amount sufficient to pay for the expenses identified in the Agreement for Contribution of Assets and Assumption of Operations, dated November 10, 2011. Each debt surcharge will continue until the debt associated with the respective surcharge is repaid. Debt Surcharges remaining are as follows:

DEBT SURCHARGE
EFFECTIVE 10/29/2021
\$32.00

Resolution 2022-08 established a debt surcharge levied on accounts in the former Ridgefield Property Owners Association's service area which is pledged to the Subordinate 2022A Bond. The Subordinate 2022A Bond is junior and subordinate to the Bonds and the Parity Debt. The debt surcharges shall be in an amount sufficient to pay for the expenses identified in the Water System Purchase Agreement, dated June 22, 2021. Each debt surcharge will continue until the debt associated with the respective surcharge is repaid. Debt Surcharges remaining are as follows:

DEBT SURCHARGE
EFFECTIVE 6/1/2022
\$146.00

Private Fire Service

Private Fire Service connections for private premises shall pay the following annual fire service charges, effective as of the dates stated.

EFFECTIVE	JULY 1, 2023		JANUARY 1, 2024		JANUARY 1, 2025	
	INSIDE	OUTSIDE	INSIDE	OUTSIDE	INSIDE	OUTSIDE
FIRE HYDRANTS	\$88.26	\$127.68	\$97.97	\$141.73	\$108.75	\$157.33
FIRE CONNECTION MINIMUM CHARGE	\$102.35	\$148.06	\$113.61	\$164.35	\$126.11	\$182.43
AUTOMATIC SPRINKLER SYSTEM MINIMUM CHARGE (1,000 HEADS)	\$102.35	\$148.06	\$113.61	\$164.35	\$126.11	\$182.43
ADDITIONAL HEADS, EACH	\$0.10	\$0.17	\$0.12	\$0.19	\$0.14	\$0.22
STANDPIPE 1 1/4" (OR SMALLER) DIAMETER, EACH	\$20.02	\$28.98	\$22.23	\$32.17	\$24.68	\$35.71
1 1/2" DIAMETER, EACH	\$31.16	\$45.06	\$34.59	\$50.02	\$38.40	\$55.53
2" DIAMETER, EACH	\$51.20	\$74.03	\$56.84	\$82.18	\$63.10	\$91.22
2 1/2" DIAMETER, EACH	\$102.35	\$148.06	\$113.61	\$164.35	\$126.11	\$182.43

EFFECTIVE	JANUARY 1, 2026		JANUARY 1, 2027		JANUARY 1, 2028	
	INSIDE	OUTSIDE	INSIDE	OUTSIDE	INSIDE	OUTSIDE
FIRE HYDRANTS	\$116.91	\$169.13	\$125.68	\$181.82	\$134.80	\$195.01
FIRE CONNECTION MINIMUM CHARGE	\$135.57	\$196.12	\$145.74	\$210.83	\$156.31	\$226.12
AUTOMATIC SPRINKLER SYSTEM MINIMUM CHARGE (1,000 HEADS)	\$135.57	\$196.12	\$145.74	\$210.83	\$156.31	\$226.12
ADDITIONAL HEADS, EACH	\$0.16	\$0.24	\$0.18	\$0.26	\$0.20	\$0.28
STANDPIPE 1 1/4" (OR SMALLER) DIAMETER, EACH	\$26.54	\$38.39	\$28.54	\$41.27	\$30.61	\$44.27
1 1/2" DIAMETER, EACH	\$41.28	\$59.70	\$44.38	\$64.18	\$47.60	\$68.84
2" DIAMETER, EACH	\$67.84	\$98.07	\$72.93	\$105.43	\$78.22	\$113.08
2 1/2" DIAMETER, EACH	\$135.57	\$196.12	\$145.74	\$210.83	\$156.31	\$226.12

EFFECTIVE	JANUARY 1, 2029		JANUARY 1, 2030		JANUARY 1, 2031	
	INSIDE	OUTSIDE	INSIDE	OUTSIDE	INSIDE	OUTSIDE
FIRE HYDRANTS	\$141.54	\$204.77	\$148.62	\$215.01	\$156.06	\$225.77
FIRE CONNECTION MINIMUM CHARGE	\$164.13	\$237.43	\$172.34	\$249.31	\$180.96	\$261.78
AUTOMATIC SPRINKLER SYSTEM MINIMUM CHARGE (1,000 HEADS)	\$164.13	\$237.43	\$172.34	\$249.31	\$180.96	\$261.78
ADDITIONAL HEADS, EACH	\$0.21	\$0.30	\$0.23	\$0.32	\$0.25	\$0.34
STANDPIPE 1 1/4" (OR SMALLER) DIAMETER, EACH	\$32.15	\$46.49	\$33.76	\$48.82	\$35.45	\$51.27
1 1/2" DIAMETER, EACH	\$49.98	\$72.29	\$52.48	\$75.91	\$55.11	\$79.71
2" DIAMETER, EACH	\$82.14	\$118.74	\$86.25	\$124.68	\$90.57	\$130.92
2 1/2" DIAMETER, EACH	\$164.13	\$237.43	\$172.34	\$249.31	\$180.96	\$261.78

EFFECTIVE	JANUARY 1, 2032	
	INSIDE	OUTSIDE
FIRE HYDRANTS	\$163.87	\$237.06
FIRE CONNECTION MINIMUM CHARGE	\$190.01	\$274.87
AUTOMATIC SPRINKLER SYSTEM MINIMUM CHARGE (1,000 HEADS)	\$190.01	\$274.87
ADDITIONAL HEADS, EACH	\$0.27	\$0.36
STANDPIPE 1 1/4" (OR SMALLER) DIAMETER, EACH	\$37.23	\$53.84
1 1/2" DIAMETER, EACH	\$57.87	\$83.70
2" DIAMETER, EACH	\$95.10	\$137.47
2 1/2" DIAMETER, EACH	\$190.01	\$274.87

Conservation Rate Discount

Inside City Residential accounts with a single house meter (no irrigation meter) using 100, 200 or 300 CF of monthly usage shall be given a Conservation Rate Discount of 15%. The discount shall not apply to zero consumption billings. The discount was discontinued with the 7/1/2023 rate increase. Total discounts amounted to approximately \$278,000 in 2023.

Billing Fee

Commencing on June 1, 2019, each bill sent by the Issuer to any customer shall include a "billing fee" of \$1.92 per bill per month. The billing fee shall be reduced to \$1.42 per month for those who agree to receive electronic, rather than paper bills. The billing fee shall be reduced by up to an additional \$0.20 per month for those customers who agree to pay by recurring auto-draft each month. The billing fee charges totaled approximately \$2,851,000 in 2023.

Watershed Protection Fee

The Watershed Protection Fee is added to the monthly bills of all customers. This fee is accumulated in a fund to be used for small land purchases, to service the debt on larger land purchases, and/or to fund the administration of the Watershed Protection Program. If debt is incurred for any of the aforementioned purposes and the fee is pledged as collateral or a source of repayment for the debt, then the fee will continue as necessary throughout the life of the debt to service debt repayment. The fee may be suspended should the Issuer deem it no longer necessary for the Watershed Protection Program. Fee charges totaled approximately \$2,426,000 in 2023.

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 3/4" equivalent meter as outlined in Resolution 2018-13. On October 10, 2019, the Board 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. On January 12, 2023, the Board passed Resolution 2023-01 which kept the Watershed Protection Fee at \$0.90 per month for the 5/8" or 3/4" meters effective July 1, 2023. The Watershed Protection Fees for all meter sizes are below:

METER	WATERSHED PROTECTION FEE
SIZE (diameter)	EFFECTIVE 7/1/2023
5/8"	\$0.90
3/4"	\$0.90
1"	\$1.35
1 1/2"	\$2.25
2"	\$4.50
3"	\$7.20
4"	\$13.50
6"	\$22.50
8"	\$45.00
10"	\$72.00

The Watershed Protection Fee shall not apply to the Wholesale meters, but instead shall be passed through on the same basis of meter size to the individually metered customers of the Wholesaler as well as those of any subsequent Wholesaler. Wholesalers obtaining less than 100% of their total supply from the Issuer will pay only a proportional share of the fee based on the percentage of water supplied by the Issuer. Wholesalers shall report each month the total metered consumption and number of active meters by size. Those wholesalers who elected to enter into contract terms mentioned on page 11 shall report active meters by size on an annual basis. Wholesalers may pass the fee through directly or include it in their rates.

Infrastructure Fee

Commencing on January 1, 2024, each bill sent by the Issuer to any customer shall include an "Infrastructure Fee" to fund Wilson Water Treatment Plant Improvements, Lake Maumelle Improvements, and a new 60-in diameter Raw Water Pipeline. The fee is established based on cost projections, and the Board of Commissioners of the Issuer, at its discretion, will adjust the fee once actual costs for those three projects and the debt service requirements are known. The infrastructure fee will be removed once the debt for the three projects is retired.

METER SIZE (diameter)	INFRASTRUCTURE FEE				
	1/1/2024	1/1/2025	1/1/2026	1/1/2027	1/1/2028
5/8"	\$0.50	\$0.75	\$1.00	\$1.50	\$2.50
3/4"	\$0.75	\$1.13	\$1.50	\$2.25	\$3.75
1"	\$1.25	\$1.88	\$2.50	\$3.75	\$6.25
1 1/2"	\$2.50	\$3.75	\$5.00	\$7.50	\$12.50
2"	\$4.00	\$6.00	\$8.00	\$12.00	\$20.00
3"	\$8.75	\$13.13	\$17.50	\$26.25	\$43.75
4"	\$15.75	\$23.63	\$31.50	\$47.25	\$78.75
6"	\$32.50	\$48.75	\$65.00	\$97.50	\$162.50
8"	\$70.00	\$105.00	\$140.00	\$210.00	\$350.00
10"	\$105.00	\$157.50	\$210.00	\$315.00	\$525.00
12"	\$132.50	\$198.75	\$265.00	\$397.50	\$662.50

METER SIZE (diameter)	INFRASTRUCTURE FEE			
	1/1/2029	1/1/2030	1/1/2031	1/1/2032
5/8"	\$3.50	\$3.75	\$4.00	\$4.25
3/4"	\$5.25	\$5.63	\$6.00	\$6.38
1"	\$8.75	\$9.38	\$10.00	\$10.63
1 1/2"	\$17.50	\$18.75	\$20.00	\$21.25
2"	\$28.00	\$30.00	\$32.00	\$34.00
3"	\$61.25	\$65.63	\$70.00	\$74.38
4"	\$110.25	\$118.13	\$126.00	\$133.88
6"	\$227.50	\$243.75	\$260.00	\$276.25
8"	\$490.00	\$525.00	\$560.00	\$595.00
10"	\$735.00	\$787.50	\$840.00	\$892.50
12"	\$927.50	\$993.75	\$1,060.00	\$1,126.25

The Infrastructure Fee shall not apply to the Wholesale meters, but instead shall be passed through on the same basis of meter size to the individually metered customers of the Wholesaler as well as those of any subsequent Wholesaler. Wholesalers obtaining less than 100% of their total supply from the Issuer will pay only a proportional share of the fee based on the percentage of water supplied by the Issuer. Wholesalers shall report each month the total metered consumption and number of active meters by size. Those wholesalers who elected to enter into contract terms mentioned on page 11 shall report active meters by size on an annual basis. Wholesalers may pass the fee through directly or include it in their rates.

APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated as of _____, 2024 (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 \$22,260,000* Capital Improvement Water Revenue Bonds, Series 2024A (the "Bonds"). The Bonds are being issued pursuant to a Trust Indenture, dated as of the date hereof (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 I attached hereto, which Annual Financial Information shall 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.

"*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*" means a

- (A) Debt obligation;
- (B) Derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or
- (C) Guarantee of obligations described in (A) or (B).

The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

* Preliminary; subject to change.

"*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 (excluding mandatory sinking fund redemptions), if material;
- (ix) defeasances and tender offers;
- (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 the 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;
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) 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; and
- (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 _____, 2024, 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, or if the Issuer's Fiscal Year changes and no longer ends on December 31 of each year, 180 days after the end of the Issuer's Fiscal Year.

"*State*" means the State of Arkansas.

Section 2. *Purpose of this Agreement; Obligated Person; 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 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, 2024, 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.

(b) The Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Financial Information if they are not available by the Report Date, but they shall be submitted to the MSRB through EMMA within 60 days after the receipt thereof by the Issuer.

(c) If the Issuer is not serving as the 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 containing the information set forth in (i) of Schedule I attached hereto, the Dissemination Agent shall contact the Issuer to notify the Issuer that it has not received such Annual Financial Information and remind the Issuer 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) If the Issuer is not serving as the Dissemination Agent, 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 the Dissemination Agent, and if the Dissemination Agent does not receive the Annual Financial Information containing the information set forth in (i) of Schedule I attached hereto by the Report Date, 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 such 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.emma.msrb.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 a Listed Event 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 owners 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 6. *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 7. *Amendment; Waiver.* Notwithstanding any other provision of this Agreement, the Issuer may amend this Agreement, and any provisions of this Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3 or 4, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Obligated Person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Beneficial Owners in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Beneficial Owners, or (ii) does not, in the opinion of the Trustee, materially impair the interests of the Beneficial Owners.

In the event of any amendment or waiver of a provision of this Agreement, the Issuer shall describe such amendment in the next Annual Financial Information, and shall include, as applicable, a narrative explanation of the reason of the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 4, and (ii) the Annual Financial Information for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 8. *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 9. *Default.* In the event of a failure of the Issuer or the Dissemination Agent to comply with any provision of this Agreement, the Issuer, the Trustee or any Beneficial Owner may (and the Trustee, at the request of the Participating Underwriters or the Beneficial Owners of at least 25% aggregate principal amount of outstanding Bonds, shall) seek mandate or specific performance by court order to cause the Issuer or the Dissemination Agent, as appropriate, 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 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 or the Dissemination Agent and their representatives, 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 10. *Duties, Immunities, and Liabilities of Dissemination Agent.* The Dissemination Agent (if other than the Issuer) 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 gross negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal the Dissemination Agent and payment of the Bonds.

Section 11. *Beneficiaries.* This Agreement shall inure solely to the benefit of the Issuer, the Trustee, the Dissemination Agent (if other than 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 12. *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 13. 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 14. Choice of Law. This Agreement shall be governed by and construed in accordance with the laws of the State, 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: _____
Chair

SCHEDULE I 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 for the preceding Fiscal Year as set forth under the caption "THE WATER SYSTEM—Customers" in the Official Statement;
- (b) List of ten largest Water System customers during the preceding Fiscal Year along with the total revenues derived from each and the respective percentages of such revenues to total revenues of each, 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 for the preceding Fiscal Year, as set forth under the caption "THE WATER SYSTEM—Usage" in the Official Statement;
- (d) The current water rates with respect to the Water System as set forth in "APPENDIX B – WATER RATES" attached to the Official Statement;
- (e) Water System revenues, bad debt expense, and percentage of bad debts to total revenues of the Water System for the preceding Fiscal Year, 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.

APPENDIX D
FINANCIAL STATEMENTS FOR YEAR ENDED
DECEMBER 31, 2023 AND DECEMBER 31, 2022 AUDITED BY
FORVIS, LLP

REPORT ANNUAL COMPREHENSIVE FINANCIAL
CENTRAL ARKANSAS WATER

CENTRAL ARKANSAS WATER
FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022



**ANNUAL COMPREHENSIVE
FINANCIAL REPORT
FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022**

**PREPARED BY THE CENTRAL ARKANSAS
WATER FINANCIAL DEPT.**

**221 E. CAPITOL AVE. | PO BOX 1789 |
LITTLE ROCK, AR | 72203 | WWW.CARKW.COM**

Central Arkansas Water

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**INTRODUCTORY
SECTION**



April 23, 2024

To the Board of Commissioners and Our Customers:

We are pleased to present the Annual Comprehensive Financial Report (ACFR) of Central Arkansas Water (CAW or the Utility) for the years ended December 31, 2023 and 2022.

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, 2023 and 2022. See Management's Discussion and Analysis, beginning on page 18. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Utility. In the remainder of this letter, amounts are rounded to the nearest thousand dollars, unless otherwise noted.

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

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

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

THE REPORTING ENTITY

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

- On March 1, 2016, Maumelle Water Management (MWM) became part of CAW through a merger that added 7,500 customers in the city of Maumelle.
- On June 1, 2020, Paron-Owensville Water Authority (POWA) became part of CAW through a merger that added 1,000 customers in eastern Saline County.
- On October 29, 2021, Wye Mountain became part of CAW through a merger that added almost 600 customers in northwestern Pulaski County.
- On June 1, 2022, CAW added approximately 50 customers by acquiring the Ridgefield Estates Property Owners Association water system, located in western Pulaski County.
- On September 13, 2023, Brushy Island became part of CAW through a merger that added approximately 670 customers in northeastern Pulaski County.

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

The Utility collects, stores, treats, and distributes water for a population of approximately 500,000 in central Arkansas. The major components of the system are as follows:

- Two raw water supplies
 - Lake Winona
 - Lake Maumelle
- A regulating and storage facility - Jackson Reservoir
- Three treatment facilities
 - Jack H. Wilson Treatment Plant (Wilson Plant)
 - Ozark Point Treatment Plant (Ozark Point Plant)
 - Paron Treatment Plant (POWA Plant)
- A service area of approximately 721 square miles with 2,697 miles of public pipeline
- 35 remote booster pumping stations
- 39 remote storage facilities
- Maximum treatment capacity of 157 million gallons per day
- 140,000 active customer accounts
- 159,000 active customer meters

MAJOR INITIATIVES AND ACCOMPLISHMENTS IN 2023

In 2022, CAW redefined its vision, mission, and purpose. As a result, CAW defined five areas of concentration, or "big drops", to realize its vision of being a resilient and trusted utility. The first of these "big drops" is high performing, innovative, values driven, informed, and passionate (HIVIP) employees. CAW employees are the crux of the organization, and putting systems into place to hire, compensate, retain, and reward the best employees is a critical pursuit of the Utility. Achieving system reliability, the second big drop, is key to ensuring that CAW can manage anything that comes its way. Projects to ensure redundancy, resiliency, and the use of contingency plans are of utmost importance as CAW provides water to the central Arkansas area. The next big drop, environmental sustainability, ranks high as a priority for the Utility. Protection of resources and limiting the carbon footprint of CAW processes are imperative as we move farther into the 21st century. To be successful in any business, financial viability, the fourth big drop, is a must. CAW serves as the fiduciary of ratepayer funds to ensure that CAW has the funds to equip the Utility with means to pay its employees and vendors, to maintain and build necessary infrastructure to provide water, and to make timely debt service payments. The last big drop, community support, can make or break a business. Cultivating and maintaining relationships with customers, cities within our service area, government officials on the local, state, and national levels are important endeavors to ensure community cooperation.

2023 was spent building the road map to be a resilient and trusted utility now and through 2050. While the five areas of emphasis discussed above did not change, CAW's commissioners and staff put in much time and effort to develop and refine the objectives, projects, and tasks the Utility will need to accomplish in the next 25 plus years. As CAW moves closer to 2050, staff will continue working toward attaining the objectives to ensure that CAW meets its vision, mission, and purpose for many years to come.

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

CAW's 2023 cost of benefits as a percent of total compensation (wages + benefits) was 31.15%, well below the Bureau of Labor Statistics (BLS) national average of 38% for state and local government workers. CAW's turnover for 2023 was 12.89%, with a five-year average of 11.15%. Both turnover statistics are anticipated to be significantly lower than the national average for state and local government excluding education.

The Environmental Health and Safety (EHS) section works to create and maintain a safe workplace environment, both in the field and in the office, by preventing accidents and occupational illnesses. EHS staff conducts intense employee training, performs routine health and safety inspections throughout the Utility, and eliminates unsafe acts and conditions. EHS provided 109 training sessions that equaled 3,400 training hours for employees in 2023. In addition, the EHS section emphasized personal safety outside the classroom by conducting 15 facility inspections and almost 850 jobsite inspections. Safety efforts by both EHS staff and Utility employees as a whole resulted in ending 2023 with 929 days without a lost time injury.

In addition to providing services for current employees, the Utility continued to make strides in creating a sustainable workforce pipeline. CAW doubled internship opportunities in 2023 by adding interns in Distribution and Finance along with Engineering, Sustainability & Facilities Management, Watershed, Water Production and Customer Service. The Utility hosted 20 interns ranging from high school student to full-time teachers. Efforts to grow the internship program along with the launch of the Water Academy at Maumelle High School in partnership with The Academies of Central Arkansas will enhance

CAW's recruiting pipeline for future positions, continue to build community partnerships, increase awareness of careers in the water industry, and create opportunities for interns to have meaningful work.

System reliability, or CAW's goal of providing uninterrupted high-quality water services, involves much effort from its operations groups. High-quality water begins at the water sources, which in CAW's case are Lake Maumelle and Lake Winona. Protecting adjacent forestlands and tributaries is of key importance in ensuring water quality of the sources for generations. The Watershed Protection Program has continued its mission of protecting, restoring, and enhancing the natural watershed environment of the Utility's two water sources. Protecting adjacent forestlands and tributaries is of key importance in ensuring water quality of the sources for generations. Protecting these landscapes is a hands-on effort and a large part of CAW's protection strategy comes in the form of acquiring and managing these landscapes. In 2023, CAW completed a record of 2,495 acres of prescribed fire and 20 acres of invasive species removal in the watershed.

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

Water Production staff responsibilities also include ensuring compliance with the Safe Drinking Water Act (SDWA), along with the monitoring and treatment of National Pollutant Discharge Elimination System (NPDES) permitted waste discharges. The department also coordinates all water quality sampling and laboratory activities, including operating one of the few microbiological laboratories certified by the Arkansas Department of Health (ADH). Facility operators continuously monitor water quality at all phases of the treatment process and perform process control analyses every four hours. In all of 2023, CAW produced water that achieved 100% compliance with all regulatory limits.

Water Production staff continue to identify strengths and opportunities for improvement that could result in operational efficiencies. For example, 21 stand-alone sample stations were installed at TCR Sample Sites and 16 new TCR sample sites were added to the sampling plan, resulting in improved data for optimization and reporting. Two Tank Mixers were installed, increasing chlorine residuals, reducing water age, and reducing the volume of non-revenue water through flushing. In 2023, CAW performed the first year of the multi-year hydrilla eradication project at Lake Maumelle. 26,000 pounds of herbicide pellets were applied to treat 1,500 acres of impacted water. This resulted in limiting vegetation growth and significant hydrilla tuber attrition.

Another way to promote system reliability is CAW's two-inch galvanized pipe replacement program, which began in 2010. With a combined effort from the Distribution and Engineering departments, the Utility replaced approximately 64,700 feet (over 12 miles) of aging infrastructure in 2023. This proactive approach in replacing troublesome mains has paid significant dividends since the program's beginning. Spontaneous breaks per 100 miles of galvanized pipe decreased from 234 in 2010 to 122 breaks in 2023. In 2023, breaks in galvanized pipe decreased by about 16% from the breaks in 2022. In addition to pipe replacement, the Engineering Department managed and oversaw the installation of more than 16 miles of new public water mains in 2023.

Board of Commissioners and Our Customers

CAW facilities are an important part in the quest for system reliability. Rehabilitation projects such as the Jack Wilson Water Treatment Plant renovation, as well as the upkeep of all CAW facilities, are necessary to ensure the delivery of high-quality, affordable, abundant, dependable water services. CAW facilities and grounds staff completed work orders including the handling of grounds maintenance of 27 facilities, pump stations and tanks.

The Distribution department ensures that the infrastructure used to transport water to customers is inspected, maintained to current standards, and quickly repaired when necessary. Inspection and systematic replacement of assets is of great importance to achieve system reliability. In 2023, CAW staff inspected over 3,900 valves. Additionally, they completed 234 fire hydrant inspections.

CAW has a meter change-out program, where meters are replaced periodically to ensure optimal output. 5/8-inch meters are replaced every 16 years, while larger meters are replaced on a shorter cycle. In 2023, Distribution department staff replaced almost 5,400 meters. This was well above the Utility average of approximately 5,000 meters replaced in a typical year.

Often, service lines also must be replaced to ensure that water is properly delivered to one's tap. In 2023, Distribution replaced over 780 service lines, while also installing 1,300 new service lines.

The Distribution department continues to devote resources to reducing unaccounted-for water (UAW). The 12-month average UAW for December 2023 was 9.48%, which is below ADH's UAW action level of 15% and AWWA's benchmark of 9.5%.

Protecting the environment that provides our source water through environmental sustainability is a major long-term goal of CAW. In April 2022, CAW brought its first large scale solar project online. The 4.8 MW solar field with 11,000 panels is located on CAW owned land in Cabot and supplies about 20% of total system demand through a long-term power purchase agreement with our partner Scenic Hill Solar.

Sustainability submitted its first Carbon Emissions report to the Climate Disclosure Project with 2021 Scope 1 and 2 Emissions totaling 18,500 metric tons of carbon dioxide (CO₂) equivalent. In 2023, CAW had its first reduction in Scope 1 and 2 emissions. Waste diverted from landfills (sorted construction debris, metals, cardboard, paper, glass, plastics, and electronic waste) increased 30% from the prior year with strong participation in office and distribution metals recycling.

Financial viability is the fourth big drop and also a tool designed to reduce risk. The Finance department is the Utility's business operations center. The department includes multi-disciplined and cross-functional teams of professionals involved in accounting, finance, billing, and purchasing. The department's responsibilities cover a broad range of functions that include financial planning and reporting, fiscal control, interdepartmental budgeting, billing, utility-wide purchasing, remittance processing, credit and collections, ratemaking, investments, bond-issue preparation, banking relationships, business insurance coverage, merger accounting, and risk management.

The Finance department received the Certificate of Achievement for Excellence in Financial Reporting (COA Program) from the GFOA for the Annual Comprehensive Financial Report for the year ending December 31, 2022. This is the 13th consecutive year the department has received this distinction. The GFOA COA Program recognizes those state and local governments that go beyond the minimum requirements of generally accepted accounting principles to prepare annual comprehensive financial reports that evidence the spirit of transparency and full disclosure.

Additionally, for the 14th consecutive year, the Finance department received the Distinguished Budget Presentation Award. 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

Board of Commissioners and Our Customers

the guidelines established by the National Advisory Council on State and Local Budgeting and the GFOA's best practices on budgeting.

Finance assisted in the issuance of over \$32 million in water revenue bonds. Series 2023A Water Revenue Bond was issued in April 2022 for \$2,533,000 for the eradication of hydrilla in Lake Maumelle. Additionally, Series 2023B Bond was issued for \$11 million to fund the design phase of improvements to the Jack Wilson Water Treatment Plant. Finally, Series 2023C and 2023D Bonds were issued for \$18.5 million to fund the expansion of water services into unincorporated western Pulaski County. In 2023, CAW's Moody's bond rating continued to be stable with an Aa2 rating.

In 2022, CAW staff worked with Raftelis to develop a 10-year rate study for the Utility to ensure it has the funding for operation, capital, and debt service needs. As part of the rate study, current water and ancillary rates were studied and updated to ensure funding was in place for the CAW's Capital Improvement Plan, the resulting debt services, and Utility Operations. A rate increase schedule over the same 10-year period was developed was presented to the Board of Commissioners in December 2022 and approved in January 2023. The new rate schedule took effect July 1, 2023.

The final big drop is community support. CAW staff continue to pursue a variety of methods to engage the public, including both face-to-face interactions and online outreach. The Public Affairs and Communications section amassed an additional 12,000 followers across CAW's various social media platforms. This represents a 10% increase in following over 2022. Communications staff also authored numerous articles on Utility programs that were made available on social media. Topics included GIS mapping, strategic forestry initiatives, the nation's first green bond for watershed protection, and CAW's deployment of Vessel, the nation's first leak detection dog. Communications was interviewed numerous times for national stories.

Bringing a text notification system online involved a multi-departmental effort from CAW staff. CAW's Geographic Information System (GIS) section of the Information Services (IS) department implemented an online virtual web map to display active water service disruptions and outages. This allows not only office personnel to place an outage on a map, but also allows field personnel to create the outage while on-site in the field. Distribution staff continued mapping all meters within the system, collecting global positioning system (GPS) points on an additional 1,341 meters in 2023. Distribution staff continue to run reports every quarter for any new meters installed to ensure that those new meters have GPS points mapped and put into the system. The initiative to capture customer meter locations is twofold. In addition to the text notification aspect, knowing a meter location assists Utility staff when there are leaves, snow, or other debris on the ground.

The CAW Customer Service department has historically been the first point of contact for its customers. The Customer Service department gathers data and provides information to customers about everything from meter installation to their monthly billing statement and everything in between. Additionally, customers contact Customer Service for general information, as well as utility-specific guidelines and procedures. The Customer Service department consists of meter reading and field teams, the CAW Contact Center, and the cash processing team. In 2023, these teams continued focused on quality assurance and the customer's experience. While experiencing an 8.7% increase in call volume for the year, the Customer Service staff were still able keep the abandoned call rate flat at 5.04%. These efforts demonstrated a renewed commitment to excellence in communication and service to the customer.

With the lingering effects of the COVID-19 pandemic putting stress on CAW customers, the Utility continued to assist its customers through two new programs. One program, the Low-Income Household Water Assistance Program (LIHWAP) was funded through the American Rescue Plan Act of 2021 and administered by the U.S. Department of Health and Human Services and the Arkansas Energy Office. CAW

staff met and assisted customers in applying to the program. At the end of 2023, over \$4.9 million had been received from LIHWAP which helped almost 6,000 customers. A second program, Promise Pay, also assisted CAW customers with LIHWAP applications. A second service offered by Promise Pay is an alternative to CAW's stringent payment arrangements. Promise Pay offers a mobile platform to set up and be successful in paying delinquent balances without the stress of a pending shut-off. CAW went live with this platform in 2023.

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

While CAW staff works to finalize the roadmap of projects and tasks to accomplish the Utility's 2050 strategic vision, the accomplishments of 2023 indicate CAW is well on its way to being a resilient and trusted utility. CAW staff looks forward to utilizing the 2050 Strategic Plan to continue to accomplish its mission of delivering high-quality, affordable, abundant, dependable water services in 2024 and beyond.

RELEVANT FINANCIAL POLICIES

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

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

In addition to the annual report, CAW also made five event-based disclosures in 2023. Three of these disclosures were the incurrence of a financial obligation related to the bond issuances discussed above. The fourth disclosure served as notice of early redemption of a portion of the 2016 Refunding Series. The final disclosure was modification of Revolving Loan Fund terms of the both the 2019A and 2020A Series.

OTHER INFORMATION

Independent Audit

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

Award

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to CAW for its ACFR for the year ended December 31, 2022. This is a prestigious national award recognizing conformance with the highest standards for preparation of state and local governmental financial reports.

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

A Certificate of Achievement is valid for a period of one year only. The Utility has received a Certificate of Achievement for 13 consecutive years. We are submitting the December 31, 2023 report to the GFOA to determine its eligibility for another certificate.

Risk Management

Largely on account of its sizable real property infrastructure, CAW exists in an environment that involves several risks:

- A natural disaster could damage real property assets of the Utility.
- Terrorism could damage real property assets of the Utility.
- A cyberattack could disrupt operations.
- Supply chain shortages could hinder operations.
- Inflationary pressures could lessen the Utility's purchasing power.

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

Acknowledgements

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

Respectfully submitted,

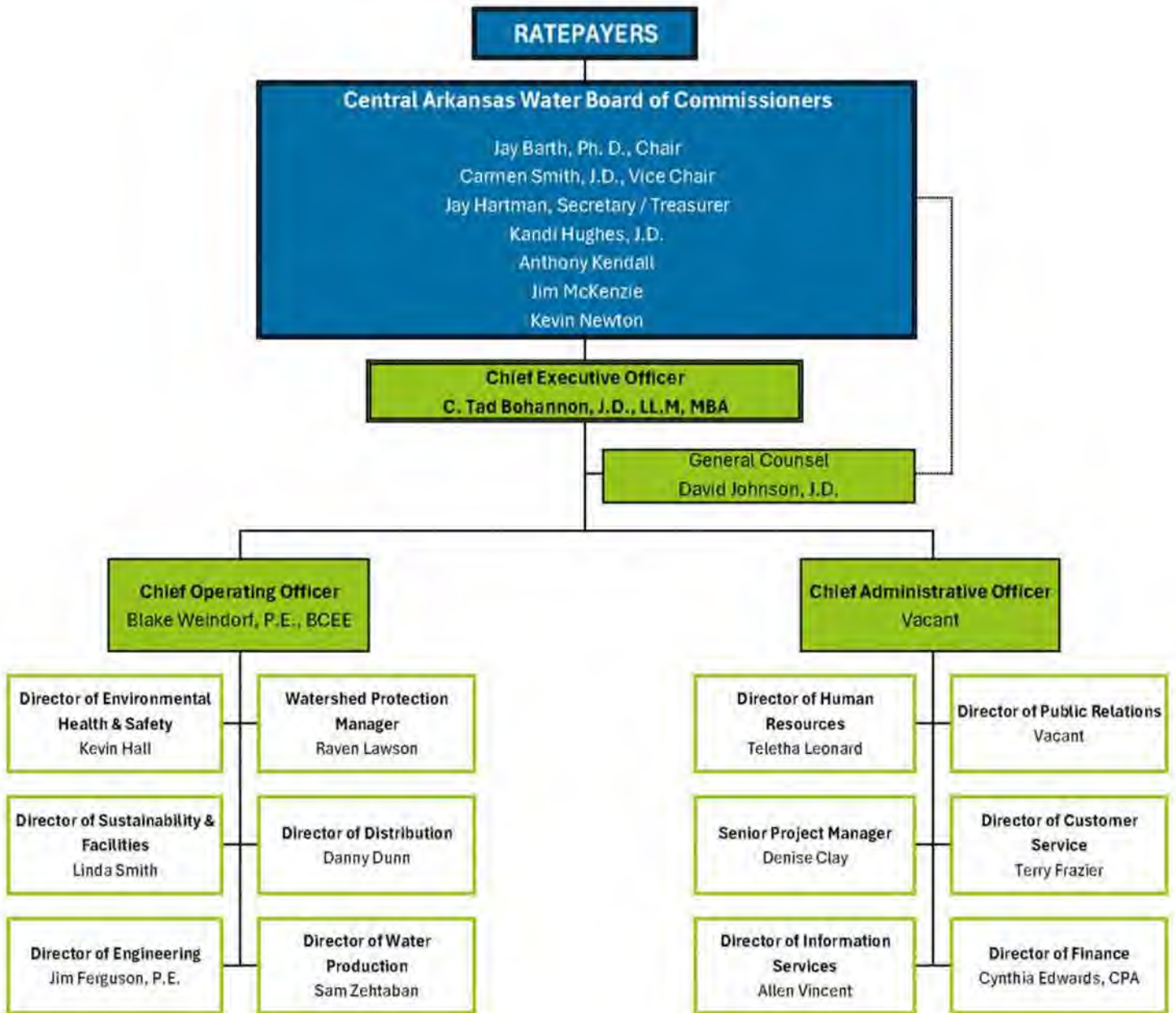


Tad Bohannon
Chief Executive Officer
CTB/cce

CENTRAL ARKANSAS WATER

Organizational Chart

Effective: December 31, 2023



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Jay Barth, Ph.D.
Chair



**Board of
Commissioners**



Carmen Smith, J.D.
Vice Chair



Jay Hartman
Secretary/Treasurer



Anthony Kendall
Member



Kandi Hughes, J.D.
Member



Jim McKenzie
Member



Kevin Newton
Member

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**Central Arkansas Water
Management Team**

Tad Bohannon, J.D., LL.M, MBA	Chief Executive Officer
Blake Weindorf, P.E., BCEE	Chief Operating Officer
Vacant	Chief Administrative Officer
David Johnson, J.D.	General Counsel
Terry Frazier	Director of Customer Service
Danny Dunn	Director of Distribution
Jim Ferguson, P.E.	Director of Engineering
Kevin Hall	Director of Environmental Health and Safety
Cynthia Edwards, CPA	Director of Finance
Teletha Leonard, PHR, SHRM-CP	Director of Human Resources
Allen Vincent	Director of Information Services
Vacant	Director of Public Affairs and Communications
Linda Smith	Director of Sustainability and Facilities
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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2022

Christopher P. Morrill

Executive Director/CEO

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Central Arkansas Water
GLOSSARY OF ACRONYMS AND ABBREVIATIONS

ACFR	Annual Comprehensive Financial Report
ADFA	Arkansas Development Finance Authority
ADH	Arkansas Department of Health
ANRC	Arkansas Natural Resources Commission
APERS	Arkansas Public Employees Retirement System
ARDOT	Arkansas Department of Transportation
AWWA	American Water Works Association
BCEE	Board Certified Environmental Engineer
BLS	Bureau of Labor Statistics
CAW	Central Arkansas Water
CCF	Centum Cubic Feet (Hundred Cubic Feet)
CDs	Certificates of Deposit
CGF	Certified Group Facilitator
CGFM	Certified Government Financial Manager
CIP	Capital Improvement Plan
CIS	Customer Information System
CMAR	Construction Manager at Risk
CO ₂	Carbon Dioxide
CPFO	Certified Public Finance Officer
CPA	Certified Public Accountant
CSR	Customer Service Representative
EHS	Environmental Health and Safety
FDIC	Federal Deposit Insurance Corporation
GASB	Governmental Accounting Standards Board
GFOA	Government Finance Officers Association of the United States and Canada
GIS	Geographic Information System
GPS	Global Positioning System
HIVIP	High Performing, Innovative, Values-Drive, Informed, Passionate
HR	Human Resources
IS	Information Services
J.D.	Juris Doctor
JTH	James T. Harvey Administration Building
LIHWAP	Low-Income Household Water Assistance Program
LL.M	Master of Laws
LUOW	Leading Utilities of the World
MAWA	Mid-Arkansas Water Alliance

Central Arkansas Water
GLOSSARY OF ACRONYMS AND ABBREVIATIONS

MBA	Master of Business Administration
MGD	Million Gallons per Day
MWM	Maumelle Water Management
NPDES	National Pollutant Discharge Elimination System
OPEB	Other Postemployment Benefits
PAFR	Popular Annual Financial Report
P.E.	Professional Engineer
PFAS	Per- and polyfluoroalkyl Substances
PHR	Professional in Human Resources
POI	Points of Interest
POWA	Paron-Owensville Water Authority
PPP	Public-Public Partnership
PSW	Partnership for Sale Water
PWA	Perla Water Association
SCADA	Supervisory Control and Data Acquisition
SDWA	Safe Drinking Water Act
SEC	Securities and Exchange Commission
SHRM	Society for Human Resources Management
SHRM-CP	SHRM Certified Professional
STEM	Science, Technology, Engineering, and Mathematics
UAW	Unaccounted for Water
WEF	Water Environment Federation



**FINANCIAL
SECTION**

Independent Auditor's Report

Board of Commissioners
Central Arkansas Water
Little Rock, Arkansas

Opinions

We have audited the financial statements of the business-type activities and the fiduciary activities of Central Arkansas Water (the Utility), as of and for the year ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activities of the Utility as of December 31, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Utility's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension, and other postemployment benefit information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

FORVIS,LLP

**Little Rock, Arkansas
April 23, 2024**

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**MANAGEMENT'S
DISCUSSION &
ANALYSIS**

Central Arkansas Water
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023 and 2022

This section of the ACFR presents management's analysis of the Utility's financial performance during the fiscal years ended December 31, 2023 and 2022. We encourage readers to consider the information presented here in conjunction with the transmittal letter, the financial statements, and the notes to the financial statements. Unless otherwise indicated, amounts are rounded to the nearest thousand dollars.

Financial Highlights

- Operations increased the Utility's net position by \$15,979,000 in 2023 as compared to a \$15,279,000 increase in 2022. Increased retail water sales plus increased investment income drove the 2023 increase. The increase in 2022 was due to increased retail water sales and increased investment income.
- Operating revenues increased \$9,824,000, or 12.2%, in 2023 and increased \$4,549,000 or 6% in 2022. Increased consumption, along with a mid-year retail rate increase, drove the 2023 increase. Operating expenses increased by \$13,425,000 from 2022 to 2023 and increased by \$5,449,000 from 2021 to 2022. The 2022 to 2023 increase was due to the addition of hydrilla remediation costs and increased chemical and utility costs, attributed to higher water production needs in 2023. The 2021 to 2022 increase was primarily due to increased pension expense and increased chemical costs.
- The Utility's total noncurrent liabilities increased during 2023 by \$6,694,000 and increased by \$14,687,000 in 2022. The 2023 increase was due to an increase in net pension liability and the issuance of a taxable bond to pay for hydrilla remediation costs.

Overview of the Financial Statements

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

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

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

Central Arkansas Water
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
December 31, 2023 and 2022

A deferred loss or gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price and is amortized over the shorter of the life of the refunded or refunding debt. Pension-related deferred outflows and inflows consisted of CAW's proportionate share of changes in pension-related items, differences between projected and actual experience, difference between projected and actual investments earnings, contributions to the plan subsequent to the measurement date, and changes in actuarial assumptions. These items were a result of accounting standards requiring CAW to recognize its share of pension plan liabilities and pension expense. OPEB-related deferred outflows and inflows consisted of differences between projected and actual experience, differences between projected and actual investment earnings, and changes in actuarial assumptions. Lease related deferred inflows represent the initial value of lease receivable under GASB 87 systematically reduced and recognized as lease revenue over the term of the lease.

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

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

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

The *statements of fiduciary net position and statements of changes in fiduciary net position* provide information about resources accumulated in the OPEB Trust to fund the costs of postemployment health care benefits for eligible employees, as well as the assets and liabilities of Brushy Island Public Water Authority (Brushy Island) and Perla Water and Sewer Association (Perla), both held by the Utility as receiver. These resources were held in trust and were not available to support the Utility's programs or to satisfy any of the Utility's liabilities that were not directly related to funding postemployment health care benefit costs, Brushy Island debt service, or Perla Water's operations. On September 13, 2023, Brushy Island became a part of CAW through a merger. This resulted in zero net assets in the fiduciary fund at year end.

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, 2023 and 2022

For the fiscal year ended December 31, 2023, the Utility adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96). Fiscal year 2022 has been restated for the adoption of GASB 96. See *Note 16* of the basic financial statements. Fiscal year 2021 has not been restated because it is not presented in the basic financials.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Summarized Statement of Net Position			
Assets			
Total current assets	\$ 83,706,000	\$ 69,991,000	\$ 69,877,000
Restricted noncurrent assets	20,985,000	30,762,000	34,631,000
Other noncurrent assets	6,241,000	5,930,000	6,226,000
Net capital, lease assets and subscription assets	<u>546,231,000</u>	<u>525,270,000</u>	<u>508,831,000</u>
Total Assets	<u>\$ 657,163,000</u>	<u>\$ 631,953,000</u>	<u>\$ 619,565,000</u>
Deferred Outflows of Resources	<u>\$ 16,780,000</u>	<u>\$ 16,247,000</u>	<u>\$ 11,023,000</u>
Liabilities			
Total current liabilities	\$ 32,983,000	\$ 29,727,000	\$ 31,193,000
Total noncurrent liabilities	200,814,000	194,120,000	179,433,000
Total Liabilities	<u>\$ 233,797,000</u>	<u>\$ 223,847,000</u>	<u>\$ 210,626,000</u>
Deferred Inflows of Resources	<u>\$ 16,710,000</u>	<u>\$ 18,459,000</u>	<u>\$ 29,347,000</u>
Net Position			
Net investment in capital assets	\$ 388,478,000	\$ 382,461,000	\$ 373,590,000
Restricted – expendable	11,089,000	10,976,000	10,459,000
Unrestricted	23,869,000	12,457,000	6,566,000
Total Net Position	<u>\$ 423,436,000</u>	<u>\$ 405,894,000</u>	<u>\$ 390,615,000</u>
Summarized Statement of Revenues, Expenses and Changes in Net Position			
Operating Revenues			
Little Rock water sales	\$ 42,572,000	\$ 37,472,000	\$ 34,923,000
North Little Rock water sales	19,679,000	17,055,000	16,277,000
Maumelle water sales	4,798,000	4,108,000	3,832,000
POWA water sales	665,000	625,000	591,000
Wholesale	5,478,000	5,277,000	5,156,000
Penalties	1,173,000	1,070,000	1,057,000
Turn-on charges	485,000	511,000	616,000
Ancillary charges	13,521,000	12,787,000	12,245,000
Other revenue	1,534,000	1,176,000	835,000
Total Operating Revenues	<u>89,905,000</u>	<u>80,081,000</u>	<u>75,532,000</u>
Operating Expenses			
Administration	6,292,000	5,974,000	5,396,000
Information services	4,476,000	3,742,000	4,066,000
Customer service	6,618,000	4,187,000	3,302,000
Finance	3,445,000	2,967,000	2,777,000
General	2,251,000	3,075,000	2,582,000
Engineering	2,053,000	1,848,000	1,696,000
Water production	21,300,000	15,232,000	12,902,000
Distribution	14,405,000	13,982,000	13,044,000
POWA operating expenses	467,000	361,000	222,000
Depreciation and amortization	<u>17,154,000</u>	<u>13,668,000</u>	<u>13,600,000</u>
Total Operating Expenses	<u>78,461,000</u>	<u>65,036,000</u>	<u>59,587,000</u>
Operating Income	<u>11,443,000</u>	<u>15,045,000</u>	<u>15,945,000</u>

*Note: Fiscal year 2022 amounts have been restated for GASB 96

Central Arkansas Water
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Summarized Statement of Revenues, Expenses and Changes in Net Position (continued)			
Nonoperating Revenues (Expenses)			
Transfers to Cities of LR and NLR	\$ (830,000)	\$ (822,000)	\$ (795,000)
Gain on disposal of capital assets	50,000	46,000	281,000
Investment income	3,398,000	1,074,000	47,000
Bond and other interest expense	(2,977,000)	(3,626,000)	(3,722,000)
Intergovernmental	188,000	33,000	214,000
Total Nonoperating Expenses	<u>(171,000)</u>	<u>(3,295,000)</u>	<u>(3,975,000)</u>
Income Before Contributions	11,271,000	11,750,000	11,970,000
Contributions			
Capital contributions from grantors	1,100,000	6,000	-
Contributions-in-aid of construction	3,609,000	3,523,000	3,846,000
Total Contributions	<u>4,709,000</u>	<u>3,529,000</u>	<u>3,846,000</u>
Change in Net Position	<u>15,979,000</u>	<u>15,279,000</u>	<u>15,816,000</u>
Net Position – Beginning of Year, as previously reported	405,894,000	390,615,000	373,625,000
Net Position of merged entities, beginning of year	<u>1,562,000</u>	<u>-</u>	<u>1,174,000</u>
Net Position – Beginning of Year, as Restated	<u>407,456,000</u>	<u>390,615,000</u>	<u>374,799,000</u>
Net Position – End of Year	<u>\$ 423,436,000</u>	<u>\$ 405,894,000</u>	<u>\$ 390,615,000</u>

*Note: Fiscal year 2022 amounts have been restated for GASB 96

Statements of Net Position

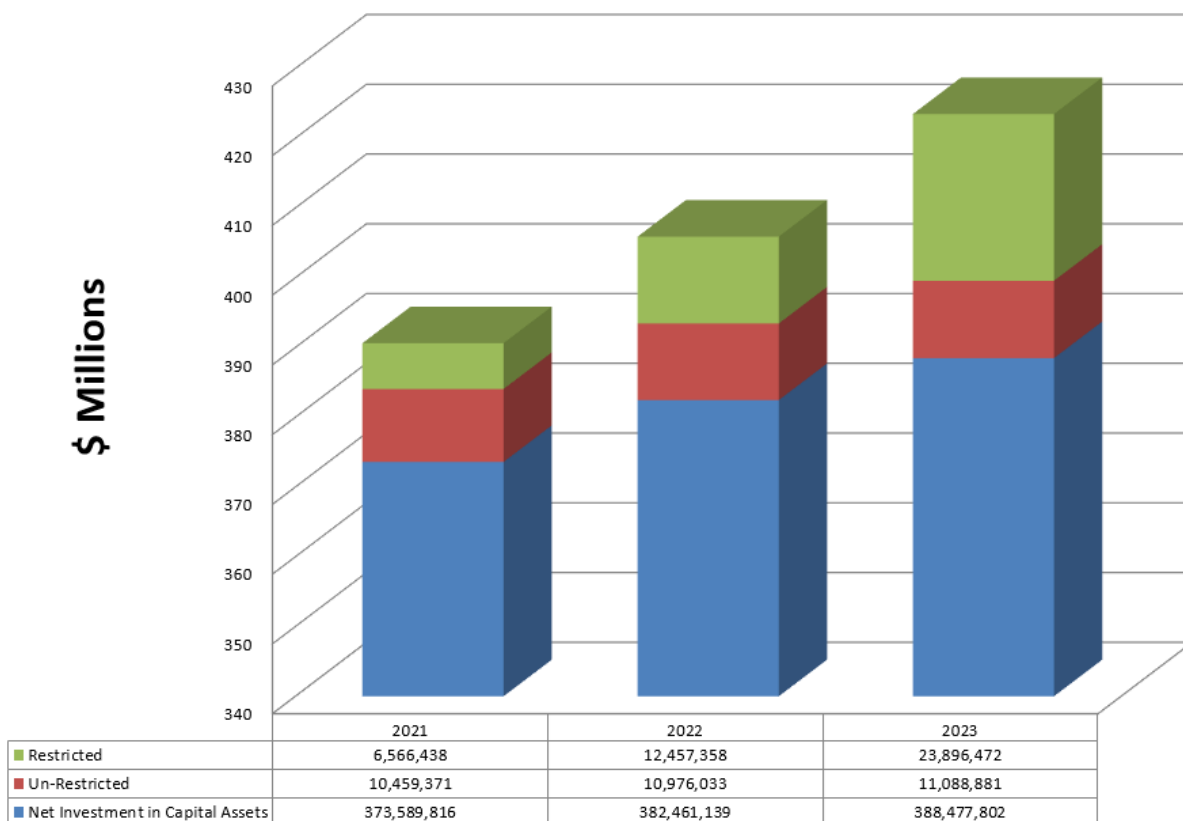
As noted earlier, net position may serve, over time, as a useful indicator of the Utility's financial position. At the close of 2023 and 2022, the Utility's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$423,436,000 and \$405,894,000, respectively. The largest portion of net position, 92% and 94% in 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022.

Central Arkansas Water
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
December 31, 2023 and 2022

An additional portion of the Utility's net position, 3% and 3% in 2023 and 2022, respectively, is comprised of resources that are subject to external restrictions on how they may be used. In 2023 restricted net position increased \$113,000 and increased \$517,000 in 2022. 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, \$23,869,000 in 2023 and \$12,457,000 in 2022, was unrestricted and was used to meet the Utility's ongoing obligations to customers and creditors. Unrestricted net position increased \$11,412,000 in 2023 and increased \$5,891,000 in 2022. The increase in 2023 was due to the increase in unrestricted cash related to higher revenues, while the 2022 increase was due to the increase in deferred outflows related to pension benefits.

Components of Net Position



Financial ratios are used to analyze relationships between different pieces of financial information. Ratio analyses can present information about an entity's operating performance and financial position. Short-term liquidity can be demonstrated using the current ratio and quick ratio. The current ratio is calculated by dividing current assets by current liabilities. The quick ratio is similar to the current ratio but excludes inventory because inventory is normally the least liquid current asset. A number greater than 1 indicates current assets in excess of current needs that can be applied to future periods.

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

The current ratios as of December 31, 2023 and 2022, were 2.5 and 2.4, respectively. This ratio means for every \$1.00 in current liabilities as of December 31, 2023, the Utility had \$2.50 in current assets. For the years ended December 31, 2023 and 2022, the quick ratios were 2.4 and 2.2, respectively.

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 22 days and 25 days as of December 31, 2023 and 2022, respectively.

The Utility continued to strive to improve cash flow and customer service by offering a variety of payment options. The Utility encouraged customers to pay their bills in a variety of ways:

- Automatic bank draft,
- Online bill payment through a third-party vendor,
- One-time telephone payment through a third-party service,
- Third-party payment locations throughout the CAW service area, or
- Mail

In addition, CAW has partnered with a third-party vendor to set up no-fee payment plans for customers with past due bills. CAW staff continued to promote paperless billing and electronic payments through bill discounts, totaling \$0.50 and \$0.20, respectively.

Another important ratio is the debt utilization ratio. The debt utilization ratio is calculated by dividing total liabilities and deferred inflows of resources by total assets deferred outflows of resources and was 37% for both 2023 and 2022. CAW recognizes that both net pension liability and net OPEB liability represent non-cash related liabilities. As such, CAW recalculates the debt ration with these removed from the total liability calculation. The modified debt ratio was 31% and 33% for 2023 and 2022, respectively.

It is the policy of the Utility not to make any adjustments to net position unless a prior period adjustment is necessary.

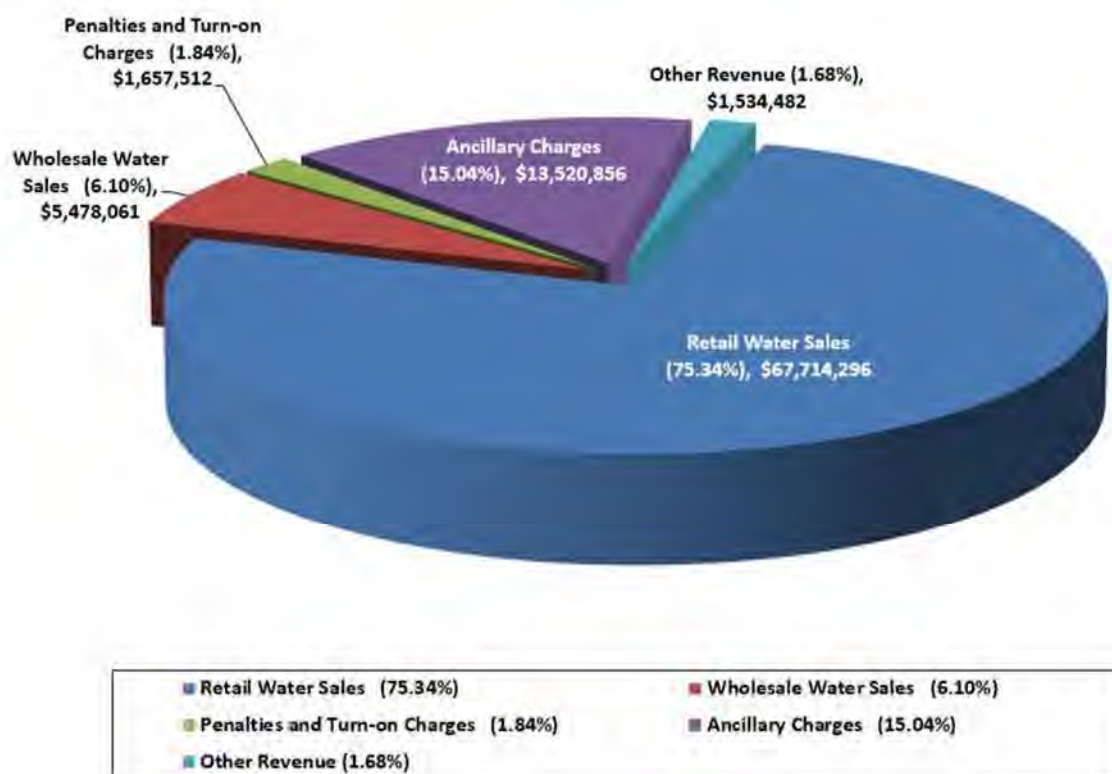
Statements of Revenues, Expenses and Changes in Net Position

Operating Revenues

On January 12, 2023, the CAW Board of Commissioners passed a 10-year rate resolution. This rate resolution provides for 10 years of rate increases, with the first increase going into effect on July 1, 2023. In addition to increasing the monthly availability charge for the first time since 2018, this rate resolution adjusts the volumetric rate structure from two rates, one for up to 33 CCFs and one for over 33 CCFs, to a three-tier structure. The monthly availability charge increase along with the change in volumetric rate structure provided approximately 5.5% of the additional revenue in 2023.

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

Operating revenue for 2023 increased \$9,824,000 from 2022 levels and increased \$4,549,000 in 2022 over 2021 levels. Water consumption totaled 19.2, 19.2, and 18.2 billion gallons in 2023, 2022, and 2021, respectively. Abnormally warm years in central Arkansas resulted in the increased consumption in 2022 and 2023. The following graph illustrates sources of revenue during the year ended December 31, 2023.



Operating Expenses

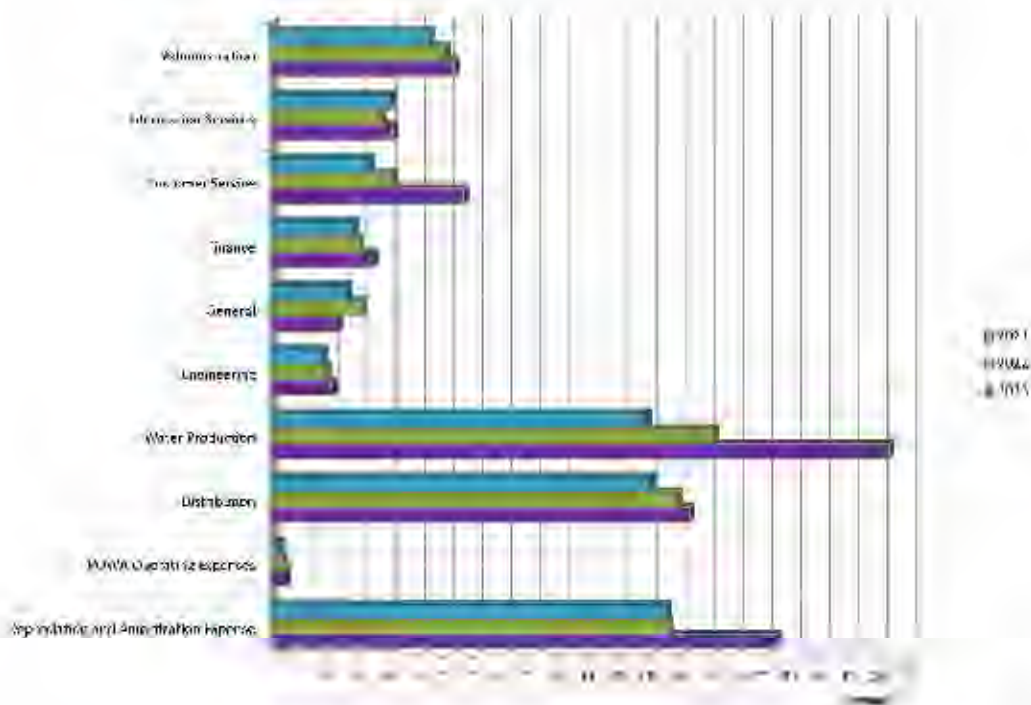
- Administration – Administration costs included commissioner, management, human resources, public affairs and communications, environmental health and safety, water quality, watershed management, and special project team expenses. Expenses increased by \$318,000 from 2022 to 2023. Increase legal and subscription fees account for the increased expense. Expenses increased by \$578,000 from 2021 to 2022. This increase was primarily due to the creation of the Sustainability and Facilities Management section within the Administration department. The \$371,000 of expense allocated to this section was distributed among the Administration, Water Production, and Distribution departments in 2022. Additionally, labor and benefits related to the Human Resources section increased by \$155,000 due to two additional positions being filled over 2021

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

- 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 2023, total department costs increased by \$734,000. Increases in labor and benefits of \$527,000, telephone expense of \$142,000, and software maintenance of \$168,000, offset by lower SCADA, wireless communications, and lease expenses of \$145,000 account for this increase. During 2022, total department costs decreased by \$324,000. Increases in payroll of \$115,000, telephone, network, and software expenses of \$495,000, along with an offsetting decrease in pension expense of \$365,000 accounted for the increase.
- Customer Service – Customer Service included costs related to customer service-office and meter reading. Costs increased \$2,431,000 from 2022 to 2023. The movement of the field representatives from the Distribution department accounts for \$1,505,000 of this increase. Increased labor and benefits totaling \$462,000 in the Customer Service Office sections and totaling \$385,000 in the Customer Service Meter Reading sections explain the remaining increase. Costs increased \$885,000 from 2021 to 2022. This increase is primarily due to an increase in payroll of \$328,000 coupled with an increase in pension expense of \$406,000.
- Finance – The Finance department included costs related to finance and budgeting, purchasing, and billing. From 2022 to 2023, total department costs increased by \$478,000. This was primarily due to increased labor and benefits of \$433,000, increased banking and payment processing fees of \$100,000, offset by decreased software maintenance expense of \$30,000 and decreased special project expense of \$24,000. From 2021 to 2022, total department costs increased by \$190,000. This was primarily due to increased pension expense of \$216,000 combined with increased payroll expense of \$27,000 offset by decreased payment processing fees of \$73,000.
- General – General expenses included costs for insurance and building maintenance at the JTH along with other costs. The largest expense items included group and retiree insurance, workers' compensation expenses, and business insurance premiums. General expenses decreased by \$824,000 from 2022 to 2023. Decreases in other postemployment benefits of \$208,000 and in acquisition costs of \$604,000 accounted for this decrease. General expenses increased by \$493,000 from 2021 to 2022. The cost to acquire the Ridgefield Estates service area of \$604,000, plus an increase in group insurance and solar utilities of \$305,000 and \$322,000 offset by a decrease in other postemployment benefits of \$769,000 accounted for this increase.
- 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 and cross connection. During 2023, total Engineering costs increased by \$205,000. Increased labor and benefits of \$324,000 and increased software maintenance of \$41,000, offset by a decrease in New Service section expenses of \$168,000 account for this increase. The decrease in New Service section expenses is due to the section moving to the Distribution department. During 2022, total Engineering costs increased by \$152,000. An increase in pension expense of \$263,000 offset by a decrease in payroll expense of \$121,000 was the driver for this increase.

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

- **Water Production** – Expenses for Water Production included treatment and maintenance of the lakes. Department costs increased by \$6,068,000 during 2023. This increase was due to increases in labor and benefits of \$1,011,000, chemical expense of \$970,000, utilities expense of \$814,000, additional expenses due to the movement of the Water Quality section from Administration of \$513,000 and hydrilla remediation costs of \$2,663,000. Department costs increased by \$2,330,000 during 2022. This increase was due to increases in payroll expense of \$328,000, pension expense of \$655,000 chemical expense of \$848,000, and electric utilities of \$291,000.
- **Distribution** – The Distribution department included expenses for maintaining water mains, water storage tanks, vehicles, and other facilities. The 2023 costs increased \$423,000 over 2022. This increase was due to increases in labor and benefits of \$1,548,000, in job costs of \$433,000, and a decrease in costs of \$1,506,000 due to the movement of the field representatives to the Customer Service department. The 2022 costs increased \$938,000 over 2021. This increase was due to an increase in pension expense of \$1,124,000 offset by a decrease in job costs of \$224,000.
- **Depreciation and Amortization Expense** - The 2023 depreciation and amortization costs increased \$3,486,000 over 2022. This increase was due to several major capital asset projects being placed into service in 2022, and 2023 represented a full year of depreciation.



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

Nonoperating Revenues (Expenses)

- Investment Income – 2023 investment income increased by \$2,324,000 from 2022 and increased by \$1,027,000 from 2021. The increase in 2023 and 2022 were due to interest rates significantly rebounding from the decrease caused by the COVID-19 pandemic.
- Bond Interest Expense – Net bond interest expense for 2023 was \$2,977,000 compared to \$3,626,000 for 2022. The end of the construction period for the Ozark Point rehabilitation project (Series 2019A), and the payment deferral for this bond until October 2024 is responsible for the decrease in interest expense from 2022 to 2023.
- Contributions-in-Aid of Construction – Contributions-in-aid of construction may be received as cash or equity in the form of infrastructure assets. Contributions-in-aid of construction were \$3,846,000 in 2021, decreased in 2022 to \$3,523,000, and increased in 2023 to \$3,609,000. 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 2023 include the following:

Project Description	Total Cost
Completed North Little Rock Phase 3 2022 - Replacement of 4,405 feet of 2-inch diameter old, high maintenance water main in North Little Rock	\$ 875,000
Completed Little Rock Phase 4 2022 - Replacement of 3,500 feet of 2-inch diameter old, high maintenance water main in Little Rock	\$ 1,191,000
Completed North Little Rock Phase 2 2022 - Replacement of 3,450 feet of 2-inch diameter old, high maintenance water main in North Little Rock	\$ 956,000
Completed North Little Rock Phase 1 2022 - Replacement of 4,935 feet of 2-inch diameter old, high maintenance water main in North Little Rock	\$ 914,000
Completed Little Rock Phase 2 2022 - Replacement of 3,250 feet of 2-inch diameter old, high maintenance water main in the year 2022 and 2,900 feet in the year 2023, in Little Rock	\$ 1,060,000

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

Project Description	Total Cost
Completed Little Rock Phase 1 2022 - Replacement of 3,350 feet of 2-inch diameter old, high maintenance water main in the year 2022 and 3,550 feet in the year 2023, in Little Rock	\$ 1,001,000
Completed installation of new water mains in the Ridgefield Estates service area to complete merger of that system with CAW, installed 12,937 feet of 8-inch pipe, 221 feet of 6-inch pipe, and 322 feet of 2-inch pipe	\$ 1,541,000
Completed replacement of 2,200 feet of 12-inch high-maintenance water main in southwest Little Rock across the Arkansas State Police headquarters property; this project was installed by CAW Distribution Department	\$ 440,000
Completed relocation of 5,530 feet of existing 8-inch water main, upsized to 12-inch water main, relocation due to Jacksonville-Cato Road widening and improvements by the City of Sherwood	\$ 942,000
Completed installation of replacement Pump No. 4 at the Lake Maumelle Pumping Station	\$ 627,500
Completed interior and exterior painting and other improvements to Water Storage Tank No. 30B located in Maumelle	\$ 524,000
Completed drone inspection of all water transmission main crossings attached to vehicular traffic bridges crossing the Arkansas River (within the CAW service area)	\$ 70,000

Major capital projects completed during 2022 include the following:

Project Description	Total Cost
Completed construction project to install 7,000 feet of 16-inch and 1,100 feet of 12-inch water main along W. Maryland Ave and Remount Rd in North Little Rock	\$ 1,629,000
Completed construction project to replace 8,000 feet of 2-inch diameter old, high maintenance water main in North Little Rock	\$ 989,000
Completed construction project to replace 6,400 feet of 2-inch diameter old, high maintenance water main in Sherwood and Pulaski County	\$ 847,000

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

Project Description	Total Cost
Completed construction project to replace 3,342 feet of 2-inch diameter old, high maintenance water main in Little Rock	\$ 563,000
Completed construction project to replace 2,350 feet of 2-inch diameter old, high maintenance water main in Little Rock	\$ 366,000
Completed construction project to install 6,400 feet of 20-inch diameter water transmission main along N. Locust St and Interstate 30 in North Little Rock	\$ 1,635,000
Completed construction project to relocate 1,123 feet of 8-inch water main due to street improvements along Kanis/Michael/Business Park in Little Rock	\$ 304,000
Completed the Ozark Point WTP Improvements Phase 1 project- Clearwell Painting and Improvements - completed work on Clearwell #3, Clearwell #4, washwater elevated tank, and pipe gallery painting	\$ 3,469,000
Completed the Ozark Point WTP Improvements Phase 2 project- Plant Rehabilitation and Improvements	\$ 26,922,000

Major capital projects completed during 2021 include the following:

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

Central Arkansas Water
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
December 31, 2023 and 2022

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

Capital assets are discussed further in *Notes 1* and *7* to the financial statements.

Debt Administration

At the end of 2023, the Utility had total outstanding debt of \$163,708,650. Total debt increased by \$3,077,241 or 1.92% in 2023, after decreasing \$1,269,779, or 0.78%, in 2022. The 2023 increase was due to three new bond issues to finance hydrilla remediation, engineering costs for the Wilson WTP Renewal and Resiliency project, and service expansion into unserved areas of western Pulaski County.

Long-term debt is discussed further in *Note 9* to the financial statements.

Central Arkansas Water
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
December 31, 2023 and 2022

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 2023. Medical facilities are also very important to the local economy as seen with the fourth, fifth, seventh, eighth, and ninth largest employers in the area (see Page 100 for the top 10 area employers). Consistent with the global economy, central Arkansas's economy was adversely impacted with the arrival of the COVID-19 pandemic in 2020. It has been a slow recovery from the effects of the pandemic with fluctuating unemployment, a slow decline in the inflation rate, and changing employment trends. Working from home, employee flexibility, baby boomers reaching retirement age, artificial intelligence, and leveraging technology are matters that employers are facing as they strive to be successful businesses.

Unemployment in Pulaski County for 2023 was 3.5 %, which is an increase from 3.0% unemployment rate at the end of 2022. Unemployment was favorable compared to the national rate of 3.7%; however, as the economy continues to recover from the high inflation that was prevalent throughout 2022 and into early 2023 and fluctuating unemployment numbers, unemployment was difficult to determine for the near future.

Net accounts receivable write-offs decreased from 1.16% to 1.09% of total operating revenue from 2022 to 2023, trending consistently back towards pre-COVID-19 pandemic levels.

The Utility had a rate increase, effective July 1, 2023, which increased the monthly availability charge for the first time since 2018. As a result of its 10-year rate study conducted in 2022, CAW changed its volumetric rate from a two-tier to a three-tier structure. This different philosophy changed the break point from 33 CCF for a higher volumetric rate to two break points, six and 15, to move to a higher volumetric rate. The Utility continues to factor in conservative consumption estimates, reduced levels of growth-related revenues, and a minimal return on financial investments in the 2024 Financial Plan.

The 2024 Financial Plan outlines the Utility's plans to continue to provide high-quality, cost-effective service to its customers. The 2024 Financial Plan includes 92,428,000 in total capital costs, which will be funded with the following sources: \$65,490,000 from bond issues; \$2,500,000 from developer funds; \$2,100,000 in surcharge funds, \$1,237,000 from watershed protection fees, \$800,000 from system development charges, and \$5,301,000 carried over from 2023 projects. The remaining \$15,000,000 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:

Cindy Edwards, Director of Finance
Central Arkansas Water
221 East Capitol Avenue
Little Rock, Arkansas 72202



**BASIC
FINANCIAL
STATEMENTS**

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Central Arkansas Water
STATEMENT OF NET POSITION
December 31, 2023 and 2022

	2023	2022 (Restated- Note 16)
Assets		
Current Assets		
Unrestricted cash and cash equivalents	\$ 42,111,215	\$ 26,218,033
Unrestricted investments	-	6,026,067
Accounts receivable - customers, net	18,245,928	17,087,776
Lease receivable - current portion	309,202	295,251
Unrestricted accrued interest receivable	34,286	40,216
Other receivables, net	1,852,942	2,084,465
Inventories	5,787,243	4,155,586
Other current assets	795,861	1,011,932
Total unrestricted current assets	69,136,677	56,919,326
Restricted cash and cash equivalents	14,558,244	7,042,601
Restricted investments	-	6,026,067
Restricted accrued interest receivable	11,073	3,403
Total restricted current assets	14,569,317	13,072,071
Total current assets	83,705,994	69,991,397
Noncurrent Assets		
Restricted cash and cash equivalents	20,897,257	29,518,975
Restricted investments	-	1,143,495
Restricted accrued interest receivable	87,767	99,912
Total restricted noncurrent assets	20,985,024	30,762,382
Long-term lease receivables	6,241,147	5,930,527
Capital assets, net of accumulated depreciation	543,946,457	523,524,716
Lease assets, net of accumulated amortization	992,346	1,035,870
Subscription assets, net of accumulated amortization	1,292,385	709,568
Total unrestricted noncurrent assets	552,472,335	531,200,481
Total noncurrent assets	573,457,359	561,962,863
Total assets	657,163,353	631,954,260
Deferred Outflows of Resources		
Deferred outflows related to pensions	9,209,238	8,567,843
Deferred outflows related to OPEB	7,514,706	7,586,432
Deferred amounts from refunding bonds payable	55,596	92,839
Total deferred outflows of resources	16,779,540	16,247,114
Total assets and deferred outflows of resources	\$ 673,942,893	\$ 648,201,374

See accompanying notes to financial statements.

Central Arkansas Water
STATEMENT OF NET POSITION (Continued)
December 31, 2023 and 2022

	2023	2022 (Restated- Note 16)
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	\$ 7,924,412	\$ 3,770,620
Payroll and related liabilities	3,990,377	3,928,579
Water rights payable - current portion	17,542	16,917
Due to other agencies	6,091,971	8,657,565
Lease liability - current portion	27,461	28,684
Subscription liability - current portion	361,978	252,433
Total current liabilities payable from unrestricted assets	<u>18,413,741</u>	<u>16,654,798</u>
Consumer deposits	7,946,509	7,235,325
Long-term obligations - current portion	5,442,270	4,633,785
Accrued interest payable	789,670	950,731
Retentions payable	390,868	252,230
Total current liabilities payable from restricted assets	<u>14,569,317</u>	<u>13,072,071</u>
Total current liabilities	<u>32,983,058</u>	<u>29,726,869</u>
Noncurrent Liabilities		
Unearned revenue	1,137,526	921,437
Long-term obligations, net	158,266,380	155,980,707
Long-term lease liability	1,039,750	1,031,534
Long-term subscription liability	685,502	350,357
Net pension liability	31,092,450	28,449,939
Net OPEB liability	8,592,023	7,386,510
Total noncurrent liabilities	<u>200,813,631</u>	<u>194,120,484</u>
Total liabilities	<u>233,796,689</u>	<u>223,847,353</u>
Deferred Inflows of Resources		
Deferred inflows related to pensions	393,548	690,048
Deferred inflows related to OPEB	10,386,469	11,916,995
Deferred amounts from refunding bonds payable	46,589	72,193
Deferred amounts from leases	5,883,443	5,780,255
Total deferred inflows of resources	<u>16,710,049</u>	<u>18,459,491</u>
Total liabilities and deferred inflows of resources	<u>250,506,738</u>	<u>242,306,844</u>
Net Position		
Net investment in capital assets	388,477,802	382,461,139
Restricted - expandable:		
Bond requirements	6,752,845	7,340,136
Future capital spending	4,336,036	3,635,897
Unrestricted	23,869,472	12,457,358
Total net position	<u>423,436,155</u>	<u>405,894,530</u>
Total liabilities, deferred inflows and net position	<u>\$ 673,942,893</u>	<u>\$ 648,201,374</u>

See accompanying notes to financial statements.

Central Arkansas Water
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2023 and 2022

	2023	2022 (Restated- Note 16)
Operating Revenues		
Little Rock Water Sales	\$ 42,572,024	\$ 37,472,334
North Little Rock Water Sales	19,679,103	17,054,674
Maumelle Water Sales	4,798,336	4,108,159
POWA Water Sales	664,833	624,808
Wholesale	5,478,061	5,277,496
Penalties	1,172,637	1,069,965
Turn-on charges	484,875	510,513
Ancillary charges	13,520,856	12,787,337
Other revenue	1,534,482	1,175,678
Total operating revenues	89,905,207	80,080,964
Operating Expenses		
Administrative	6,291,663	5,973,928
Information services	4,475,949	3,741,806
Customer service	6,618,339	4,187,119
Finance	3,445,472	2,966,774
General	2,251,059	3,074,993
Engineering	2,053,646	1,848,493
Water production	21,300,363	15,231,769
Distribution	14,405,390	13,981,855
POWA operating expenses	467,002	361,245
Depreciation and amortization expense	17,154,137	13,668,270
Total operating expenses	78,463,020	65,036,252
Operating Income	11,442,187	15,044,712

See accompanying notes to financial statements.

Central Arkansas Water
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2023 and 2022

	2023	2022 (Restated- Note 16)
Nonoperating Revenues (Expenses)		
Transfers to Cities of Little Rock and North Little Rock	\$ (829,752)	\$ (822,036)
Gain on disposal of capital assets	49,519	46,310
Investment income	3,397,588	1,074,101
Bond and other interest expense, net	(2,976,157)	(3,626,386)
Intergovernmental	187,800	32,798
Net nonoperating expenses	<u>(171,002)</u>	<u>(3,295,213)</u>
Income Before Contributions	<u>11,271,185</u>	<u>11,749,499</u>
Contributions-in-aid of construction	3,608,168	3,523,406
Capital contributions from grantors	1,100,000	6,000
Total contributions	<u>4,708,168</u>	<u>3,529,406</u>
Change in Net Position	<u>15,979,353</u>	<u>15,278,905</u>
Net position - beginning of year, as previously reported	405,894,530	390,615,625
Net position of merged entities, beginning of year	<u>1,562,272</u>	<u>-</u>
Net position - beginning of year, as adjusted	<u>407,456,802</u>	<u>390,615,625</u>
Net position - end of year	<u>\$ 423,436,155</u>	<u>\$ 405,894,530</u>

See accompanying notes to financial statements.

Central Arkansas Water
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

	2023	2022 (Restated - Note 16)
Cash Flows from Operating Activities		
Cash receipts from customers	\$ 87,345,336	\$ 80,322,568
Cash receipts on behalf of other agencies	128,029,074	127,164,285
Cash payments on behalf of other agencies	(130,166,706)	(123,732,026)
Cash payments to suppliers for goods and services	(19,517,000)	(23,269,070)
Cash payments to employees for services	(31,102,400)	(30,961,843)
Cash payments for employees' post-employment benefits	(5,784,897)	(3,133,661)
Cash receipts from other sources	1,534,482	1,175,678
Net cash provided by operating activities	<u>30,337,889</u>	<u>27,565,931</u>
Cash Flows from Noncapital Financing Activities		
Transfers to Cities of Little Rock and North Little Rock	(829,752)	(822,036)
Operating grants	187,800	32,798
Net cash used in noncapital financing activities	<u>(641,952)</u>	<u>(789,238)</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(24,596,735)	(20,228,876)
Principal paid on long-term debt and leases	(6,313,124)	(7,622,834)
Interest paid on long-term debt and leases	(1,827,031)	(3,123,978)
Capital contributions from grantors	1,100,000	6,000
Proceeds from sale of capital assets	49,519	46,310
Net cash used in capital and related financing activities	<u>(31,587,371)</u>	<u>(30,923,378)</u>
Cash Flows from Investing Activities		
Purchases of investment securities	-	(13,195,629)
Sale of investment securities	13,195,629	-
Interest and dividends on investment securities	3,407,993	931,480
Net cash provided by (used in) provided by investing activities	<u>16,603,622</u>	<u>(12,264,149)</u>
 Net increase (decrease) in cash and cash equivalents	 <u>14,712,188</u>	 <u>(16,410,834)</u>
 Cash and cash equivalents – beginning of year, as previously reported	 62,779,609	 79,190,443
 Cash from merged entity - beginning of year	 <u>74,919</u>	 <u>-</u>
 Cash and cash equivalents – beginning of year, as adjusted	 <u>62,854,528</u>	 <u>79,190,443</u>
 Cash and cash equivalents – end of year	 <u>\$ 77,566,716</u>	 <u>\$ 62,779,609</u>

See accompanying notes to financial statements.

Central Arkansas Water
STATEMENTS OF CASH FLOWS (Continued)
Years Ended December 31, 2023 and 2022

	2023	2022 (Restated - Note 16)
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 11,442,187	\$ 15,044,712
Adjustment to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	17,154,137	13,668,270
Change in operating assets, liabilities and deferred outflows and inflows		
Accounts receivable – customers, net	(926,629)	1,791,627
Lease receivables	(324,771)	265,751
Subscription assets	582,817	(262,024)
Inventory	(1,631,657)	(779,222)
Other current assets	216,071	(301,376)
Accounts payable and accrued expenses	4,508,519	(3,083,385)
Payroll and related liabilities	61,798	187,042
Due to other agencies	(2,565,594)	1,607,752
Consumer deposits	711,184	929,896
Subscription liability	(444,690)	329,740
Net OPEB liability	1,205,513	(5,880,308)
Deferred inflows on leases	103,188	(502,027)
Deferred outflows of resources on OPEB liability	71,726	1,005,802
Deferred inflows of resources on OPEB liability	(1,530,526)	4,073,439
Net pension liability	2,642,511	20,170,099
Deferred outflows of resources on pension liability	(641,395)	(6,266,956)
Deferred inflows of resources on pension liability	(296,500)	(14,432,901)
Net cash provided by operating activities	\$ 30,337,889	\$ 27,565,931
Noncash Investing, Capital and Financing Activities		
Gain on disposal of capital assets	\$ 49,519	\$ 46,310
Contributions-in-aid of construction	3,608,168	3,523,406
Inventory capitalized	1,876,081	1,810,398
Capital asset acquisitions in accounts payable	1,860,204	1,066,511
Supplemental Disclosure of Cash Transactions		
Interest expense paid	\$ 2,976,157	\$ 3,593,931
Reconciliation to Cash and Cash Equivalents – End of Year		
Current assets		
Unrestricted cash and cash equivalents	\$ 42,111,215	\$ 26,218,033
Restricted cash and cash equivalents	14,558,244	7,042,601
Total current cash and cash equivalents	56,669,459	33,260,634
Noncurrent assets		
Restricted cash and cash equivalents	20,897,257	29,518,975
Cash and cash equivalents – end of year	\$ 77,566,716	\$ 62,779,609

See accompanying notes to financial statements.

Central Arkansas Water
STATEMENTS OF FIDUCIARY NET POSITION
December 31, 2023 and 2022

	2023		2022	
	Other Post Employment Benefits Trust Funds	Private-Purpose Trust Funds	Other Post Employment Benefits Trust Funds	Private-Purpose Trust Funds
Assets				
Cash and cash equivalents	\$ 596,939	\$ 238,780	\$ 493,353	\$ 448,289
Restricted cash and cash equivalents	-	-	-	398
U.S. Treasury obligations	7,916,344	-	7,494,324	-
Exchange-traded funds	276,475	-	273,543	-
Accounts receivable	-	333,834	-	87,064
Accrued interest receivable	63,543	-	21,319	136
Inventory	-	3,208	-	3,208
Capital assets, net	-	775,856	-	2,319,865
Total assets	8,853,301	1,351,678	8,282,539	2,858,960
Liabilities				
Accounts payable	10,809	522,780	9,723	523,059
Accrued expenses	-	1,034	-	48,652
Long-term obligations	-	45,560	-	148,287
Accrued interest payable	-	185	-	613
Due to Central Arkansas Water	-	401,352	-	457,928
Consumer deposits	-	-	-	4,175
Total liabilities	10,809	970,911	9,723	1,182,714
Net Position				
Restricted for:				
Employee benefits other than pensions	8,842,492	262,620	8,272,816	-
Held in receivership	-	118,147	-	1,676,246
Total net position	8,842,492	380,767	8,272,816	1,676,246
Total liabilities and net position	\$ 8,853,301	\$ 1,351,678	\$ 8,282,539	\$ 2,858,960

See accompanying notes to financial statements.

Central Arkansas Water
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Years Ended December 31, 2023 and 2022

	2023		2022	
	Other Post Employment Benefits Trust Funds	Private-Purpose Trust Funds	Other Post Employment Benefits Trust Funds	Private-Purpose Trust Funds
Additions				
Employer contributions	\$ 571,000	\$ -	\$ 1,181,000	\$ -
Water sales	-	713,845	-	718,912
Debt service fees	-	4,173	-	109,301
Intergovernmental revenue	-	-	-	375,000
Investment income	389,855	-	11,566	1,637
	960,855	718,018	1,192,566	1,204,850
Total additions				
	960,855	718,018	1,192,566	1,204,850
Deductions				
Benefits paid	349,136	-	398,393	-
Transfers to Central Arkansas Water	-	1,562,272	-	88,339
Administrative expenses	42,043	391,690	37,647	844,334
Depreciation	-	57,263	-	80,309
Interest	-	2,272	-	14,692
	391,179	2,013,497	436,040	1,027,674
Total deductions				
	391,179	2,013,497	436,040	1,027,674
Change in Fiduciary Net Position	569,676	(1,295,479)	756,526	177,176
Net position - beginning of year	8,272,816	1,676,246	7,516,290	1,499,070
Net position - end of year	\$ 8,842,492	\$ 380,767	\$ 8,272,816	\$ 1,676,246

See accompanying notes to financial statements.

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Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

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

(a) Reporting Entity

Central Arkansas Water (the Utility) is an independent public entity established effective July 1, 2001, to own and operate a consolidated water system, as authorized under Act 982 of 2001 of the 83rd General Assembly of the State of Arkansas (the State). The Utility operates pursuant to a Consolidation Agreement, as amended, executed by and between the City of Little Rock, Arkansas; the City of North Little Rock, Arkansas; the Board of Commissioners of Little Rock Municipal Water Works; and the Board of Commissioners of the North Little Rock Water Department. Serving a retail and wholesale population of approximately 500,000 in 20 cities and communities located in Pulaski, Saline, Grant, Faulkner, Perry, Garland, White and Lonoke Counties, the Utility is the largest water supplier in the state of Arkansas. The Utility's mission is to deliver high-quality affordable, abundant and dependable water services.

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

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

Under the terms of the Consolidation Agreement, the Utility is required to collect and remit franchise fees on behalf of the Cities of Little Rock and North Little Rock based on water revenues billed within the respective cities. The rate, which cannot exceed 10.0%, was 10.0% for the City of Little Rock and 6.9% for the City of North Little Rock during 2023 and 2022. 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 \$4,748,826 and \$4,299,838 for the years ended December 31, 2023 and 2022, 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 \$829,752 and \$822,036 for the years ended December 31, 2023 and 2022, respectively.

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

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

(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 custodial capacity for others and that cannot be used to support the general operations of the Utility. The Utility's fiduciary funds include the following at December 31, 2023:

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

The *Other Postemployment Benefits (OPEB) Trust Fund* is an employee benefit trust fund used to report the accumulation and use of resources to pay health insurance benefits for eligible retirees, as well as related liabilities for anticipated future benefits. The OPEB Plan is a fiduciary component unit of the Utility because it is a separate legal entity governed by management of the Utility and the Utility is considered to have a financial burden with respect to the Plan. It is reported as a pension (and other employee benefit) trust fund in the fiduciary funds statements.

The *Brushy Island Public Water Authority Fund* (Brushy Island) is a private-purpose trust fund used to report assets and liabilities held by the Utility as receiver, pursuant to the terms and conditions of a court order issued in August 2005 by the Third Division Circuit Court of Pulaski County, Arkansas. As receiver, the Utility is responsible for the day-to-day and long-term management and operation of Brushy Island as a water supplier for Brushy Island customers. The debt of Brushy Island was retired in 2023 and Brushy Island was absorbed into Central Arkansas Water during September 2023.

The *Perla Water and Sewer Association Fund* (Perla) is a private-purpose trust fund used to report assets and liabilities held by the Utility as receiver, pursuant to the terms and conditions of a court order issued in December 2021 by the Second Division Circuit Court of Hot Spring County, Arkansas. As receiver, the Utility is responsible for the repair and refurbishment of the water and wastewater systems as well as the day-to-day operations of Perla as a water supplier for Perla water and wastewater customers. The Utility is not responsible or liable for any debts or obligations of Perla, except in its role as receiver.

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

(d) Cash and Cash Equivalents

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

(e) Investments

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

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

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

(f) Accounts Receivable, Net

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

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

(g) Inventory

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

(h) Capital Assets, Net of Accumulated Depreciation

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

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

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

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

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

Management evaluates events or changes in circumstances affecting capital assets to determine whether impairment has occurred. Such events or changes may include physical damage, obsolescence, changes in or new laws or regulations, construction stoppage or environmental factors. If it is determined that an asset is impaired and that impairment is other than temporary, impairment losses are recorded. There were no impairment losses recorded for the years ended December 31, 2023 and 2022.

(i) Lease Assets

It is generally the Utility's policy that lease assets to be used in operations with an initial value or cost greater than or equal to \$5,000 and an estimated useful life of greater than one year are reported as lease assets. Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. There were no impairment losses recorded for the years ended December 31, 2023 and 2022.

(j) Subscription Assets

It is generally the Utility's policy that subscription 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 subscription assets. Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

(k) Deferred Outflows/Inflows of Resources

Deferred outflows and inflows of resources are financial statement elements distinct from assets and liabilities. Deferred outflows represent a consumption of net assets that applies to future periods and deferred inflows represent an acquisition of net assets that applies to future periods, and as such, will not be recognized as an outflow or inflow of resources until then. The Utility's

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

deferred outflows and inflows of resources consist of deferred outflows/inflows of resources related to the Utility's pension plan activities and OPEB plan activities, as further discussed in *Note 10*, and the deferred loss and gain, respectively, on debt refunding transactions. A deferred loss or gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price and is amortized over the shorter of the life of the refunded or refunding debt. Lease related deferred inflows represent the initial value of lease receivable under GASB 87 systematically reduced and recognized as lease revenue over the term of the lease.

(l) 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.

(m) 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.

(n) Due to Other Agencies

The Utility acts as billing agent for other public utility service providers. Amounts billed on behalf of these other entities are initially recorded as accounts receivable and a liability due to other agencies, until such time as the amounts are collected and remitted to the appropriate entity, generally due within 15 days.

(o) 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 \$278,000 and \$443,000 for the years ended December 31, 2023 and 2022, respectively, and net of bad debt expense totaling approximately \$849,000 and \$636,000 for the years ended December 31, 2023 and 2022, respectively.

(p) Contributions

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

(q) 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

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

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.

(r) Postemployment Benefits Other than Pensions (OPEB)

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

(s) 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.

(t) Income Taxes

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

(u) Statements of Net Position and Statement of Cash Flows Revision

The presentation of the current liabilities on the statements of net position for 2022 have been revised for an immaterial reclassification between the previously reported accounts payable and accrued expenses line item and the due to other agencies line item. The revision to the statements of net position resulted in a decrease in accounts payable and accrued expenses of \$3,543,491 and an increase in due to other agencies of \$3,543,491. The presentation of the operating activities of the statement of cash flows for 2022 has been revised to include cash receipts on behalf of others of \$127,164,285 and payments on behalf of others of \$123,732,026. The cash receipts from customers and cash payments to suppliers for goods and services have been revised to decrease the cash receipts from customers by \$1,569,992 and increase the cash payments to suppliers for goods and services by \$1,862,267. This revision had no impact on net position or net cash provided from operating activities.

(v) Accounting Pronouncement Adopted

GASB Statement No. 96 - Subscription-Based Information Technology Arrangements (SBITAs). This statement provides a new framework for accounting for SBITAs under the principle that SBITAs are financings and entities should recognize an intangible asset and a corresponding liability. This

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

statement is effective for the Utility's year ended December 31, 2023. Fiscal year 2022 has been restated for the adoption of GASB 96. See *Note 16* for impact of adoption of GASB 96.

The GASB also issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). Implementation of GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements had no impact on the financial statements for the year-ended December 31, 2023.

Note 2: DEPOSITS AND INVESTMENTS

Investments at December 31 for the Utility include the following:

The Utility

Type	2023				
	Fair Value	Maturities in Years			
		Less than 1	1–5	6–10	More than 10
Unrestricted:					
Money market mutual funds	\$ 7,276,143	\$ 7,276,143	\$ -	\$ -	\$ -
US Treasury Obligations	17,103,689	17,103,689	-	-	-
Restricted:					
Money market mutual funds	20,752,356	20,752,356	-	-	-
US Treasury Obligations	11,745,013	11,745,013	-	-	-
	<u>\$ 56,877,201</u>	<u>\$ 56,877,201</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Type	2022				
	Fair Value	Maturities in Years			
		Less than 1	1–5	6–10	More than 10
Unrestricted:					
Money market mutual funds	\$ 5,780,836	\$ 5,780,836	\$ -	\$ -	\$ -
US Treasury Obligations	20,044,991	20,044,991	-	-	-
Restricted:					
Money market mutual funds	33,464,410	33,464,410	-	-	-
US Treasury Obligations	7,169,562	7,169,562	-	-	-
	<u>\$ 66,459,799</u>	<u>\$ 66,459,799</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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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, 2023 and 2022, the Utility's restricted investment in this fund totaled \$18,662,186 and \$28,577,319, 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 US Treasury Obligations held at December 31, 2023 are measured at Level 1. The remaining money market mutual funds are measured at Net Asset Value (NAV).

(a) Interest Rate Risk

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

(b) Credit Risk

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

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

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- 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.

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

- Construction accounts include unspent bond proceeds and are maintained for the first three years of each of the Utility’s bond issues to pay construction invoices associated with the capital project funded by the related debt.
- The system development charges account serves to recover the cost of capital improvements or facility expansions attributable to new development. New customers are charged a one-time fee for system development based on meter size.
- The capital investment charges account funds the cost of capital improvements or facility expansions associated with treated water transmission and distribution, pumping or storage facilities.
- Funds in the depreciation account are used to recover cost associated with the replacement and refurbishment of capital assets. Five percent (5%) of annual gross revenues are maintained in this dedicated account.

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

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

	2023	2022
Bond requirements	\$ 10,577,318	\$ 10,808,026
Future capital costs	17,160,324	25,861,500
Consumer deposits	7,861,942	7,164,927
Total restricted assets	\$ 35,599,584	\$ 43,834,453

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:

	2023	2022
Water sales and services	\$ 9,970,288	\$ 8,401,883
Billed for other agencies	9,029,953	9,649,106
Less allowance for doubtful accounts	(754,313)	(963,213)
Total accounts receivable – consumers, net	\$ 18,245,928	\$ 17,087,776

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NOTES TO FINANCIAL STATEMENTS
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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:

	<u>2023</u>	<u>2022</u>
Rate stabilization	\$ 13,101,927	\$ 10,028,962
Watershed protection	<u>4,821,045</u>	<u>1,652,599</u>
Total board-designated assets	<u>\$ 17,922,972</u>	<u>\$ 11,681,561</u>

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

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 17,922,972	\$ 11,681,561
Total board-designated assets	<u>\$ 17,922,972</u>	<u>\$ 11,681,561</u>

Note 6: LEASE RECEIVABLE

The Utility leases a portion of its property to various third parties who use the space to conduct their operations on the Utility's grounds, the terms of which expire 2025 through 2048. The measurement of the lease receivable is based on the present value of lease payments expected to be received during the lease term, such as fixed payments, variable payments that depend on an

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index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee. Short-term lease payments are recognized as inflows of resources based on the payment provisions of the lease contracts and are therefore not included in the lease receivable balances below.

Revenue recognized under lease contracts during the years ended December 31, 2023 and 2022 was \$520,253 and \$547,272, respectively, which includes both lease revenue and interest.

The following is a schedule by year of minimum payments to be received under the Utility's leases that are included in the measurement of the lease receivable as of December 31, 2023:

Years Ending December 31,	Principal	Interest	Total
2024	\$ 309,202	\$ 289,810	\$ 599,012
2025	326,475	270,199	596,674
2026	258,534	256,254	514,788
2027	248,261	245,453	493,714
2028	273,970	245,453	519,423
2029-2033	1,827,554	951,689	2,779,243
2034-2038	2,526,351	431,200	2,957,551
2039-2048	545,144	111,190	656,334
2043-2048	234,858	25,934	260,792
	<u>\$ 6,550,349</u>	<u>\$ 2,827,182</u>	<u>\$ 9,377,531</u>

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Note 7: CAPITAL ASSETS

A summary of changes in capital asset balances that occurred during the years ended December 31, 2023 and 2022, follows:

	Balance 12/31/2022	Capital assets from merged entity	Additions	Disposals	Transfers, Net	Balance 12/31/2023
Capital Assets, Nondepreciable						
Land and land use rights	\$ 67,386,363	\$ -	\$ 2,388,190	\$ (485,000)	\$ -	\$ 69,289,553
Water rights	4,974,114	-	-	-	-	4,974,114
Construction in progress	38,956,568	-	32,238,241	-	(9,454,235)	61,740,574
Total capital assets, nondepreciable	<u>111,317,045</u>	<u>-</u>	<u>34,626,431</u>	<u>(485,000)</u>	<u>(9,454,235)</u>	<u>136,004,241</u>
Capital Assets, Depreciable						
Building and improvements	98,235,278	-	10,533	-	707,977	98,953,788
Land improvements	2,913,297	-	-	-	443,405	3,356,702
Water source	33,742,219	-	-	-	-	33,742,219
Purification	45,103,357	-	-	-	6,571	45,109,928
Pumping	36,766,770	-	132,384	-	1,650	36,900,804
Distribution	433,784,721	-	70,984	-	8,294,632	442,150,337
Other equipment	47,796,688	2,000,337	1,348,524	(374,479)	-	50,771,070
Total capital assets, depreciable	<u>698,342,330</u>	<u>2,000,337</u>	<u>1,562,425</u>	<u>(374,479)</u>	<u>9,454,235</u>	<u>710,984,848</u>
Less Accumulated Depreciation						
Building and improvements	36,360,951	-	2,628,877	-	-	38,989,828
Land improvements	1,226,234	-	152,765	-	-	1,378,999
Water source	19,271,891	-	551,684	-	-	19,823,575
Purification	29,200,404	-	1,558,701	-	-	30,759,105
Pumping	22,001,367	-	1,190,282	-	-	23,191,649
Distribution	144,333,716	-	7,058,732	-	-	151,392,448
Other equipment	33,740,096	546,903	3,594,508	(374,479)	-	37,507,028
Total accumulated depreciation	<u>286,134,659</u>	<u>546,903</u>	<u>16,735,549</u>	<u>(374,479)</u>	<u>-</u>	<u>303,042,632</u>
Total Capital Assets, Net	<u>\$ 523,524,716</u>	<u>\$ 1,453,434</u>	<u>\$ 19,453,307</u>	<u>\$ (485,000)</u>	<u>\$ -</u>	<u>\$ 543,946,457</u>

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

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NOTES TO FINANCIAL STATEMENTS
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Note 8: LEASE AND SUBSCRIPTION ASSETS

Lease assets activity for the year ended December 31, 2023 was:

	Balance 12/31/2022	Additions	Disposals	Balance 12/31/2023
Lease Assets				
Land - right-to-use lease asset	\$ 1,045,768	\$ -	\$ -	\$ 1,045,768
Equipment - right-to-use lease asset	85,434	-	-	85,434
Total Lease Assets	1,131,202	-	-	1,131,202
Less Accumulated Amortization				
Land - right-to-use lease asset	(41,010)	(17,570)	-	(58,580)
Equipment - right-to-use lease asset	(54,322)	(25,954)	-	(80,276)
Total accumulated amortization	(95,332)	(43,524)	-	(138,856)
Total Lease Assets, Net	\$ 1,035,870	\$ (43,524)	\$ -	\$ 992,346

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

	Balance 12/31/2021	Additions	Disposals	Balance 12/31/2022
Lease Assets				
Land - right-to-use lease asset	\$ 1,045,768	\$ -	\$ -	\$ 1,045,768
Equipment - right-to-use lease asset	85,434	-	-	85,434
Total Lease Assets	1,131,202	-	-	1,131,202
Less Accumulated Amortization				
Land - right-to-use lease asset	(20,505)	(20,505)	-	(41,010)
Equipment - right-to-use lease asset	(27,161)	(27,161)	-	(54,322)
Total accumulated amortization	(47,666)	(47,666)	-	(95,332)
Total Lease Assets, Net	\$ 1,083,536	\$ (47,666)	\$ -	\$ 1,035,870

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Subscription assets activity for the year ended December 31, 2023 was:

	Balance		Balance
	12/31/2022	Additions	12/31/2023
		Disposals	
Subscription Assets			
Right-to-use subscription asset	\$ 971,592	\$ 899,362	\$ -
Total subscription assets	971,592	899,362	-
			1,870,954
Less Accumulated			
Amortization			
Right-to-use subscription asset	(262,024)	(316,545)	-
			(578,569)
Total Subscription Assets, Net	\$ 709,568	\$ 582,817	\$ -
			\$ 1,292,385

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

	Balance		Balance
	12/31/2021	Additions	12/31/2022
		Disposals	
Subscription Assets			
Right-to-use subscription assets	\$ 971,592	\$ -	\$ -
Total subscription assets	971,592	-	-
			971,592
Less Accumulated			
Amortization			
Right-to-use subscription assets	-	(262,024)	-
			(262,024)
Total Subscription Assets, Net	\$ 971,592	\$ (262,024)	\$ -
			\$ 709,568

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Note 9: LONG-TERM DEBT

The following is a summary of long-term obligation transactions for the Utility for the years ended December 31, 2023 and 2022:

	Balance December 31, 2022	Additions	Deductions	Balance December 31, 2023	Amounts Due Within One Year	Amounts Due Greater Than One Year
Long-term debt						
Revenue bonds	\$ 97,940,000	\$ -	\$ (5,250,000)	\$ 92,690,000	\$ 3,635,000	\$ 89,055,000
Notes from direct placements	59,405,801	10,265,204	(1,497,387)	68,173,618	1,807,270	66,366,348
Issuance premiums	2,632,299	-	(405,613)	2,226,686	-	2,226,686
Total long-term debt	<u>159,978,100</u>	<u>10,265,204</u>	<u>(7,153,000)</u>	<u>163,090,304</u>	<u>5,442,270</u>	<u>157,648,034</u>
Other long-term liabilities	<u>653,309</u>	<u>-</u>	<u>(34,963)</u>	<u>618,346</u>	<u>17,542</u>	<u>600,804</u>
Total other noncurrent liabilities	<u>653,309</u>	<u>-</u>	<u>(34,963)</u>	<u>618,346</u>	<u>17,542</u>	<u>600,804</u>
Total long-term liabilities	<u>\$ 160,631,409</u>	<u>\$ 10,265,204</u>	<u>\$ (7,187,963)</u>	<u>\$ 163,708,650</u>	<u>\$ 5,459,812</u>	<u>\$ 158,248,838</u>
	Balance December 31, 2021	Additions	Deductions	Balance December 31, 2022	Amounts Due Within One Year	Amounts Due Greater Than One Year
Long-term debt						
Revenue bonds	\$ 103,685,000	\$ -	\$ (5,745,000)	\$ 97,940,000	\$ 4,500,000	\$ 93,440,000
Notes from direct placements	53,323,139	6,298,848	(216,186)	59,405,801	133,785	59,272,016
Issuance premiums	3,037,913	-	(405,614)	2,632,299	-	2,632,299
Total long-term debt	<u>160,046,052</u>	<u>6,298,848</u>	<u>(6,366,800)</u>	<u>159,978,100</u>	<u>4,633,785</u>	<u>155,344,315</u>
Other long-term liabilities	<u>1,855,136</u>	<u>-</u>	<u>(1,201,827)</u>	<u>653,309</u>	<u>16,917</u>	<u>636,392</u>
Total other noncurrent liabilities	<u>1,855,136</u>	<u>-</u>	<u>(1,201,827)</u>	<u>653,309</u>	<u>16,917</u>	<u>636,392</u>
Total long-term liabilities	<u>\$ 161,901,188</u>	<u>\$ 6,298,848</u>	<u>\$ (7,568,627)</u>	<u>\$ 160,631,409</u>	<u>\$ 4,650,702</u>	<u>\$ 155,980,707</u>

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Revenue bonds and notes from direct placements at December 31, 2023, include the outstanding principal balance of the following issues:

	Interest Rates	Final Maturity	Original Issue	Total Outstanding
Revenue bonds				
2012A Water Revenue Bonds	2.00% – 4.00%	2032	\$ 17,515,000	\$ 9,095,000
2014 Refunding Water Revenue Bonds	2.00% – 5.00%	2024	10,850,000	1,335,000
2016 Refunding Water Revenue Bonds	2.00% – 5.00%	2027	17,860,000	4,025,000
2016 Construction and Acquisition Water Revenue Bonds	2.00% – 3.50%	2046	22,750,000	12,480,000
2018B Water Revenue Bonds	3.25% – 5.00%	2038	20,000,000	16,315,000
2020B Capital Improvement and Refunding Water Revenue Bonds	2.00% – 5.00%	2041	12,920,000	12,920,000
2020C Capital Improvement and Refunding Water Revenue Bonds	2.00% – 5.00%	2042	31,825,000	31,825,000
2020D Refunding Water Revenue Bonds	0.30% – 2.70%	2041	7,140,000	4,695,000
			<u>140,860,000</u>	<u>92,690,000</u>
Total revenue bonds				
Notes from direct placements				
2010A Water Revenue Bond	1.00% (1)	2032	13,400,000	8,348,121
2011A Water Revenue Bond	2.25% (1)	2034	4,000,000	2,881,725
2017A Water Revenue Bond	1.50% (1)	2041	5,000,000	4,491,473
2019A Water Revenue Bond	1.50% (1)	2043	37,000,000	36,346,394
2020A Water Revenue Bond	0.75% (1)	2042	6,050,000	4,748,410
2021A Water Revenue Bonds	2.55%	2033	200,000	149,477
2021B Water Revenue Bonds	0.75% (1)	2032	1,383,953	787,088
2022A Water Revenue Bonds	1.25% (1)	2053	1,757,000	1,757,000
2022B Water Revenue Bonds	0.75% (1)	2045	4,000,000	2,470,467
2023A Water Revenue Bonds	5.35%	2029	2,533,000	2,533,000
2023B Water Revenue Bonds	0.75% (1)	2047	11,000,000	3,541,294
2023C Water Revenue Bonds	1.25% (1)	2057	16,300,000	119,169
			<u>\$ 102,623,953</u>	<u>\$ 68,173,618</u>
Total notes from direct placements				

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

(a) Revenue Bonds

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

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due annually on October 1, with the final payment scheduled in 2032. Interest payments are due semiannually on April 1 and October 1.

2014 Refunding Water Revenue Bonds

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

2016 Refunding Water Revenue Bonds

In July 2016, the Utility issued \$17,860,000 of revenue refunding bonds to refund the then outstanding Series 2007 and 2011B Bonds. The difference between the reacquisition price and the net carrying amount of the refunded bonds of \$652,654 is reported as a deferred outflow of resources in the statements of net position and is being amortized through the year 2027 using the straight-line method. The Series 2016 Bonds are special obligations of the Utility, payable solely from the stabilized net revenues of the water system, as defined in the related bond agreements. Principal payments are due annually on October 1 beginning in 2016, with the final payment scheduled in 2027. Interest payments are due semiannually on April 1 and October 1, beginning in 2016. The current refunding reduced total debt service payments over the next 15 years by approximately \$3,317,000. This resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$1,916,000.

2016 Construction and Acquisition Water Revenue Bonds

The Series 2016 Bonds were issued in March 2016 to finance the cost of certain capital improvements to the Maumelle water system, to establish a debt service reserve for the Series 2016 Bonds and to pay the costs of issuing the Series 2016 Bonds. The Series 2016 Bonds are special obligations of the Utility, payable solely from the net revenues of the Maumelle water system. Principal payments are due annually on April 1 beginning in 2016, with the final payment scheduled in 2046. Interest payments are due semiannually on April 1 and October 1.

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.

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2020B Capital Improvement and Refunding Water Revenue Bonds

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

2020C Capital Improvement and Refunding Water Revenue Bonds

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

2020D Refunding Water Revenue Bonds

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

(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

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Water State Revolving Fund Account (Revolving Loan Fund), created by Arkansas Code Annotated Section 15-22-1102 to finance the cost of planning, design, construction, and/or rehabilitation of the treatment facilities in the water system, paying cost incidental thereto and paying approved expenses incurred in connection with the issuance of the bond.

The Series 2010A Bond is a special obligation of the Utility, payable solely from stabilized net revenues of the water system, as defined in the related bond agreement. Principal and interest payments are due semiannually on April 15 and October 15, with the final payment scheduled in 2032.

2011A Water Revenue Bond

The Series 2011A Bond was issued through the ANRC and ADFA from monies in the Revolving Loan Fund to finance the cost of planning, design, construction, and/or rehabilitation of the treatment facilities of the water system, paying cost incidental thereto, and paying approved expenses incurred in connection with the issuance of the bond. The Series 2011A Bond is a special obligation of the Utility, payable solely from the stabilized net revenues of the water system, as defined in the related bond agreement. Principal and interest payments are due semiannually on April 15 and October 15, with the final payment scheduled in 2034.

2017A Water Revenue Bond

The Series 2017A Bond was issued through the ANRC and ADFA from monies in the Revolving Loan Fund to finance the cost of planning, design, construction, and/or rehabilitation of the treatment facilities of the water system, paying cost incidental thereto, and paying approved expenses incurred in connection with the issuance of the bond. The Series 2017A Bond is a special obligation of the Utility, payable solely from the stabilized net revenues of the water system, as defined in the related bond agreement. Principal and interest payments are due semiannually on April 15 and October 15 beginning in 2021, with the final payment scheduled in 2041.

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 2024, with the final payment scheduled in 2043.

2020A Water Revenue Bond

The Series 2020A Bond was issued through the ANRC and ADFA from monies in the Revolving Loan Fund to finance the acquisition of the water system owned by POWA, paying costs incidental thereto, paying interest during construction and paying approved expenses incurred in connection with the issuance of the Bond. The Bond is secured by a pledge of Net POWA Revenues as defined

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in the bond agreements. Principal and interest payments are due semiannually on April 15 and October 15 beginning in 2024, with the final payment scheduled in 2042.

2021A Water Revenue Bond

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

2021B Water Revenue Bond

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

2022A Water Revenue Bond

The Series 2022A Bond was issued through the ANRC and ADFA from monies in the Revolving Loan Fund to finance the cost of acquiring the water system owned by Ridgefield Estates. This Bond is secured solely by a lien on and pledge of the Ridgefield Estates water surcharge, as defined in the related bond agreement. Principal and interest payments are due semiannually on April 15 and October 15, beginning in 2023, with the final payment scheduled in 2053.

2022B Water Revenue Bond

The Series 2022B Bond was issued through the ANRC and ADFA from monies in the Revolving Loan Fund to finance the cost of the Wilson Pump Station #1A project. The Series 2022B Bond is a special obligation of the Utility, payable solely from the stabilized net revenues of the water system, as defined in the related bond agreement. Principal and interest payments are due semiannually on April 15 and October 15 beginning in 2025, with the final payment scheduled in 2045.

2023A Water Revenue Bond

The Series 2023A Bond was issued through First Security Bank to finance the cost of the Hydrilla Eradication Project. The Series 2023A 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 March 1 and September 1 with interest payments also due on September 1 beginning in 2024, with the final payment scheduled in 2029.

2023B Water Revenue Bond

The Series 2023B Bond was issued through the ANRC and ADFA from monies in the Revolving Loan Fund to finance the cost of the Wilson Treatment Plant Project. The Series 2023B Bond is a special obligation of the Utility, payable solely from the stabilized net revenues of the water system, as

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defined in the related bond agreement. Principal and interest payments are due semiannually on April 15 and October beginning in 2028, with the final payment scheduled in 2047.

2023C Water Revenue Bond

The Series 2023C Bond was issued through the ANRC and ADFA from monies in the Revolving Loan Fund to finance the cost of the West Pulaski Project. The Series 2023C 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 October 15 and April beginning in 2027, with the final payment scheduled in 2057.

The following schedule shows the annual debt service of the revenue bonds and notes from direct placements outstanding at December 31, 2023:

Year Ending December 31,	Total to be Paid	Revenue Bonds		Direct Placements	
		Principal	Interest	Principal	Interest
2024	\$ 8,962,946	\$ 3,635,000	\$ 2,590,589	\$ 1,807,270	\$ 930,087
2025	10,995,293	3,700,000	2,445,639	3,326,925	1,522,729
2026	11,118,657	3,810,000	2,340,051	3,501,994	1,466,612
2027	11,496,417	3,915,000	2,237,751	3,788,394	1,555,272
2028	12,437,797	3,925,000	2,139,839	4,548,020	1,824,938
2029 - 2033	61,536,471	22,570,000	8,556,204	22,891,290	7,518,977
2034 - 2038	60,018,319	31,145,000	4,598,948	20,659,146	3,615,225
2039 - 2043	30,175,222	19,990,000	907,374	7,650,579	1,627,269
2044 - 2048	7,744,258	-	-	7,560,263	183,995
2049 - 2053	3,626,689	-	-	3,607,038	19,651
2054 - 2057	2,510,962	-	-	2,510,962	-
	<u>\$ 206,536,795</u>	<u>\$ 92,690,000</u>	<u>\$ 25,816,395</u>	<u>\$ 68,173,618</u>	<u>\$ 19,856,782</u>

(c) Financial Covenants

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

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

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

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

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

The Utility is also required to maintain working capital in an amount sufficient to ensure efficient operation and maintenance of the water system, and such reserve must not be less than an amount reasonably estimated to pay the operations and maintenance costs of the water system for the next three calendar months. The Utility was in compliance with all debt covenants for the years ended December 31, 2023 and 2022.

(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, 2023 and 2022). The amortization period of the debt depends upon actual repayments of all parties to the agreement and may vary; these amortization periods are based on two allocations. As of December 31, 2023, the first allocation has 16 payments remaining with an expected final payment date in 2039, while the second allocation has 26 payments remaining with an expected final payment date in 2049.

(e) 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.

(f) Perla Water USDA Rural Development Bond

1997 Water and Sewer Revenue Bonds

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

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Changes in long-term debt for the years ended December 31, 2023 and 2022, are as follows:

	Balance December 31, 2022	Additions	Deductions	Balance December 31, 2023	Amounts Due Within One Year	Amounts Due Greater Than One Year
Long-term debt						
Note from direct placement	\$ 47,874	\$ -	\$ (2,314)	\$ 45,560	\$ 2,429	\$ 43,131

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

The following schedule shows the annual debt service of the USDA rural development bond outstanding at December 31, 2023:

Year Ending December 31,	Total to be Paid	Principal	Interest
2024	\$ 4,596	\$ 2,429	\$ 2,167
2025	4,596	2,550	2,046
2026	4,596	2,677	1,919
2027	4,596	2,813	1,783
2028	4,596	2,946	1,650
2029 - 2033	22,980	17,110	5,870
2034 - 2038	16,408	15,035	1,373
	<u>\$ 62,368</u>	<u>\$ 45,560</u>	<u>\$ 16,808</u>

Note 10: LEASE AND SUBSCRIPTION LIABILITIES

Lease Liabilities

The Utility has equipment and land leases with terms that expire in 2024 through 2073. The measurement of the lease payable is based on the present value of lease payments expected to be paid during the lease term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any lease incentives payable to the lessee.

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Incremental borrowing rates plus an additional 2.5% were used to measure lease payables. These rates varied from 4.75% - 6.25% for the year ended December 31, 2022. Lease liabilities recorded under lease contracts as of December 31, 2023 and 2022, were \$1,067,210 and \$1,060,218, respectively.

The following is a summary of lease liabilities for the Utility for the years ended December 31, 2023 and 2022:

	Balance December 31, 2022	Additions	Deductions	Balance December 31, 2023	Amounts Due Within One Year	Amounts Due Greater Than One Year
Long-term lease liabilities						
Long-term lease liability - land	\$ 1,026,339	\$ -	\$ (8,687)	\$ 1,017,652	\$ 8,880	\$ 1,008,772
Long-term lease liabilities - equipment	33,879	39,672	(23,993)	49,558	18,581	30,977
Total long-term lease liabilities	<u>\$ 1,060,218</u>	<u>\$ 39,672</u>	<u>\$ (32,680)</u>	<u>\$ 1,067,210</u>	<u>\$ 27,461</u>	<u>\$ 1,039,749</u>
	Balance December 31, 2021	Additions	Deductions	Balance December 31, 2022	Amounts Due Within One Year	Amounts Due Greater Than One Year
Long-term lease liabilities						
Long-term lease liability - land	\$ 1,034,749	\$ -	\$ (8,410)	\$ 1,026,339	\$ 8,687	\$ 1,017,652
Long-term lease liabilities - equipment	60,249	-	(26,370)	33,879	19,997	13,882
Total long-term lease liabilities	<u>\$ 1,094,998</u>	<u>\$ -</u>	<u>\$ (34,780)</u>	<u>\$ 1,060,218</u>	<u>\$ 28,684</u>	<u>\$ 1,031,534</u>

The future principal and interest payments for lease liabilities as of December 31, 2023 are as follows:

Years Ending December 31,	Principal	Interest	Total
2024	\$ 27,460	\$ 35,202	\$ 62,662
2025	19,450	34,027	53,477
2026	17,666	33,256	50,922
2027	18,449	32,470	50,919
2028	14,263	31,822	46,085
2029 - 2033	56,247	153,182	209,429
2034 - 2038	66,161	143,243	209,404
2039 - 2043	77,821	131,551	209,372
2044 - 2048	91,474	117,861	209,335
2049 - 2053	107,678	101,614	209,292
2054 - 2058	126,659	82,583	209,242
2059 - 2063	148,986	60,196	209,182
2064 - 2068	175,236	33,876	209,112
2069 - 2073	119,660	5,769	125,429
	<u>\$ 1,067,210</u>	<u>\$ 996,652</u>	<u>\$ 2,063,862</u>

Subscription Liabilities

The Utility has subscription IT arrangements to conduct its operations, the terms of which expire 2024 to 2027. The measurement of the subscription liabilities is based on the present value of subscription payments expected to be paid during the subscription term, such as fixed payments,

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variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payment that are fixed in substance, and any subscription incentives payable.

An initial subscription liability was recorded in the amount of \$932,530 as of January 1, 2022. As of December 31, 2023 and 2022 the value of the subscription liabilities were \$1,047,480 and \$602,790, respectively. An incremental borrowing rate of 4.75% was used to measure subscription liabilities. The value of the right-to-use assets as of December 31, 2023 and 2022 were \$1,870,954 and \$971,592 and had accumulated amortization of \$578,569 and \$262,024, respectively.

The following is a summary of subscription liabilities for the Utility for the years ended December 31, 2023 and 2022:

	Balance December 31, 2022	Additions	Deductions	Balance December 31, 2023	Amounts Due Within One Year	Amounts Due Greater Than One Year
Long-term subscription liabilities						
Long-term subscription liabilities	\$ 602,790	\$ 918,328	\$ (473,638)	\$ 1,047,480	\$ 361,978	\$ 685,502
Total long-term subscription liabilities	<u>\$ 602,790</u>	<u>\$ 918,328</u>	<u>\$ (473,638)</u>	<u>\$ 1,047,480</u>	<u>\$ 361,978</u>	<u>\$ 685,502</u>
	Balance December 31, 2021	Additions	Deductions	Balance December 31, 2022	Amounts Due Within One Year	Amounts Due Greater Than One Year
Long-term subscription liabilities						
Long-term subscription liabilities	\$ 932,530	\$ -	\$ (329,740)	\$ 602,790	\$ 252,433	\$ 350,357
Total long-term subscription liabilities	<u>\$ 932,530</u>	<u>\$ -</u>	<u>\$ (329,740)</u>	<u>\$ 602,790</u>	<u>\$ 252,433</u>	<u>\$ 350,357</u>

The future principal and interest payments for subscription liabilities as of December 31, 2023 are as follows:

Year Ending December 31,	Principal	Interest	Total
2024	\$ 361,978	\$ 51,469	\$ 413,447
2025	324,100	32,301	356,401
2026	188,989	17,522	206,511
2027	172,413	8,319	180,732
	<u>\$ 1,047,480</u>	<u>\$ 109,611</u>	<u>\$ 1,157,091</u>

Note 11: RISK MANAGEMENT

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

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

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Note 12: COMMITMENTS AND CONTINGENCIES

(a) Construction Contracts

The Utility has commitments totaling \$15,116,595 and \$13,932,798 at December 31, 2023 and 2022, 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 \$391,000 and \$252,000 at December 31, 2023 and 2022, respectively. These amounts will be paid upon completion and inspection of the facilities.

(b) Other

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

(c) General Litigation

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

Note 13: PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

(a) Arkansas Public Employees Retirement System

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

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Contributions. Plan members hired after July 1, 2005, are required to contribute a percentage of their annual covered salary, and the Utility is required to contribute a percent of covered salary at an actuarially determined rate. This percentage was 5.25% at the beginning of 2023 and increased to 5.50% on July 1, 2023 as part of an incremental increase to 7.00% as of July 1, 2029 per Act 365 of 2021. The contributions are deducted from the employee’s wages or salary and remitted by the Utility to the APERS Plan on a semi-monthly basis. The applicable employer contribution rates were 15.32% (July 1, 2018 to December 31, 2023). 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, 2023 and 2022, were \$3,622,827 and \$3,378,811, 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, 2023 and 2022, the Utility reported a liability of \$31,092,450 and \$28,449,939, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 and 2022, 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, 2023 and 2022, the Utility’s proportion was 1.06693409% and 1.05511473%, respectively.

Contributions payable to APERS at December 31, 2023 and 2022, totaled approximately \$15,000 and \$156,000, respectively, and are included in payroll and related liabilities in the statements of net position.

For the years ended December 31, 2023 and 2022, the Utility recognized the actuarially determined pension expense of approximately \$5,524,624 and \$2,890,479, 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, 2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 1,461,730	\$ -
Changes in proportion and differences between employer contributions and proportionate share of contributions	223,330	222,739
Differences between expected and actual experience	1,755,104	170,809
Net difference between projected and actual investment earnings on pension plan investments	3,869,894	-
Utility contributions subsequent to the measurement date	1,899,180	-
Total	<u>\$ 9,209,238</u>	<u>\$ 393,548</u>

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

Deferred outflows of resources resulting from the Utility's contributions subsequent to the measurement date totaling approximately \$1,899,000 at December 31, 2023, relate to contributions made between July 1 and December 31 of 2023. The Utility will recognize these amounts as a reduction in the net pension liability in the year ending December 31, 2024.

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,	
2024	\$ 1,634,001
2025	782,659
2026	4,761,039
2027	<u>(261,189)</u>
Total	<u>\$ 6,916,510</u>

Actuarial Assumptions. The total pension liability in the June 30, 2023, 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%

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

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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, 2023, are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37%	6.19%
International Equity	24%	6.77%
Real Assets	16%	3.34%
Absolute Return	5%	3.36%
Domestic Fixed	18%	1.79%
Total	100%	

The target allocation for the June 30, 2022, measurement date was as follows:

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

Discount Rate. The discount rate used to measure the total pension liability at June 30, 2023 and 2022, was 7%. 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.

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
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Sensitivity of the Utility's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the Utility's proportionate share of the net pension liability (asset) as of the June 30, 2023 and 2022, measurement date, calculated using the discount rate of 7% and 7.15% respectively, as well as what the Utility's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

2023	Discount Rate	Utility's Proportionate Share of Net Pension Liability
1% decrease	6.00%	\$ 49,558,567
Current discount rate	7.00%	\$ 31,092,450
1% increase	8.00%	\$ 15,878,117

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

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, 2023, 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 were approximately \$245,000 and \$217,000 for the years ended December 31, 2023 and 2022 respectively, and the Utility matched those amounts for the years ended December 31, 2023 and 2022 respectively which are reported as expense.

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
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(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, 2023 and 2022, is as follows:

Membership	2023	2022
Active members	116	134
Inactive members receiving benefits	93	82
Total members	209	216

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.

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

For fiscal year 2023, the Utility contributed a total of \$571,000 to the plan for current premiums. Of the \$571,000, \$222,000 was contributed to the OPEB Trust and approximately \$349,000 was for health insurance premium activity. For fiscal year 2022, the Utility contributed a total of \$1,181,000 to the plan for current premiums. Of the \$1,181,000, \$783,000 was contributed to the OPEB Trust and approximately \$398,000 was for health insurance premium activity.

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, 2023, was based on a valuation date and measurement date of December 31, 2021, with update procedures used to roll forward the total OPEB liability to the measurement date of December 31, 2023. The net OPEB liability at December 31, 2022, was based on the valuation performed at December 31, 2021. A single discount rate of 4.00% and 4.31% was used to measure the total OPEB liability as of December 31, 2023 and 2022, respectively. The long-term rate of return on OPEB plan investments was determined using a building block method in which best-estimate ranges of expected future real rates rate of return. The target allocation is 65% in domestic fixed income and 35% in cash with a long-term expected rate of return of 3.00% for December 31, 2023 and 2022.

This single discount rate was based on an expected rate of return on OPEB plan investments of 4.00% and 4.31% at December 31, 2023 and 2022, respectively.

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

The significant assumptions used to actuarially determine the OPEB plan's total OPEB liability at December 31, 2023 and 2022, were as follows:

Actuarial cost method:	Entry Age Normal
Inflation:	2.5 percent per year
Health care cost trend rates:	8 percent initial, decreasing 0.5 percent per year to an ultimate rate of 4.5 percent
Single discount rate:	1.93 percent at 12/31/2020; 2.25 percent at 12/31/2021; 4.31 percent at 12/31/2022; 4.00 percent at 12/31/2023
Mortality:	Pub-G 2010 Mortality Table (headcount basis), projected generationally with Scale MP 2021

Changes in Net OPEB Liability

	<u>Increases (Decreases)</u>		
	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (a) – (b)</u>
Balance at December 31, 2022	\$ 15,659,324	\$ 8,272,814	\$ 7,386,510
Changes for the year:			
Service cost	222,006	-	222,006
Interest	672,177	-	672,177
Differences between expected and actual experience	922,867	-	922,867
Contributions – employer	-	571,000	(571,000)
Changes in assumptions	307,276	-	307,276
Net investment income	-	347,813	(347,813)
Benefit payments	(349,135)	(349,135)	-
Net changes	<u>1,775,191</u>	<u>569,678</u>	<u>1,205,513</u>
Balance at December 31, 2023	<u>\$ 17,434,515</u>	<u>\$ 8,842,492</u>	<u>\$ 8,592,023</u>

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

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

Below is a table providing the sensitivity of the net OPEB liability to changes in the discount rate as of December 31, 2023 and 2022. 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
2023	4.00%	\$ 11,215,365	\$ 8,592,023	\$ 6,453,779
2022	4.31%	\$ 9,794,545	\$ 7,386,510	\$ 5,432,060

Below is a table providing the sensitivity of the net OPEB liability to changes in the health care trend rate as of December 31, 2023 and 2022. 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:

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

Net OPEB Liability at December 31,	1% Decrease (7% decreasing to 3.5%)	Health Care Cost Trend Rates (8% decreasing to 4.5%)	1% Increase (9% decreasing to 5.5%)
2023	\$ 6,166,179	\$ 8,592,023	\$ 11,620,799
2022	\$ 5,149,755	\$ 7,386,510	\$ 10,209,069

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. The Utility recognized OPEB expense of \$317,713 and \$379,933 for the years ended December 31, 2023 and 2022, 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, 2023 and 2022:

December 31, 2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,059,419	\$ 3,384,526
Changes of assumptions	5,217,051	7,001,943
Net difference between projected and actual earnings on OPEB plan investments	<u>238,236</u>	<u>-</u>
Total	<u>\$ 7,514,706</u>	<u>\$ 10,386,469</u>

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

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

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,	
2024	\$ (233,428)
2025	(265,469)
2026	(301,956)
2027	(342,755)
2028	(345,463)
Thereafter	<u>(1,382,692)</u>
Total	<u>\$ (2,871,763)</u>

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

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

December 31, 2023	
Investment	Fair Value
U.S. Treasury Obligations	\$ 8,192,818
December 31, 2022	
Investment	Fair Value
U.S. Treasury Obligations	\$ 7,494,324

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

Note 14: PRIVATE-PURPOSE TRUST FUNDS

The following tables include financial information for the private-purpose trust funds as of and for the years ended December 31, 2023 and 2022:

	Private-Purpose Trust Funds					
	2023			2022		
	Brushy Island Trust Funds	Perla Water Trust Funds	Total	Brushy Island Trust Funds	Perla Water Trust Funds	Total
Assets						
Cash and cash equivalents	\$ -	\$ 238,780	\$ 238,780	\$ 166,932	\$ 281,357	\$ 448,289
Restricted cash and cash equivalents	-	-	-	398	-	398
Accounts receivable	-	333,834	333,834	8,893	78,171	87,064
Accrued interest receivable	-	-	-	136	-	136
Inventory	-	3,208	3,208	-	3,208	3,208
Capital assets, net	-	775,856	775,856	1,486,746	833,119	2,319,865
Total assets	-	1,351,678	1,351,678	1,663,105	1,195,855	2,858,960
Liabilities						
Accounts payable	-	522,780	522,780	-	523,059	523,059
Accrued expenses	-	1,034	1,034	-	48,652	48,652
Long-term obligations	-	45,560	45,560	100,413	47,874	148,287
Accrued interest payable	-	185	185	418	195	613
Due to Central Arkansas Water	-	401,352	401,352	-	457,928	457,928
Consumer deposits	-	-	-	4,175	-	4,175
Total liabilities	-	970,911	970,911	105,006	1,077,708	1,182,714
Net Position						
Restricted for:						
Held in receivership	-	380,767	380,767	1,558,099	118,147	1,676,246
Total net position	\$ -	\$ 380,767	\$ 380,767	\$ 1,558,099	\$ 118,147	\$ 1,676,246
Additions						
Water sales	\$ -	\$ 713,845	\$ 713,845	\$ 88,539	\$ 630,373	\$ 718,912
Intergovernmental revenue	-	-	-	-	375,000	375,000
Debt service fees	4,173	-	4,173	109,301	-	109,301
Investment income	-	-	-	1,637	-	1,637
Total additions	4,173	713,845	718,018	199,477	1,005,373	1,204,850
Deductions						
Transfers to Central Arkansas Water	1,562,272	-	1,562,272	88,339	-	88,339
Administrative expenses	-	391,690	391,690	1,318	843,016	844,334
Depreciation	-	57,263	57,263	33,312	46,997	80,309
Interest	-	2,272	2,272	12,066	2,626	14,692
Total deductions	1,562,272	451,225	2,013,497	135,035	892,639	1,027,674
Change in Fiduciary Net Position	(1,558,099)	262,620	(1,295,479)	64,442	112,734	177,176
Net position - beginning of year	1,558,099	118,147	1,676,246	1,493,657	5,413	1,499,070
Net position - end of year	\$ -	\$ 380,767	\$ 380,767	\$ 1,558,099	\$ 118,147	\$ 1,676,246

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

Note 15: FIDUCIARY FUNDS

The Brushy Island Trust Fund and Perla Water Trust Fund did not hold investment securities for the years ended December 31, 2023 and 2022. Investments at December 31 for the OPEB Trust Fund, which were all Level 1 (mutual funds and money market funds) and Level 2 (U.S. treasury obligations and certificates of deposit) fair value measurements, include the following:

Type	2023				
	Fair Value	Maturities in Years			
		Less than 1	1-5	6-10	More than 10
Classified as Investments					
Restricted:					
U.S. Treasury obligations	\$ 7,916,344	\$ 3,804,851	\$ 4,111,493	\$ -	\$ -
		<u>\$ 3,804,851</u>	<u>\$ 4,111,493</u>	<u>\$ -</u>	<u>\$ -</u>
Exchange-traded funds	276,475				
Money market fund	596,939				
	<u>\$ 8,789,758</u>				

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

At December 31, 2023 and 2022, the Trust Funds invested in the Federated Treasury Obligation Fund, a publicly traded money market fund comprised primarily of short-term U.S. Treasury securities. This investment is classified in cash and cash equivalents in the statements of fiduciary net position due to its highly liquid nature. This money market fund maintains a stable net asset value of \$1 and has a Standard and Poor's credit rating of AAAM. At December 31, 2023 and 2022, the Trust Fund's restricted investment in this fund totaled \$596,939 and \$493,353, respectively.

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

(a) Interest Rate Risk

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

(b) Credit Risk

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

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

(c) Custodial Credit Risk

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

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

(d) Concentration of Credit Risk

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

Note 16: CHANGE IN ACCOUNTING PRINCIPLE

For the fiscal year ended December 31, 2023, the Utility implemented GASB 96, Subscription Based Information Technology Arrangements. As required when presenting prior period comparative statements, the financial statements of the fiscal year ended December 31, 2022, have been retrospectively restated. The effects of the restatement are as follows:

	As Previously Reported	2022 as restated	Effect of Change
Statement of Net Position:			
Other current assets	\$ 1,084,646	\$ 1,011,932	\$ (72,714)
Total unrestricted current assets	56,992,040	56,919,326	(72,714)
Subscription assets, net of accumulated amortization	-	709,568	709,568
Total unrestricted noncurrent assets	530,490,913	531,200,481	709,568
Total noncurrent assets	561,253,295	561,962,863	709,568
Total assets	631,317,406	631,954,260	636,854
Accounts payable and accrued expenses	7,302,634	7,314,111	11,477
Subscription liability - current portion	-	252,433	252,433
Total current liabilities payable from unrestricted assets	16,390,888	16,654,798	263,910
Total current liabilities	29,462,959	29,726,869	263,910
Long-term subscription liability	-	350,357	350,357
Total noncurrent liabilities	193,770,127	194,120,484	350,357
Total liabilities	223,233,086	223,847,353	614,267
Total liabilities and deferred inflows of resources	241,692,577	242,306,844	614,267
Unrestricted net position	12,434,771	12,457,358	22,587
Total net position	405,871,943	405,894,530	22,587
Total liabilities, deferred inflows and net position	647,564,520	648,201,374	636,854

Central Arkansas Water
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

	As Previously Reported	2022 as restated	Effect of Change
Statement of Revenues, Expenses and Changes in Net Position			
Information services expenses	4,058,872	3,741,806	(317,066)
Depreciation and amortization expense	13,406,246	13,668,270	262,024
Total operating expenses	65,091,294	65,036,252	(55,042)
Operating income	14,989,670	15,044,712	55,042
Bond and other interest expense, net	(3,593,931)	(3,626,386)	(32,455)
Net nonoperating expenses	(3,262,758)	(3,295,213)	(32,455)
Income before contributions	11,726,912	11,749,499	22,587
Change in net position	15,256,318	15,278,905	22,587
Statement of Cash Flows:			
Cash payments to suppliers for goods and services	(21,864,299)	(21,406,803)	457,496
Net cash provided by operating activities	27,108,435	27,565,931	457,496
Principal paid on long-term debt, leases and subscriptions	(7,197,793)	(7,622,834)	(425,041)
Interest paid on long-term debt, leases and subscriptions	(3,091,523)	(3,123,978)	(32,455)
Net cash used in capital and related financing activities	(30,465,882)	(30,923,378)	(457,496)
Operating income	14,989,670	15,044,712	55,042
Depreciation and amortization	13,406,246	13,668,270	262,024
Subscription assets	-	(262,024)	(262,024)
Other current assets	(374,090)	(301,376)	72,714
Subscription liability	-	329,740	329,740

Note 17: MERGED ENTITIES

On September 13, 2023, the Brushy Island Public Water Authority (Brushy Island) transferred the assets and liabilities comprising its water operations to the Utility. The transaction has been reported as a government merger under the provisions of GASB Statement No. 69, Government Combinations and Disposals of Government Operations, which requires the merger date to be the beginning of the reporting period in which the combination occurs with recognition of that same date. In accordance with GASB 96, beginning net position is to be restated to recognize the merger. The 2023 financial statements have been adjusted to report the merger of Brushy Island in accordance with GASB 96 by restating beginning net position as of January 1, 2023 by \$1,562,272.



**REQUIRED
SUPPLEMENTARY
STATEMENTS**

Central Arkansas Water
REQUIRED SUPPLEMENTARY INFORMATION
TEN YEAR SUMMARY OF UTILITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
2014 - 2023 (Unaudited)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Utility's proportion of the net pension liability	1.07%	1.06%	1.08%	1.07%	1.06%	1.03%	1.02%	0.95%	0.94%
Utility's proportionate share of the net pension liability	\$ 31,092,450	\$ 28,449,939	\$ 8,279,840	\$ 30,661,451	\$ 25,504,253	\$ 22,682,488	\$ 26,485,412	\$ 22,821,130	\$ 17,301,107
Utility's covered payroll	\$ 24,614,591	\$ 21,490,379	\$ 21,325,987	\$ 21,763,604	\$ 21,020,523	\$ 19,769,522	\$ 18,472,503	\$ 17,290,639	\$ 16,700,073
Utility's proportionate share of the net pension liability as a percentage of its covered payroll	126.32%	132.38%	38.83%	140.88%	121.33%	114.73%	143.38%	131.99%	103.60%
Plan fiduciary net position as a percentage of the total pension liability	77.94%	78.31%	93.57%	75.38%	78.55%	79.59%	75.65%	75.50%	80.39%

Pension schedules included in the required supplementary information section are intended to show information for ten years. GASB Statement No. 68 was implemented in 2015; therefore, only nine 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
2014 - 2023 (Unaudited)

Measurement Date June 30:	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 3,622,827	\$ 3,378,811	\$ 3,294,596	\$ 3,200,646	\$ 3,099,272	\$ 2,840,869	\$ 2,751,581	\$ 2,521,470	\$ 2,479,699
Contributions in relation to the contractually required contribution	<u>3,622,827</u>	<u>3,378,811</u>	<u>3,294,596</u>	<u>3,200,646</u>	<u>3,099,272</u>	<u>2,840,869</u>	<u>2,751,581</u>	<u>2,521,470</u>	<u>2,479,699</u>
Utility's proportionate share of the net pension liability	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Utility's covered payroll	\$24,819,326	\$22,136,911	\$20,721,845	\$20,891,894	\$21,020,523	\$19,249,638	\$18,812,453	\$18,791,818	\$16,881,194
Contributions as a percentage of covered payroll	14.60%	15.32%	15.90%	15.32%	14.74%	14.76%	14.63%	13.42%	14.69%

Pension schedules included in the required supplementary information section are intended to show information for ten years. GASB Statement No. 68 was implemented in 2015; therefore, only nine 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, 2023

	2023	2022	2021	2020	2019	2018	2017	2016
Total OPEB liability								
Service cost	\$ 222,006	\$ 410,814	\$ 544,451	\$ 360,342	\$ 275,654	\$ 319,030	\$ 266,786	\$ 284,194
Interest	672,177	467,760	491,584	642,325	718,448	656,990	595,466	566,116
Differences between expected and actual experience	922,867	-	(2,943,797)	-	(2,647,739)	-	2,662,481	-
Changes of assumptions	307,276	(5,603,965)	(2,319,485)	5,054,267	2,029,641	(1,520,535)	1,935,094	(530,347)
Benefit payments	(349,136)	(398,393)	(376,226)	(386,808)	(518,597)	(455,506)	(440,889)	(390,661)
Net change in total OPEB liability	1,775,190	(5,123,784)	(4,603,473)	5,670,126	(142,593)	(1,000,021)	5,018,938	(70,698)
Total OPEB liability – beginning	15,659,325	20,783,109	25,386,582	19,716,456	19,859,049	20,859,070	15,840,132	15,910,830
Total OPEB liability – ending (a)	<u>\$ 17,434,515</u>	<u>\$ 15,659,325</u>	<u>\$ 20,783,109</u>	<u>\$ 25,386,582</u>	<u>\$ 19,716,456</u>	<u>\$ 19,859,049</u>	<u>\$ 20,859,070</u>	<u>\$ 15,840,132</u>
Plan fiduciary net position								
Contributions – employer	\$ 571,000	\$ 1,181,000	\$ 1,181,000	\$ 1,169,000	\$ 1,175,000	\$ 1,181,000	\$ 927,000	\$ 844,935
Net investment income	347,813	(26,083)	(44,278)	45,784	108,413	49,464	8,485	28,577
Benefit payments	(349,136)	(398,393)	(376,226)	(386,808)	(518,597)	(455,506)	(440,889)	(390,661)
Net change in fiduciary net position	569,677	756,524	760,496	827,976	764,816	774,958	494,596	482,851
Plan fiduciary net position – beginning	8,272,814	7,516,290	6,755,794	5,927,818	5,163,002	4,388,044	3,893,448	3,410,597
Plan fiduciary net position – ending (b)	<u>\$ 8,842,491</u>	<u>\$ 8,272,814</u>	<u>\$ 7,516,290</u>	<u>\$ 6,755,794</u>	<u>\$ 5,927,818</u>	<u>\$ 5,163,002</u>	<u>\$ 4,388,044</u>	<u>\$ 3,893,448</u>
Utility’s net OPEB liability – ending (a)–(b)	\$ 8,592,024	\$ 7,386,511	\$ 13,266,819	\$ 18,630,788	\$ 13,788,638	\$ 14,696,047	\$ 16,471,026	\$ 11,946,684
Plan fiduciary net position as a percentage of the total OPEB liability	50.72%	52.83%	36.17%	26.61%	30.07%	26.00%	21.04%	24.58%
Covered payroll	\$ 23,920,486	\$ 23,921,850	\$ 22,853,695	\$ 22,133,288	\$ 20,474,476	\$ 19,131,804	\$ 18,221,916	\$ 17,104,744
Utility’s net OPEB liability as a percentage of covered payroll	35.90%	30.88%	58.05%	84.18%	67.35%	76.81%	90.39%	69.80%

Notes to the Schedule

Changes of assumptions. In 2023, the assumed discount rate was lowered from 4.31% to 4.00% per GASB 75. In 2022, the assumed discount rate was raised from 2.25% to 4.31% per GASB 75. In 2021, the assumed discount rate was raised from 1.93% to 2.25% per GASB 75. In 2020, the assumed single discount rate was decreased from 3.26% to 1.93% to more closely reflect the expected rate of return on investments. In 2019, the assumed single discount rate was decreased from 3.64% to 3.26% to more closely reflect the expected rate of return on investments. In 2018, the assumed single discount rate was increased from 3.16% to 3.64% to more closely reflect the expected rate of return on investments. In 2017, the assumed single discount rate was reduced from 3.78% to 3.16% to more closely reflect the expected rate of return on investments.

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

Central Arkansas Water
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLAN (OPEB) - SCHEDULE OF THE UTILITY'S CONTRIBUTIONS
Year Ended December 31, 2023

Plan Years Ending December 31:	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 711,633	\$ 1,102,755	\$ 1,453,840	\$ 1,123,868	\$ 1,106,524	\$ 1,181,365	\$ 1,068,588	\$ 699,905
Contributions in relation to the actuarially determined contribution	571,000	1,181,000	1,181,000	1,169,000	1,175,000	1,181,000	927,000	844,935
Contribution deficiency (excess)	140,633	(78,245)	272,840	(45,132)	(68,476)	365	141,588	(145,030)
Covered payroll	23,920,486	23,921,850	22,853,695	22,133,288	20,474,476	19,131,804	18,221,916	17,104,744
Contributions as a percentage of covered payroll	2.40%	4.94%	5.17%	5.28%	5.74%	6.17%	5.09%	4.94%

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry Age Normal
Amortization method: Level Dollar over 30 years from January 1, 2017
Remaining amortization period: 24 Years
Asset valuation method: Market value
Inflation: 2.5 percent per year
Health care cost trend rates: 8 percent initial, decreasing 0.5 percent per year to an ultimate rate of 4.5 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; 1.93 percent at 12/31/2020; 2.25% at 12/31/2021; 4.31 percent at 12/31/2022; 4.00 percent at 12/31/2023
Retirement age: Expected retirement ages of general employees are based on information provided by Arkansas Public Employees Retirement System.
Mortality: PUB-G 2010 Table projected generationally with MP 2021

OPEB schedules under GASB Statement 75 included in the required supplementary information are intended to show information for ten years. GASB Statement 75 was implemented in 2016; therefore, only eight years of information are shown, and additional years' information will be added as it becomes available.

CENTRAL ARKANSAS WATER
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLAN (OPEB) - TEN YEAR SCHEDULE OF INVESTMENTS RETURNS
Year Ended December 31, 2023

	2023	2022	2021	2020	2019	2018	2017	2016
Annual money-weighted rate of return, net of investment expense	4.1%	-0.3%	-0.6%	0.7%	2.0%	1.0%	0.2%	0.8%

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

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**STATISTICAL
SECTION
(UNAUDITED)**

Central Arkansas Water STATISTICAL SECTION INDEX

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

Financial Trends 90

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

Revenue and Debt Capacity 95

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

Demographic and Economic Information 100

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

Operating Information 102

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
2014-2023 (Unaudited)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Operating Revenues				
Water Sales	\$ 45,070,592	\$ 47,459,563	\$ 51,325,094	\$ 51,648,173
Penalties	916,613	878,500	885,551	922,616
Turn-on charges	1,010,229	989,227	1,091,867	1,342,974
Ancillary charges	2,917,964	3,005,354	5,549,781	6,188,546
Watershed protection fees	1,012,005	1,017,055	1,025,064	1,120,097
Other Revenue	670,741	731,607	818,766	611,842
Total Revenues	<u>51,598,144</u>	<u>54,081,306</u>	<u>60,696,123</u>	<u>61,834,248</u>
Operating Expenses				
Administration	2,471,360	2,598,576	2,668,488	3,447,845
Distribution	10,659,085	10,256,858	13,313,139	14,256,900
Engineering	1,821,276	1,694,457	1,803,704	2,049,525
Finance	2,548,209	2,582,474	3,103,823	3,078,676
Customer service	4,458,680	4,436,408	4,954,842	3,151,815
Information services	3,133,821	3,050,213	3,186,317	3,328,787
Water production	7,717,004	8,011,935	8,239,835	9,341,319
Watershed protection	-	-	-	-
Water quality	1,911,167	2,024,136	2,050,733	2,134,930
POWA operating expenses	-	-	-	-
General	1,971,006	2,112,725	3,057,387	2,484,482
Depreciation and amortization	10,786,930	11,246,626	12,149,744	12,770,370
Total Operating Expenses	<u>47,478,538</u>	<u>48,014,408</u>	<u>54,528,012</u>	<u>56,044,649</u>
Nonoperating Revenues Expenses				
Transfers to Cities of LR and NLR	(658,776)	(659,088)	(676,408)	(706,716)
Gain (loss) on disposal of capital assets	26,456	76,092	76,664	70,231
Investment Income	199,334	194,795	237,700	413,111
Bond and other interest expense, net	(2,320,427)	(2,408,154)	(3,284,945)	(2,043,741)
Intergovernmental	-	-	-	-
Total Nonoperating Revenues (Expenses)	<u>(2,753,413)</u>	<u>(2,796,355)</u>	<u>(3,646,989)</u>	<u>(2,267,115)</u>
Contributions				
Contributions-in-aid of construction	2,253,550	3,021,520	2,148,229	2,442,052
Capital contributions from grantors	-	127,396	26,112	-
Special Item – transfer of assets from Maumelle	-	-	7,745,408	-
Total Contributions	<u>2,253,550</u>	<u>3,148,916</u>	<u>9,919,749</u>	<u>2,442,052</u>
Change in Net Position	<u>\$ 3,619,743</u>	<u>\$ 6,419,459</u>	<u>\$ 12,440,871</u>	<u>\$ 5,964,536</u>
% Water Rate Increase (1)	<u>3.7%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>8.9%</u>

Source: Central Arkansas Water Finance Department

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

Central Arkansas Water
TEN YEAR SUMMARY OF REVENUES, EXPENSES AND RATE INCREASES (Continued)
2014-2023 (Unaudited)

2018	2019	2020	2021	2022	2023
\$ 57,264,083	\$ 54,639,500	\$ 54,436,691	\$ 60,779,029	\$ 64,537,471	\$ 73,192,357
991,571	1,019,732	1,120,690	1,056,757	1,069,965	1,172,637
1,335,236	1,403,494	913,820	616,284	510,513	484,875
5,667,721	7,495,745	8,775,595	10,012,456	10,505,377	11,094,559
1,101,065	1,323,160	1,868,949	2,232,234	2,281,960	2,426,297
560,731	552,289	(190,218)	835,288	1,175,678	1,534,482
<u>66,920,407</u>	<u>66,433,920</u>	<u>66,925,527</u>	<u>75,532,048</u>	<u>80,080,964</u>	<u>89,905,207</u>
4,019,183	4,462,396	6,059,961	5,396,432	5,973,928	6,291,663
14,980,984	15,583,222	15,620,557	13,043,970	13,981,855	14,405,390
2,038,602	2,862,634	2,037,030	1,695,767	1,848,493	2,053,646
2,895,514	2,864,906	3,001,925	2,776,569	2,966,774	3,445,472
3,298,739	3,710,651	3,795,995	3,302,409	4,187,119	6,618,339
3,302,483	3,527,672	3,843,156	4,065,855	4,058,872	4,475,949
9,120,982	10,186,502	10,926,225	12,901,944	15,231,769	21,300,363
-	-	-	-	-	-
2,267,752	2,466,084	-	-	-	-
-	-	281,493	221,915	361,245	467,002
2,298,966	2,246,364	2,831,598	2,581,843	3,074,993	2,251,059
<u>12,687,333</u>	<u>12,888,536</u>	<u>13,165,555</u>	<u>13,599,898</u>	<u>13,406,246</u>	<u>17,154,137</u>
<u>56,910,538</u>	<u>60,798,967</u>	<u>61,563,495</u>	<u>59,586,602</u>	<u>65,091,294</u>	<u>78,463,020</u>
(709,068)	(791,064)	(802,260)	(795,408)	(822,036)	(829,752)
(17,965)	(496,099)	80,724	281,258	46,310	49,519
846,878	1,269,965	255,819	47,001	1,074,101	3,397,588
(2,031,574)	(2,162,183)	(3,707,779)	(3,721,772)	(3,593,931)	(2,976,157)
-	-	-	214,223	32,798	187,800
<u>(1,911,729)</u>	<u>(2,179,381)</u>	<u>(4,173,496)</u>	<u>(3,974,698)</u>	<u>(3,262,758)</u>	<u>(171,002)</u>
2,580,491	3,079,598	1,081,550	3,845,608	3,523,406	3,608,168
-	-	9,200	-	6,000	1,100,000
-	-	-	-	-	-
<u>2,580,491</u>	<u>3,079,598</u>	<u>1,090,750</u>	<u>3,845,608</u>	<u>3,529,406</u>	<u>4,708,168</u>
<u>\$ 10,678,631</u>	<u>\$ 6,535,170</u>	<u>\$ 2,279,286</u>	<u>\$ 15,816,356</u>	<u>\$ 15,256,318</u>	<u>\$ 15,979,353</u>
<u>8.9%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>11.0%</u>

Central Arkansas Water
TEN YEAR SUMMARY OF NET POSITION
2014-2023 (Unaudited)

	2014	2015 (1)	2016	2017 (2)	2018
Net Position					
Net Investment in capital assets	\$ 312,635,439	\$ 320,025,891	\$ 329,906,226	\$ 337,464,888	\$ 348,267,555
Restricted – expendable	6,059,324	7,188,147	7,683,719	9,093,839	10,517,702
Unrestricted	36,464,333	19,108,904	21,173,868	5,793,875	4,245,982
Total Net Position	\$ 355,159,096	\$ 346,322,942	\$ 358,763,813	\$ 352,352,602	\$ 363,031,239

Source: Central Arkansas Water Finance Department

- (1) Beginning net position was restated by the Utility during the year ended December 31, 2015, as a result of implementation of GASB Statement No. 68.
- (2) Beginning net position was restated by the Utility during the year ended December 31, 2017, as a result of implementation of GASB Statement No. 75.
- (3) Beginning net position was restated by the Utility during the year ended December 31, 2021, as a result of implementation of GASB Statement No. 87.
- (4) Beginning net position was restated by the Utility during the year ended December 31, 2022 as a result of implementation of GASB Statement No. 96.

Central Arkansas Water
TEN YEAR SUMMARY OF NET POSITION (Continued)
2014-2023 (Unaudited)

2019	2020	2021 (3)	2022 (4)	2023
\$ 357,586,670	\$ 367,648,777	\$ 373,589,816	\$ 382,461,139	\$ 388,477,802
8,806,305	8,851,333	10,459,371	10,976,033	11,088,881
3,173,434	(2,875,500)	6,566,438	12,457,358	23,869,472
<u>\$ 369,566,409</u>	<u>\$ 373,624,610</u>	<u>\$ 390,615,625</u>	<u>\$ 405,894,530</u>	<u>\$ 423,436,155</u>

Central Arkansas Water
TEN YEAR SUMMARY OF WRITE-OFFS
2014-2023 (Unaudited)

Year	Water Sales	Write-Offs	Write-Offs/ Water Sales
2014	45,070,592	369,709	0.82%
2015	47,459,563	316,441	0.67%
2016	51,325,094	237,356	0.46%
2017	51,648,173	287,151	0.56%
2018	57,267,083	344,203	0.60%
2019	54,639,500	305,497	0.56%
2020	54,436,691	627,851	1.15%
2021	60,779,029	1,076,432	1.77%
2022	64,537,471	930,493	1.44%
2023	73,192,357	984,087	1.34%

Source: Central Arkansas Water Finance Department



**REVENUE
& DEBT
CAPACITY**

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Central Arkansas Water
TEN YEAR SUMMARY OF REVENUES, EXPENSES AND DEBT SERVICE COVERAGE
2014-2023 (Unaudited)

	2014	2015	2016	2017
Operating Revenues				
Water Sales	\$ 45,070,592	\$ 47,459,563	\$ 51,325,094	\$ 51,648,173
Penalties	916,613	878,500	885,551	922,616
Turn-on charges	1,010,229	989,227	1,091,867	1,342,974
Ancillary charges	2,917,964	3,005,354	5,549,781	6,188,546
Watershed protection fees	1,012,005	1,017,055	1,025,064	1,120,097
Proceeds from sale of capital assets	62,548	93,675	87,285	70,231
Investment income	199,334	194,795	237,700	413,111
Other revenue	670,741	731,607	818,766	898,993
Total Revenues	<u>51,860,026</u>	<u>54,369,776</u>	<u>61,021,108</u>	<u>62,604,741</u>
Expenses				
Administration	2,471,360	2,598,576	2,668,488	3,447,845
Distribution	10,659,085	10,256,858	13,313,139	14,256,900
Engineering	1,821,276	1,694,457	1,803,704	2,049,525
Finance	2,548,209	2,582,474	3,103,823	3,078,676
Customer service	-	-	-	3,151,815
Customer relations and public affairs	4,458,680	4,436,408	4,954,842	-
Information services	3,133,821	3,050,213	3,186,317	3,328,787
Water production	7,717,004	8,011,935	8,239,835	9,341,319
Water quality	1,911,167	2,024,136	2,050,733	2,134,930
General	1,971,006	2,112,725	3,057,387	2,650,583
POWA operating expenses	-	-	-	-
Transfers to Cities of LR and NLR	658,776	659,088	676,408	706,716
Total Expenses	<u>37,350,384</u>	<u>37,426,870</u>	<u>43,054,676</u>	<u>44,147,096</u>
Transfers to rate stabilization account (2)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Revenues	<u>\$ 14,509,642</u>	<u>\$ 16,942,906</u>	<u>\$ 17,966,432</u>	<u>\$ 18,457,645</u>
Maximum Annual Debt Service on Revenue Bonds	<u>\$ 7,645,191</u>	<u>\$ 7,600,019</u>	<u>\$ 7,125,431</u>	<u>\$ 7,113,368</u>
Ratio of Net Revenues to Maximum Annual Debt Service on Revenue Bonds (1)	<u>1.90</u>	<u>2.23</u>	<u>2.52</u>	<u>2.59</u>

Source: Central Arkansas Water Finance Department

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

(1) Bond Requirement is 1.2.

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

Central Arkansas Water
TEN YEAR SUMMARY OF REVENUES, EXPENSES AND DEBT SERVICE COVERAGE (Continued)
2014-2023 (Unaudited)

2018	2019	2020	2021	2022	2023
\$ 57,264,083	\$ 54,639,500	\$ 54,436,691	\$ 60,779,029	\$ 64,537,471	\$ 73,192,357
991,571	1,019,732	1,120,690	1,056,757	1,069,965	1,172,637
1,335,236	1,403,494	913,820	616,284	510,513	484,875
5,667,721	7,495,745	8,775,595	10,012,456	10,505,377	8,668,262
1,101,065	1,323,160	1,868,949	2,232,234	2,281,960	2,426,297
74,887	131,565	305,273	549,165	46,310	49,519
846,878	1,269,965	255,819	47,001	1,074,101	3,397,588
560,731	552,289	(190,218)	835,288	1,175,678	1,534,482
<u>67,842,172</u>	<u>67,835,450</u>	<u>67,486,619</u>	<u>76,128,214</u>	<u>81,201,375</u>	<u>90,926,017</u>
4,019,183	4,462,396	6,059,961	5,396,432	5,973,928	6,291,663
14,980,984	15,583,222	15,620,557	13,043,970	13,981,855	14,405,390
2,038,602	2,862,634	2,037,030	1,695,767	1,848,493	2,053,646
2,895,514	2,864,906	3,001,925	2,776,569	2,966,774	3,445,472
3,298,739	3,710,651	3,795,995	3,302,409	4,187,119	6,618,339
-	-	-	-	-	-
3,302,483	3,527,672	3,843,156	4,065,855	4,058,872	4,475,949
9,120,982	10,186,502	10,926,225	12,901,944	15,231,769	21,300,363
2,267,752	2,466,084	-	-	-	-
2,298,966	2,246,364	2,831,598	2,581,843	3,074,993	2,251,059
-	-	281,493	221,915	361,245	467,002
709,068	791,064	802,260	795,408	822,036	829,752
<u>44,932,273</u>	<u>48,701,495</u>	<u>49,200,200</u>	<u>46,782,112</u>	<u>52,507,084</u>	<u>62,138,635</u>
-	-	675,000	-	-	2,486,000
<u>\$ 22,909,899</u>	<u>\$ 19,133,955</u>	<u>\$ 18,961,419</u>	<u>\$ 29,346,102</u>	<u>\$ 28,694,291</u>	<u>\$ 31,273,382</u>
<u>\$ 7,113,368</u>	<u>\$ 10,284,375</u>	<u>\$ 10,425,719</u>	<u>\$ 11,336,131</u>	<u>\$ 11,618,139</u>	<u>\$ 12,590,977</u>
<u>3.22</u>	<u>1.86</u>	<u>1.82</u>	<u>2.59</u>	<u>2.68</u>	<u>2.48</u>

Central Arkansas Water
TEN YEAR SUMMARY OF OUTSTANDING DEBT-TO-CUSTOMER COUNT
2014-2023 (Unaudited)

Year	Residential	Commercial	Large Volume	Wholesale	Sprinkler
2014	108,426	11,411	56	9	3,782
2015	109,007	11,419	50	9	3,955
2016	116,601	11,592	48	9	4,083
2017	117,015	11,824	52	9	4,082
2018	117,637	12,145	45	9	4,037
2019	118,354	12,249	48	9	3,976
2020	122,247	12,460	49	9	4,199
2021	118,576	11,880	44	9	3,721
2022	121,191	12,177	60	8	3,661
2023	121,399	12,220	(1)	8	3,749

Source: Central Arkansas Water Finance Department

(1) As a result of the rate structure implemented July 1, 2023 the large volume customer classification was eliminated and consolidated with the commercial customer classification.

* Total outstanding debt is net of the 2016 Construction and Acquisition Water Revenue bonds. A debt surcharge levied on the Maumelle service area customers is pledged to repay this debt.

** Total outstanding debt is net of the 2016 Construction and Acquisition Water Revenue bonds and 2020A Water Revenue bond (POWA Project). A debt surcharge levied on the Maumelle and POWA service area customers is pledged to repay these debts.

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

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

Central Arkansas Water
TEN YEAR SUMMARY OF OUTSTANDING DEBT-TO-CUSTOMER COUNT (Continued)
2014-2023 (Unaudited)

Private Fire Service	Total Customers	Total Outstanding Debt	Total Outstanding Debt-to- Customer Count
1,850	125,534	\$ 80,966,271	\$ 645
1,880	126,320	76,734,499	607
2,104	134,437	71,076,875 *	529
2,145	135,127	65,799,015 *	487
2,194	136,067	88,337,149 *	649
2,295	136,931	92,338,051 *	674
2,326	141,290	141,460,491 **	1,001
2,301	136,531	140,854,883 ***	1,032
2,370	139,467	136,446,839 ****	978
2,370	139,745	143,786,675 ****	1,029

Central Arkansas Water
TEN YEAR SUMMARY OF TEN LARGEST WATER CUSTOMERS
2014-2023 (Unaudited)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Jacksonville Water Works	1	1	1	1	2	1	1	1	1	1
Bryant Water and Sewer	2	2	3	2	3	2	2	3	3	3
Salem Water Alliance	3	3	2	3	1	3	3	2	2	2
Mid-Arkansas Utilities	4	5	-	-	-	-	-	-	-	-
University of Arkansas for Medical Sciences	5	6	5	4	7	5	4	6	8	4
Arkansas Department of Corrections	6	7	6	6	8	6	7	4	6	5
Sage V Foods	7	10	-	8	-	-	-	-	-	-
Cabot WaterWorks	8	8	7	5	6	4	5	7	7	6
Shannon Hills Water Department	9	4	9	-	9	10	9	8	10	9
Baptist Health System	10	9	10	10	10	9	10	-	-	-
3-M Company	-	-	4	9	-	7	6	5	9	8
Arkansas Electric Cooperative	-	-	-	-	-	-	-	-	4	7
North Little Rock Burns Park	-	-	8	-	-	-	-	-	-	-
Kimberly-Clark	-	-	-	7	5	8	8	10	5	10
Sardis Public Water Authority	-	-	-	-	-	-	-	9	-	-

Source: Central Arkansas Water Finance Department



**DEMOGRAPHIC
& ECONOMIC
INFORMATION**

**Central Arkansas Water
LARGEST EMPLOYERS WITHIN PULASKI COUNTY
2023 vs. 2014 (Unaudited)**

Employer	Type of Business	2023			2014		
		Rank	Employees	Percentage of Total Employment	Rank	Employees	Percentage of Total Employment
State of Arkansas	Government	1	34,900	18%	1	32,200	19%
Local Government	Government	2	27,200	14%	2	28,800	17%
Federal Government	Government	3	9,900	5%	3	9,200	5%
University of Arkansas for Medical Sciences	Medical Services	4	9,100	5%	4	8,500	5%
Baptist Health	Medical Services	5	5,360	3%	5	7,000	4%
Little Rock Air Force Base	Government	6	4,500	2%	6	4,500	3%
Arkansas Children's Hospital	Medical Services	7	4,000	2%		-	-
Little Rock School District	Education	8	3,500	2%	8	3,511	2%
Central Arkansas Veterans HealthCare System	Medical Services	9	2,800	1%	9	3,500	2%
Entergy Arkansas	Utility (Electric)	10	2,740	1%	10	2,738	2%
Acxiom	Data Processing	-	-	0%	7	4,388	3%
	Total		104,000	54%		104,337	61%
	Total Employment		191,517			172,175	

Source: Central Arkansas Water Finance Department

Central Arkansas Water
TEN YEAR SUMMARY OF
DEMOGRAPHIC AND ECONOMIC STATISTICS WITHIN PULASKI COUNTY
2014-2023 (Unaudited)

Year	Population	Households	Median Household Income	Per Capita Personal Income	Total Personal Income (000s)	Unemployment Rate
2014	392,490	180,023	\$ 45,698	\$ 46,349	\$ 18,201,484	5.6%
2015	392,664	180,103	\$ 46,673	\$ 45,862	\$ 18,008,251	4.0%
2016	393,250	155,440	\$ 46,070	\$ 47,834	\$ 18,810,571	3.2%
2017	393,956	155,435	\$ 48,850	\$ 48,838	\$ 19,240,052	3.4%
2018	392,680	157,083	\$ 50,093	\$ 31,359	\$ 20,099,504	3.4%
2019	391,911	158,772	\$ 51,749	\$ 32,692	\$ 20,281,002	3.3%
2020	391,904	161,652	\$ 52,930	\$ 33,773	\$ 20,743,949	5.0%
2021	398,069	164,697	\$ 55,235	\$ 35,718	\$ 21,987,341	2.9%
2022	399,145	167,768	\$ 58,326	\$ 39,146	\$ 23,280,531	3.0%
2023	400,221	(1)	(1)	(1)	(1)	3.5%

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

(1) Information is not available.



**OPERATING
INFORMATION**

Central Arkansas Water
TEN YEAR SUMMARY OF NEW CONNECTIONS
2014-2023 (Unaudited)

Year	Meters	Fire Hydrants	New Pipe (in Miles)
2014	1,205	150	16.90
2015	1,233	165	11.80
2016	1,277	168	17.00
2017	1,450	166	16.30
2018	1,301	202	17.61
2019	1,177	225	14.34
2020	1,450	148	10.48
2021	1,393	137	12.21
2022	1,341	227	22.81
2023	1,374	241	16.40

Source: Central Arkansas Water GIS

Central Arkansas Water
TEN YEAR SUMMARY OF SYSTEM HIGHLIGHTS
2014-2023 (Unaudited)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Miles of public water										
distribution pipe	2,366	2,372	2,497	2,506	2,518	2,527	2,663	2,672	2,684	2,967
Number of treatment plants	2	2	3	3	2	2	3	3	3	3
Maximum treatment capacity										
(MGD)	157.0	157.0	163.7	163.7	157.0	157.0	157.0	157.0	157.0	157.0
(MG)	88.3	98.9	98.1	92.0	101.0	88.7	90.7	121.2	106.1	102.5
Percentage of maximum										
capacity utilized	68%	68%	68%	68%	68%	68%	68%	68%	68%	65%

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
2014-2023 (Unaudited)

	2014	2015	2016	2017	2018
Land and land use rights	\$ 46,192,915	\$ 47,488,299	\$ 47,892,367	\$ 48,977,583	\$ 58,804,602
Water Rights	-	-	-	-	-
Building and grounds	60,806,083	60,916,771	62,556,517	62,767,365	63,294,373
Land improvements	2,253,459	2,259,083	2,702,932	2,831,335	2,895,907
Water source	33,211,941	33,211,941	33,419,723	33,419,723	33,419,723
Purification	42,180,124	42,449,597	45,268,031	45,527,263	45,671,724
Pumping	26,233,796	26,410,016	27,159,362	27,257,925	28,272,196
Distribution	335,078,600	339,621,061	363,365,749	368,386,584	388,726,499
Other equipment	28,573,745	29,123,839	31,027,067	31,740,663	33,810,257
Construction in progress	2,150,054	8,880,044	8,044,217	21,632,031	19,019,605
	<u>576,680,717</u>	<u>590,360,651</u>	<u>621,435,965</u>	<u>642,540,472</u>	<u>673,914,886</u>
Less accumulated depreciation	<u>183,412,270</u>	<u>193,915,770</u>	<u>211,426,836</u>	<u>223,337,873</u>	<u>235,366,005</u>
Net Capital Assets	<u>\$ 393,268,447</u>	<u>\$ 396,444,881</u>	<u>\$ 410,009,129</u>	<u>\$ 419,202,599</u>	<u>\$ 438,548,881</u>

Source: Central Arkansas Water Finance Department

Central Arkansas Water
TEN YEAR SUMMARY OF CAPITAL ASSETS (Continued)
2014-2023 (Unaudited)

	2019	2020	2021	2022	2023
\$	60,324,790	\$ 64,120,441	\$ 66,083,192	\$ 67,386,363	\$ 69,289,553
	4,598,638	4,974,114	4,974,114	4,974,114	4,974,114
	63,505,997	68,216,688	69,053,560	98,235,278	98,953,788
	2,974,389	3,159,115	2,844,435	2,913,297	3,356,702
	33,419,723	33,419,723	33,419,723	33,742,219	33,742,219
	42,984,525	43,306,480	43,306,480	45,103,357	45,109,928
	28,569,649	33,317,629	33,874,536	36,766,770	36,900,804
	401,665,841	413,991,799	421,922,634	433,784,721	442,150,337
	34,899,020	36,446,689	36,629,529	47,796,688	50,771,070
	29,549,784	46,513,682	68,539,230	38,956,568	61,740,574
	702,492,356	747,466,360	780,647,433	809,659,375	846,989,089
	244,071,804	258,864,562	272,899,053	286,134,659	303,042,632
\$	<u>458,420,552</u>	<u>488,601,798</u>	<u>507,748,380</u>	<u>523,524,716</u>	<u>543,946,457</u>

Central Arkansas Water
TEN YEAR SUMMARY OF FILLED POSITIONS BY DEPARTMENT
2014-2023 (Unaudited)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Administration	12	11	14	15	24	31	32	30	29	30
Customer relations and public affairs	61	63	-	-	-	-	-	-	-	-
Customer service	-	-	-	-	45	45	49	48	53	75
Distribution	108	110	135	141	139	146	145	125	121	114
Engineering	22	21	22	24	24	22	21	22	23	22
Finance and customer service	-	-	69	64	-	-	-	-	-	-
Finance	17	20	-	-	21	21	20	23	23	21
Information services	17	17	16	16	14	16	15	17	18	24
Source and treatment	-	-	-	-	-	-	-	-	-	-
Water quality	-	-	13	12	14	10	-	-	-	-
Water quality and operations	40	41	-	-	-	-	-	-	-	-
Source and treatment/ Water production	-	-	31	35	38	34	46	60	60	64
Total	277	283	300	307	319	325	328	325	327	350

Source: Central Arkansas Water Administration and Finance Department

Central Arkansas Water SCHEDULE OF WATER RATES FOR CAW 2023 (Unaudited)

Minimum Monthly Charge (CAW) Residential & Commercial:

Meter Size	Central Arkansas Water Charge	
	Inside City	Outside City
	5/8"	\$ 8.46
3/4"	\$ 11.23	\$ 14.59
1"	\$ 16.77	\$ 21.79
1 1/2"	\$ 30.61	\$ 39.79
2"	\$ 47.22	\$ 61.39
3"	\$ 99.83	\$ 129.78
4"	\$ 177.36	\$ 230.56
6"	\$ 362.87	\$ 471.72
8"	\$ 778.19	\$ 1,011.64
10"	\$ 1,165.82	\$ 1,515.56
12"	\$ 1,470.39	\$ 1,911.50

Minimum Monthly Charge (CAW) Sprinkler:

Meter Size	Central Arkansas Water Charge	
	Inside City	Outside City
	5/8"	\$ 5.31
3/4"	\$ 7.96	\$ 10.35
1"	\$ 13.27	\$ 17.25
1 1/2"	\$ 26.54	\$ 34.50
2"	\$ 42.46	\$ 55.19
3"	\$ 92.87	\$ 120.73
4"	\$ 167.16	\$ 217.31
6"	\$ 344.94	\$ 448.41
8"	\$ 742.93	\$ 965.81
10"	\$ 1,114.40	\$ 1,448.71
12"	\$ 1,406.26	\$ 1,828.14

Consumption Charge (per 100 cubic feet of usage):

Customer Class	Charge		
	Inside City – LR & NLR		
	1-5 CCFs	6-15 CCFs	Over 15 CCFs
Residential	\$ 1.90	\$ 2.48	\$ 3.04
Commercial	\$ 1.88	\$ 1.88	\$ 1.88
Sprinkler	\$ 2.48	\$ 2.48	\$ 3.04

Customer Class	Charge		
	Outside City – LR & NLR		
	1-5 CCFs	6-15 CCFs	Over 15 CCFs
Residential	\$ 3.05	\$ 3.96	\$ 4.87
Commercial	\$ 3.00	\$ 3.00	\$ 3.00
Sprinkler	\$ 3.96	\$ 3.96	\$ 4.87

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

Watershed Protection Fee (all CAW customers):

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

Infrastructure Investment Fee (all CAW customers):

Meter Size	City
5/8"	\$ 0.50
3/4"	\$ 0.75
1"	\$ 1.25
1 1/2"	\$ 2.50
2"	\$ 4.00
3"	\$ 8.75
4"	\$ 15.75
6"	\$ 32.50
8"	\$ 70.00
10"	\$ 105.00
12"	\$ 132.50

Source: Central Arkansas Water Finance Department

Central Arkansas Water
SCHEDULE OF WATER RATES FOR POWA
2023 (Unaudited)

Minimum Monthly Charge (POWA):

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

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

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

Reserve Fee:

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

Watershed Protection Fee:

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

Transition Surcharges:

<u>Meter Size</u>	<u>Fee</u>
All Meter Sizes	\$ 11.00

Source: Central Arkansas Water Finance Department

APPENDIX E

UNAUDITED FINANCIAL STATEMENTS OF CENTRAL ARKANSAS WATER

AS OF AND FOR THE EIGHT MONTHS ENDED AUGUST 31, 2024



September 12, 2024

Attached are the financial statements for Central Arkansas Water for the month ending August 31, 2024.

Central Arkansas Water

A handwritten signature in black ink, appearing to read "Cynthia Edwards", is written over a light gray rectangular background.

Cynthia Edwards, Director of Finance

CCE/ab

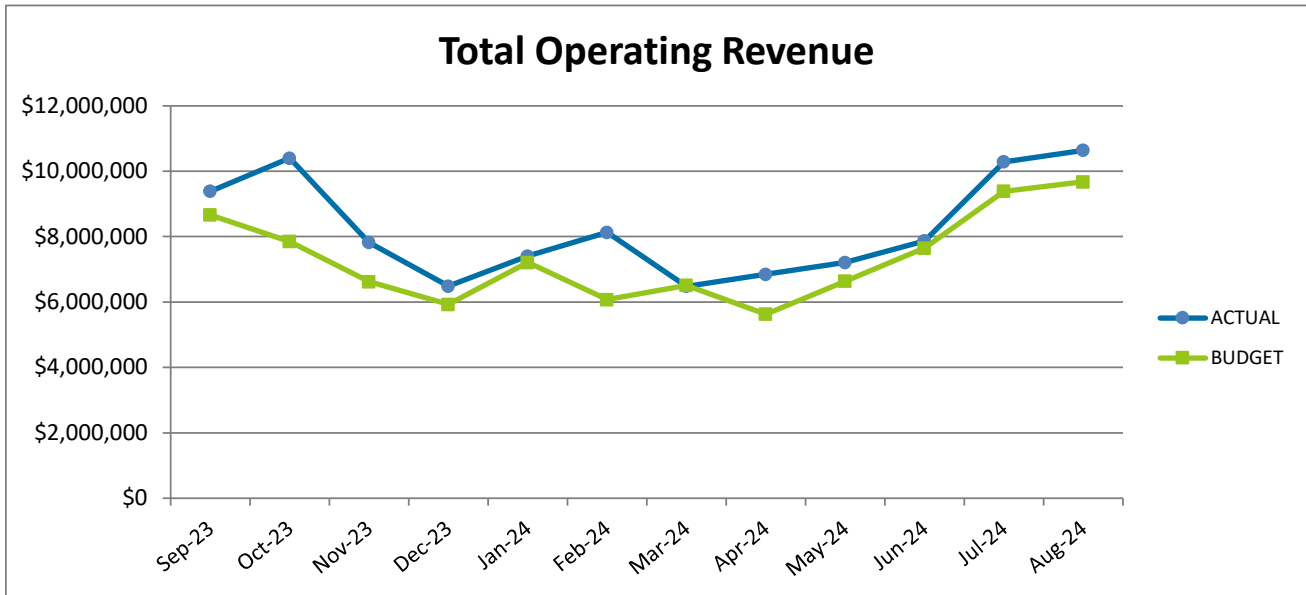
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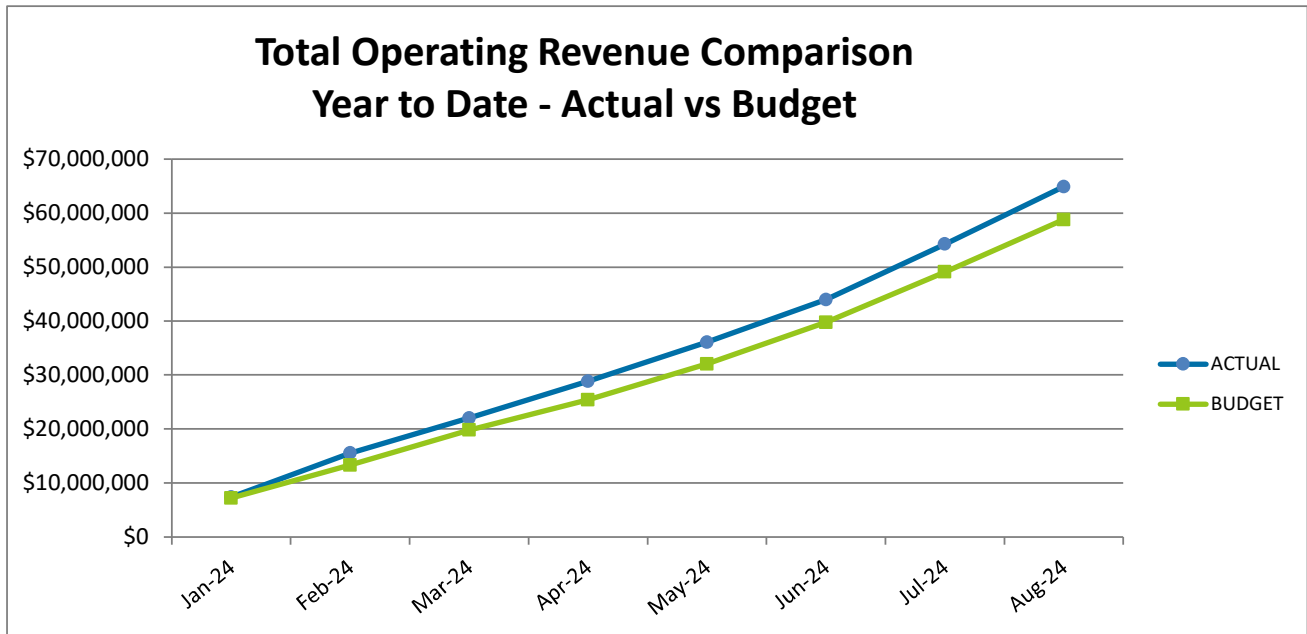


Financial Highlights for August 31, 2024

- Revenues for the month ending August 31, 2024 were \$963K or 10.0% over budget.



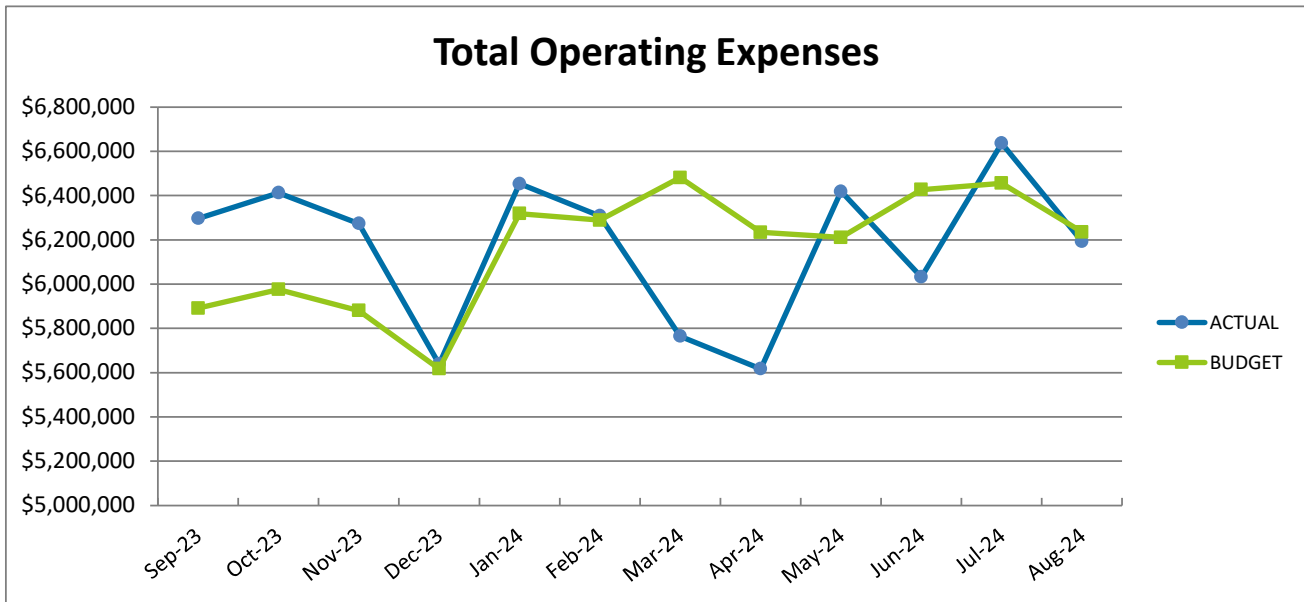
- Year-to-date revenues through August 31, 2024 were \$6.1M or 10.4% over budget.



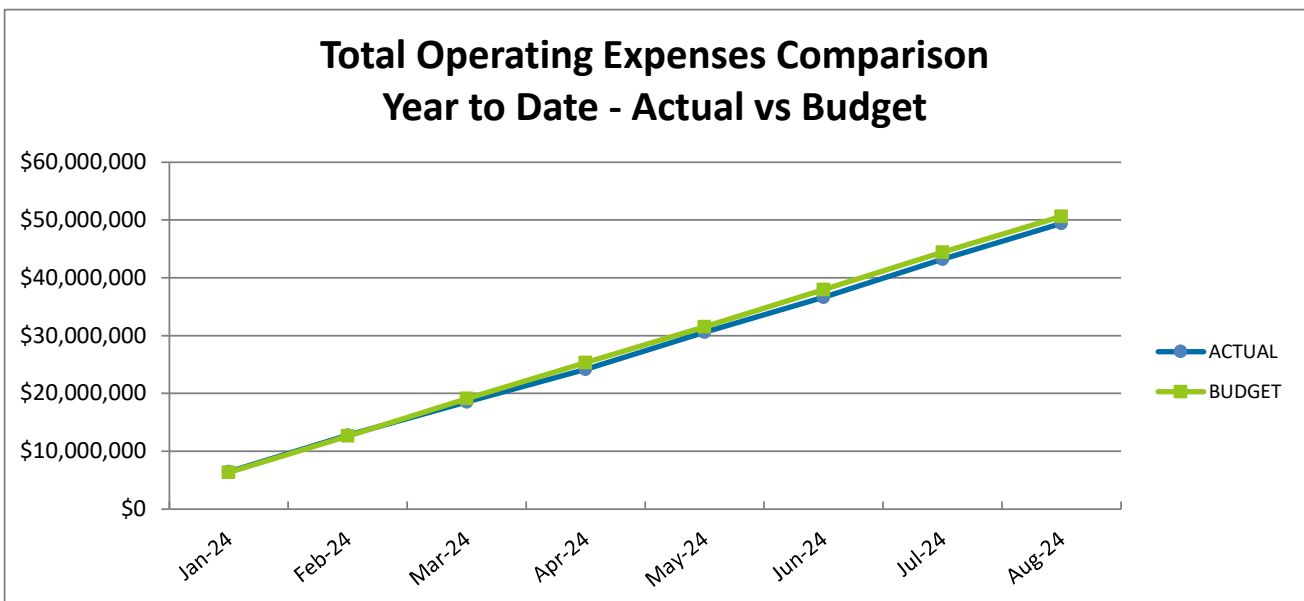


Financial Highlights for August 31, 2024

- O&M expenses for the month ending August 31, 2024 were \$43K or 0.7% under budget.

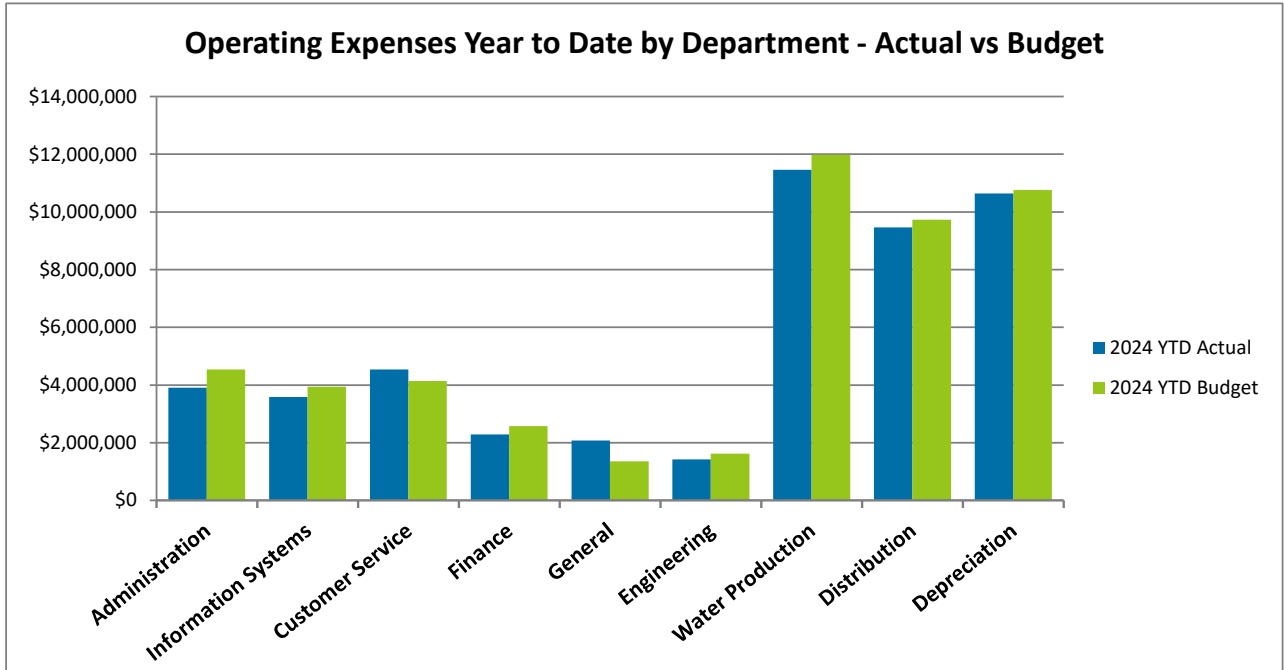


- Year-to-date O&M expenses through August 31, 2024 were \$1.2M or 2.4% under budget. Most of the favorable variance can be found in the following natural classifications: Labor and Benefits - \$868K, Chemicals - \$206K, Electric and Other Utilities \$151K, Depreciation - \$113K, Materials, Supplies, and Maintenance - \$20K, with offsetting unfavorable variances in Contract Services - \$135K.

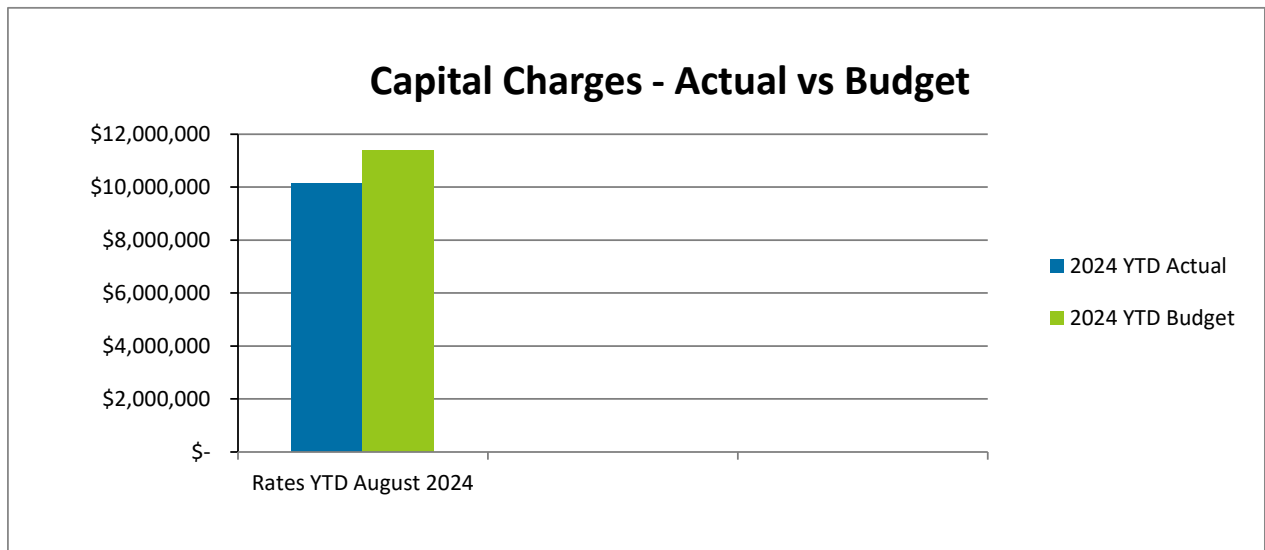




Financial Highlights for August 31, 2024



- Year-to-date Charges to Capital From Rates are running 89.3% of budget through August 31, 2024.



CAW Financial Metrics

		2023	2024	Goal
1	Current Ratio	2.03	2.29	>1.50
2	Quick Ratio	1.89	2.13	>1.25
3	Debt Utilization	33%	31%	<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 \$2.29 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, 2024 the Quick Ratio was 2.13.*

3 *The Debt Utilization percentage is calculated by dividing total Liabilities (less Net OPEB Liability and net Pension Liability) by total Assets. This financial metric measures the extent to which assets are financed through borrowing. A ratio of 31% means that for every dollar of assets, 31 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, 2024



Current Ratio (Current Assets/Current Liabilities)	2.29
Quick Ratio ((Current Assets - Inventories)/Current Liabilities)	2.13
Assets	
Current Assets	
Cash and Securities	45,331,273
Accounts Receivable - Customer	23,068,944
Accounts Receivable - Other	1,701,286
Inventories	6,482,310
Other Current Assets	1,480,257
Total Unrestricted Current Assets	<u>78,064,071</u>
Restricted Cash and Securities - Current	<u>15,586,693</u>
Total Current Assets	<u>\$ 93,650,764</u>
Noncurrent Assets	
Restricted Cash and Securities	16,870,968
Restricted Accrued Interest Receivable	<u>118,376</u>
Total Restricted Noncurrent Assets	16,989,343
Property, Plant, and Equipment - Net	490,495,502
Construction Work in Process	81,941,526
Long-Term Lease Receivables - Net	6,241,147
Other Assets	<u>2,324,404</u>
Total Noncurrent Assets	581,002,578
Deferred Outflows of Resources	<u>16,723,944</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 708,366,629</u>
Cash Ratio (Cash & Securities + Restricted C&S)/Current Liabilities	1.49
Working Capital (Current Assets - Current Liabilities)	52,678,017
Liabilities	
Current Liabilities	
Accounts Payable and Accrued Expenses	6,181,508
Payroll and Related Liabilities	5,018,981
Billed for Other Agencies	13,635,321
Other Post-Employment Benefits Obligation	160,805
Lease Liability - Current Portion	<u>389,439</u>
Total Current Liabilities Payable from Unrestricted Assets	<u>25,386,054</u>
Consumer Deposits - Current Portion	8,150,651
Long Term Obligations - Current Portion	5,034,613
Water Rights Payable - Current Portion	5,876
Bond Interest Payable	1,825,314
Interest Payable - Other	15,674
Accounts Payable and Accrued Expenses	<u>554,564</u>
Total Current Liabilities Payable from Restricted Assets	<u>15,586,693</u>
Total Current Liabilities	<u>\$ 40,972,746</u>
Noncurrent Liabilities	
Deferred Revenue	1,129,944
Long Term Obligations, Net	161,491,654
Long Term Lease Liability	1,725,253
Net OPEB Liability	8,592,023
Net Pension Liability	<u>31,092,450</u>
Total Noncurrent Liabilities	<u>\$ 204,031,325</u>
Deferred Inflows of Resources	<u>16,663,460</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 261,667,531</u>
Net Position	
Invested in Capital Assets, Net of Related Debt	407,249,931
Restricted	20,700,460
Unrestricted	<u>18,748,708</u>
Total Net Position	<u>\$ 446,699,099</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 708,366,629</u>

Central Arkansas Water
Comparative Statement of Revenue and Expense - by Department
For the Month Ending August 31, 2024



	August			Year to Date		
	2023 Actual	2024 Actual	2024 Budget	2023 Actual	2024 Actual	2024 Budget
Operating Revenues						
Little Rock						
Residential	1,717,907	1,803,671	2,274,362	10,895,472	13,924,450	12,517,032
Commercial	1,262,339	1,373,710	1,481,015	7,588,502	9,522,594	8,150,810
Sprinkler	1,843,037	2,120,005	1,383,041	5,963,890	6,729,739	7,611,613
Raw Water	11,514	14,533	9,718	77,826	97,223	53,486
Private Fire Service	69,855	77,266	96,534	490,502	638,710	541,783
North Little Rock						
Residential	1,172,382	1,293,446	1,191,317	7,363,509	9,126,423	8,333,801
Commercial	495,690	498,869	470,005	3,072,046	3,710,390	3,330,994
Sprinkler	444,543	489,056	426,313	1,351,329	1,572,509	1,528,429
Private Fire Service	18,124	20,279	18,545	127,733	162,829	148,360
Maumelle						
Residential	229,936	275,959	255,876	1,578,841	1,930,962	1,805,854
Commercial	110,338	88,025	95,105	544,047	682,151	612,160
Sprinkler	187,828	249,026	174,656	620,818	658,010	520,113
Private Fire Service	3,922	4,389	4,013	27,644	35,238	32,107
Wholesale Customers						
Bryant Water & Sewer	117,461	160,725	140,516	788,233	994,795	931,312
Shannon Hills Water	17,954	20,849	17,769	141,197	181,525	134,016
Sardis Water Association	7,123	13,561	14,492	63,459	82,810	107,797
Jacksonville Waterworks	213,369	231,083	226,904	1,363,071	1,527,500	1,475,533
Mid-Arkansas Utilities	6,071	9,702	9,772	60,333	77,598	74,442
Woodland Hills (SCPFB)	4,157	4,555	6,085	31,078	36,003	38,177
Salem Water Users Public Water	154,063	217,738	164,221	966,724	1,270,598	1,093,872
Cabot Water	18,173	24,128	25,615	160,706	195,077	195,504
Penalties and Turn-On Charges						
Penalties on Past Due Accounts	112,015	123,318	83,375	726,792	878,933	667,000
Turn On Charges	45,361	42,860	6,334	333,625	323,970	50,672
Ancillary Charges						
System Development Charges	32,400	28,350	27,083	202,500	206,015	216,664
Miscellaneous Service Fees	189,665	135,789	41,667	1,192,403	1,067,129	333,336
Connection Fees	89,130	76,369	70,833	608,745	537,898	566,664
Capital Investment Charges	5,175	7,475	12,167	43,384	57,024	97,336
Watershed Protection Fees	202,822	198,565	200,752	1,545,602	1,575,187	1,606,016
Billing Fees	458,436	460,536	429,249	3,515,711	3,562,500	3,433,992
Infrastructure Fees	-	131,681	55,299	-	980,512	442,392
Other	21,245	233,101	42,758	370,102	833,587	342,064
Surcharge Revenue	208,291	213,737	223,544	1,647,302	1,690,216	1,788,352
Total Operating Revenues	\$ 9,470,328	\$ 10,642,355	\$ 9,678,935	\$ 53,463,129	\$ 64,870,103	\$ 58,781,683

Central Arkansas Water
Comparative Statement of Revenue and Expense - by Department
For the Month Ending August 31, 2024



	August			Year to Date		
	2023 Actual	2024 Actual	2024 Budget	2023 Actual	2024 Actual	2024 Budget
Operating Expenses						
Administration	566,270	480,457	525,295	4,265,207	3,910,182	4,540,353
Information Services	484,007	424,931	493,294	2,946,981	3,585,632	3,937,111
Customer Service	466,458	580,651	517,232	4,097,508	4,539,245	4,140,243
Finance	262,679	325,737	314,777	2,278,005	2,288,997	2,574,276
General	258,279	271,989	175,142	1,916,035	2,084,165	1,357,532
Engineering	140,684	173,188	201,476	1,232,240	1,427,984	1,629,734
Water Production	2,557,056	1,429,168	1,428,761	14,415,623	11,466,468	11,983,994
Distribution	1,190,036	1,173,884	1,234,949	9,057,311	9,469,390	9,730,046
Depreciation	1,343,778	1,328,895	1,344,852	11,146,124	10,646,044	10,758,816
Total Operating Expenses	\$ 7,269,248	\$ 6,192,512	\$ 6,235,777	\$ 51,355,034	\$ 49,425,331	\$ 50,652,105
Operating Income (Loss)	\$ 2,201,080	\$ 4,449,843	\$ 3,443,158	\$ 2,108,095	\$ 15,444,773	\$ 8,129,578
Other Revenue (Expense)						
In Lieu of Taxes	(69,146)	(77,538)	(77,538)	(553,168)	(620,304)	(620,304)
Investment Income	747,040	284,495	16,239	2,165,991	2,353,681	129,912
Bond Interest Expense-Net	(248,348)	(284,202)	(186,361)	(2,036,200)	(1,946,007)	(1,490,888)
Bond Interest Expense - Maumelle	(32,392)	(28,738)	(29,481)	(263,484)	(263,101)	(235,848)
Interest Expense - Other	(1,353)	(1,286)	(1,297)	(10,949)	(47,625)	(10,376)
Gain/Loss on Sale of Assets	(441,109)	-	-	13,346	18,357	-
Total Other Revenue (Expense)	\$ (45,308)	\$ (107,268)	\$ (278,438)	\$ (684,464)	\$ (504,999)	\$ (2,227,504)
Net Income (Loss) before Contributions	2,155,772	4,342,575	3,164,720	1,423,631	14,939,774	5,902,074
Contributions						
Capital Contributions from Grantors	-	-	-	-	6,002,036	-
Contributions-in-aid of Construction	366,243	557,754	25,000	2,299,917	2,087,687	2,050,000
Total Contributions	\$ 366,243	\$ 557,754	\$ 25,000	\$ 2,299,917	\$ 8,089,723	\$ 2,050,000
Change in Net Position	\$ 2,522,015	\$ 4,900,329	\$ 3,189,720	\$ 3,723,549	\$ 23,029,497	\$ 7,952,074

Central Arkansas Water
Comparative Statement of Revenue and Expense - by Natural Classification
For the Month Ending August 31, 2024



	August			Year to Date		
	2023 Actual	2024 Actual	2024 Budget	2023 Actual	2024 Actual	2024 Budget
Operating Revenues						
Little Rock						
Residential	1,717,907	1,803,671	2,274,362	10,895,472	13,924,450	12,517,032
Commercial	1,262,339	1,373,710	1,481,015	7,588,502	9,522,594	8,150,810
Sprinkler	1,843,037	2,120,005	1,383,041	5,963,890	6,729,739	7,611,613
Raw Water	11,514	14,533	9,718	77,826	97,223	53,486
Private Fire Service	69,855	77,266	96,534	490,502	638,710	541,783
North Little Rock						
Residential	1,172,382	1,293,446	1,191,317	7,363,509	9,126,423	8,333,801
Commercial	495,690	498,869	470,005	3,072,046	3,710,390	3,330,994
Sprinkler	444,543	489,056	426,313	1,351,329	1,572,509	1,528,429
Private Fire Service	18,124	20,279	18,545	127,733	162,829	148,360
Maumelle						
Residential	229,936	275,959	255,876	1,578,841	1,930,962	1,805,854
Commercial	110,338	88,025	95,105	544,047	682,151	612,160
Sprinkler	187,828	249,026	174,656	620,818	658,010	520,113
Private Fire Service	3,922	4,389	4,013	27,644	35,238	32,107
Wholesale Customers						
Bryant Water & Sewer	117,461	160,725	140,516	788,233	994,795	931,312
Shannon Hills Water	17,954	20,849	17,769	141,197	181,525	134,016
Sardis Water Association	7,123	13,561	14,492	63,459	82,810	107,797
Jacksonville Waterworks	213,369	231,083	226,904	1,363,071	1,527,500	1,475,533
Mid-Arkansas Utilities	6,071	9,702	9,772	60,333	77,598	74,442
Woodland Hills (SCPFB)	4,157	4,555	6,085	31,078	36,003	38,177
Salem Water Users Public Water	154,063	217,738	164,221	966,724	1,270,598	1,093,872
Cabot Water	18,173	24,128	25,615	160,706	195,077	195,504
Penalties and Turn-On Charges						
Penalties on Past Due Accounts	112,015	123,318	83,375	726,792	878,933	667,000
Turn On Charges	45,361	42,860	6,334	333,625	323,970	50,672
Ancillary Charges						
System Development Charges	32,400	28,350	27,083	202,500	206,015	216,664
Miscellaneous Service Fees	189,665	135,789	41,667	1,192,403	1,067,129	333,336
Connection Fees	89,130	76,369	70,833	608,745	537,898	566,664
Capital Investment Charges	5,175	7,475	12,167	43,384	57,024	97,336
Watershed Protection Fees	202,822	198,565	200,752	1,545,602	1,575,187	1,606,016
Billing Fees	458,436	460,536	429,249	3,515,711	3,562,500	3,433,992
Infrastructure Fees	-	131,681	55,299	-	980,512	442,392
Other	21,245	233,101	42,758	370,102	833,587	342,064
Surcharge Revenue	208,291	213,737	223,544	1,647,302	1,690,216	1,788,352
Total Operating Revenues	\$ 9,470,328	\$ 10,642,355	\$ 9,678,935	\$ 53,463,129	\$ 64,870,103	\$ 58,781,683

Central Arkansas Water
Comparative Statement of Revenue and Expense - by Natural Classification
For the Month Ending August 31, 2024



	August			Year to Date		
	2023 Actual	2024 Actual	2024 Budget	2023 Actual	2024 Actual	2024 Budget
Operating Expenses						
Labor and Benefits	2,681,477	2,960,491	3,127,908	22,509,710	24,199,439	25,067,434
Materials, Supplies, and Maintenance	1,918,653	820,765	730,353	8,441,588	5,826,240	5,846,462
Electric and Other Utilities	575,541	476,957	484,504	4,178,232	3,711,719	3,863,091
Contract Services	311,082	305,360	251,429	2,673,212	2,877,782	2,742,446
Chemicals	438,716	299,628	295,832	2,396,832	2,160,774	2,366,656
Depreciation	1,343,778	1,328,895	1,344,852	11,146,124	10,646,044	10,758,816
Other	-	417	900	9,296	3,333	7,200
Total Operating Expenses	\$ 7,269,248	\$ 6,192,512	\$ 6,235,777	\$ 51,355,034	\$ 49,425,331	\$ 50,652,105
Operating Income (Loss)	\$ 2,201,080	\$ 4,449,843	\$ 3,443,158	\$ 2,108,095	\$ 15,444,773	\$ 8,129,578
Other Revenue (Expense)						
In Lieu of Taxes	(69,146)	(77,538)	(77,538)	(553,168)	(620,304)	(620,304)
Investment Income	747,040	284,495	16,239	2,165,991	2,353,681	129,912
Bond Interest Expense-Net	(248,348)	(284,202)	(186,361)	(2,036,200)	(1,946,007)	(1,490,888)
Bond Interest Expense - Maumelle	(32,392)	(28,738)	(29,481)	(263,484)	(263,101)	(235,848)
Interest Expense - Other	(1,353)	(1,286)	(1,297)	(10,949)	(47,625)	(10,376)
Gain/Loss on Sale of Assets	(441,109)	-	-	13,346	18,357	-
Total Other Revenue (Expense)	\$ (45,308)	\$ (107,268)	\$ (278,438)	\$ (684,464)	\$ (504,999)	\$ (2,227,504)
Net Income (Loss) before Contributions	2,155,772	4,342,575	3,164,720	1,423,631	14,939,774	5,902,074
Contributions						
Capital Contributions from Grantors	-	-	-	-	6,002,036	-
Contributions-in-aid of Construction	366,243	557,754	25,000	2,299,917	2,087,687	2,050,000
Total Contributions	\$ 366,243	\$ 557,754	\$ 25,000	\$ 2,299,917	\$ 8,089,723	\$ 2,050,000
Change in Net Position	\$ 2,522,015	\$ 4,900,329	\$ 3,189,720	\$ 3,723,549	\$ 23,029,497	\$ 7,952,074

Central Arkansas Water
Comparative Statement of Revenue and Expense - by Natural Classification
For Paron Service Area
For the Month Ending August 31, 2024



	August			Year to Date		
	2023 Actual	2024 Actual	2024 Budget	2023 Actual	2024 Actual	2024 Budget
Operating Revenues						
Paron						
Residential	55,714	57,911	48,305	393,944	421,626	386,440
Commercial	4,768	4,635	3,603	45,954	38,416	28,824
Penalties and Turn-On Charges						
Penalties on Past Due Accounts	1,274	1,678	1,250	8,295	9,288	10,000
Turn On Charges	320	320	-	1,905	1,800	-
Ancillary Charges						
System Development Charges	1,050	750	333	4,800	3,000	2,664
Miscellaneous Service Fees	-	-	8	-	-	64
Connection Fees	8,855	6,325	3,000	40,480	25,300	24,000
Other	40	380	-	4,848	2,260	-
Paron Debt Surcharge Revenue	13,793	14,193	10,450	107,300	110,915	83,600
Total Operating Revenues	\$ 85,815	\$ 86,193	\$ 66,949	\$ 607,527	\$ 612,605	\$ 535,592
Operating Expenses						
Labor and Benefits	169,786	14,997	20,533	156,492	128,580	164,273
Materials, Supplies, and Maintenance	17,574	15,345	10,996	88,717	121,755	87,952
Electric and Other Utilities	2,161	2,989	2,733	18,219	20,301	21,870
Contract Services	13,014	-	100	30,266	-	790
Chemicals	3,122	2,254	2,127	19,987	19,268	17,014
Depreciation	11,407	11,385	15,629	91,258	91,079	125,033
Total Operating Expenses	\$ 217,065	\$ 46,970	\$ 52,118	\$ 404,938	\$ 380,983	\$ 416,932
Operating Income (Loss)	\$ (131,250)	\$ 39,223	\$ 14,832	\$ 202,589	\$ 231,622	\$ 118,661
Other Revenue (Expense)						
Investment Income	189	208	83	1,337	1,605	666
Bond Interest Expense-Net	(6,871)	-	(6,706)	(53,757)	-	(53,649)
Total Other Revenue (Expense)	\$ (6,683)	\$ 208	\$ (6,623)	\$ (52,420)	\$ 1,827	\$ (52,983)
Change in Net Position	\$ (137,933)	\$ 39,431	\$ 8,209	\$ 150,168	\$ 233,449	\$ 65,678

Central Arkansas Water

Revenue Summary by Classification

For the Month Ending August 31, 2024



	Current Month		Year-to-Date	
	Inside City August 2024	Outside City August 2024	Inside City August 2024	Outside City August 2024
Operating Revenues				
Little Rock				
Residential	1,492,763	310,908	11,662,550	2,261,900
Commercial	1,187,363	186,347	8,442,828	1,079,766
Sprinkler	2,062,120	57,884	6,529,603	200,136
Raw Water	3,698	10,835	11,586	85,637
Private Fire Service	72,603	4,663	604,303	34,406
Total Little Rock	4,818,548	570,637	27,250,870	3,661,845
North Little Rock				
Residential	559,085	734,361	4,078,094	5,048,329
Commercial	363,716	135,154	2,694,810	1,015,581
Sprinkler	327,222	161,834	1,047,022	525,487
Private Fire Service	16,611	3,668	133,380	29,449
Total North Little Rock	1,266,634	1,035,017	7,953,305	6,618,846
Maumelle				
Residential		275,959		1,930,962
Commercial		88,025		682,151
Sprinkler		249,026		658,010
Private Fire Service		4,389		35,238
Total Maumelle		617,398		3,306,362
Wholesale Customers				
Bryant Water & Sewer		160,725		994,795
Shannon Hills Water		20,849		181,525
Sardis Water Association		13,561		82,810
Jacksonville Waterworks		231,083		1,527,500
Mid-Arkansas Utilities-Mid-Arkansas Utilities		9,702		77,598
Woodland Hills (SCPFB)		4,555		36,003
Salem Water Users Public Water Assn.		217,738		1,270,598
Cabot Water		24,128		195,077
Total Wholesale Customers		682,340		4,365,905
Penalties and Turn-on Charges				
Penalties	123,318		878,933	
Turn On Charges	42,860		323,970	
Total Penalties and Turn-on Charges	166,178		1,202,903	
Ancillary Charges				
Billing Fees	596,325		4,629,630	
Connection Fees	76,369		537,898	
Watershed Protection Fees	198,565		1,575,187	
Capital Investment Charges - Water Mains	2,425		22,874	
Capital Investment Charges - Geographic Area	5,050		34,150	
System Development Charges	28,350		206,015	
Infrastructure Fees	131,681		980,512	
Other	233,101		833,587	
Surcharge Revenue	213,737		1,690,216	
Total Ancillary Charges	1,485,604		10,510,068	
Total Operating Revenues	7,736,964	2,905,391	46,917,145	17,952,958

**CENTRAL ARKANSAS WATER
NUMBER OF CUSTOMER BILLS BY CLASSIFICATION
August 31, 2024**



CLASSIFICATION	2023	2024	CHANGE	2023	2024	CHANGE	2023	2024	TOTAL
	INSIDE CITY	INSIDE CITY	INSIDE CITY	OUTSIDE CITY	OUTSIDE CITY	OUTSIDE CITY	TOTAL	TOTAL	CHANGE
LITTLE ROCK CUSTOMERS									
RESIDENTIAL	63,950	64,533	583	6,877	6,901	24	70,827	71,434	607
COMMERCIAL	7,347	7,405	58	478	478	0	7,825	7,883	58
SPRINKLER	2,685	2,681	(4)	63	65	2	2,748	2,746	(2)
RAW WATER IRRIGATION	2	2	0	1	1	0	3	3	0
FIRE SERVICES	1,683	1,683	0	51	51	0	1,734	1,734	0
TOTAL LITTLE ROCK CUSTOMERS	75,667	76,304	637	7,470	7,496	26	83,137	83,800	663
NORTH LITTLE ROCK CUSTOMERS									
RESIDENTIAL	22,601	22,763	162	18,933	19,010	77	41,534	41,773	239
COMMERCIAL	2,909	2,949	40	1,128	1,124	(4)	4,037	4,073	36
SPRINKLER	672	685	13	212	213	1	884	898	14
FIRE SERVICES	482	482	0	100	100	0	582	582	0
TOTAL NORTH LITTLE ROCK CUSTOMERS	26,664	26,879	215	20,373	20,447	74	47,037	47,326	289
MAUMELLE CUSTOMERS									
RESIDENTIAL				7,654	7,821	167	7,654	7,821	167
COMMERCIAL				271	275	4	271	275	4
SPRINKLER				146	155	9	146	155	9
FIRE SERVICES				51	51	0	51	51	0
TOTAL MAUMELLE CUSTOMERS				8,122	8,302	180	8,122	8,302	180
PARON CUSTOMERS									
RESIDENTIAL				944	974	30	944	974	30
COMMERCIAL				46	43	(3)	46	43	(3)
TOTAL PARON CUSTOMERS				990	1,017	27	990	1,017	27
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
CABOT				1	1	0	1	1	0
TOTAL WHOLESALE CUSTOMERS				8	8	0	8	8	0
GRAND TOTAL	102,331	103,183	852	36,963	37,270	307	139,294	140,453	1,159

**CENTRAL ARKANSAS WATER
CHARGES TO CAPITAL
8/31/2024**



	BALANCE 12/31/2023	ADDITIONS	DISPOSALS	TRANSFERS, net	Reclass	BALANCE 8/31/2024	CAW 12 MO BUDGET 2024
LAND	\$69,277,869	\$9,778,920	\$0	\$0	\$0	\$79,056,789	\$2,006,672
LAND IMPROVEMENT	3,368,629	0	0	0	0	3,368,629	600,250
WATER SOURCE	38,508,551	0	0	0	0	38,508,551	1,000,000
BUILDINGS, GROUNDS, TANKS	98,953,788	0	0	0	0	98,953,788	10,041,188
FURNITURE & FIXTURES	977,530	0	0	0	0	977,530	0
PUMPING EQUIPMENT	36,899,153	341,433	0	0	0	37,240,586	5,543,050
PURIFICATION EQUIPMENT	45,109,928	17,493	38,180	3,253	0	45,092,494	40,510,750
TRANSPORTATION & CONSTRUCTION EQUIP	10,092,084	1,731,234	96,945	0	0	11,726,373	2,330,150
COMPUTER HARD/SOFTWARE/ELECTRONICS	27,155,502	0	0	0	0	27,155,502	3,436,348
MISCELLANEOUS EQUIPMENT	11,611,809	668,532	5171.08	0	0	12,275,170	0
SERVICES	50,521,503	0	0	1,850,373	0	52,371,876	1,785,000
METER INSTALLATIONS	19,255,240	0	0	107,755	0	19,362,995	1,670,500
MAIN INSTALLATIONS	355,038,156	0	0	4,257,149	0	359,295,305	20,766,070
FIRE HYDRANTS	14,292,560	0	0	177,210	0	14,469,770	149,362
VALVES	2,186,060	0	0	117,216	0	2,303,276	88,750
WELLS	-	0	0	0	0	0	0
CONSTRUCTION WORK IN PROCESS	61,995,410	23,840,071	0	(6,512,955)	0	79,322,526	
CAPITAL BUDGET SUBTOTAL							89,928,090
CONTRIBUTIONS-IN-AID OF CONSTRUCTION							2,500,000
TOTAL	845,243,772	36,377,683	140,296	0	0	881,481,162	92,428,090
YTD CHARGES DISTRIBUTION:							
CONTRIBUTIONS-IN-AID OF CONSTRUCTION		2,082,687					
ANRC - WILSON WTP BOND ISSUE		4,954,236					
ANRC - WEST PULASKI		1,534,171					
2020B BOND ISSUE		3,219,975					
2020C BOND ISSUE		3,910,137					
2024 BOND		2,211,976					
WATERSHED PROTECTION FEES		2,139,513					
FOREST LEGACY GRANT		6,000,000					
MWM SURCHARGE		174,983					
CAPITAL FROM RATES		10,150,006					
TOTAL		\$36,377,683					

**Central Arkansas Water
Total Cash and Securities
August 2024**



Checking Accounts	
Petty Cash	3,500
Water Fund Checking	19,631,077
Paron Water Fund Checking	1,282,604
Total Checking Accounts	20,917,181
Restricted Checking Accounts	
2020A ANRD CHECKING - WP	367,317
ANRC WILSON REHAB ENGINEERING	1,431,658
POWA - DEBT SURCHARGE	368,045
RIDGEFIELD DS	176,559
Frazier Pike - Administration	18,129
Frazier Pike - Debt Service	30,080
MWM Surcharge Revenue - Intermediate Term	2,094,281
MWM Surcharge Revenue - Long Term	590,691
Total Restricted Checking Accounts	5,076,760
Trust Funds	
Operation & Maintenance Fund	7,221,059
Depreciation Trust Fund	4,910,512
Consumers Deposit Trust Fund	8,144,151
System Development Trust Fund	1,168,552
Capital Investment Charge Trust Fund	772,509
Watershed Protection Trust Fund	6,275,622
Rate Stabilization Trust Fund	10,917,412
Bond Fund - 2012A	1,011,868
Debt Service Reserve Fund - 2012A	602,159
Bond Fund - 2014	1,265,723
Debt Service Reserve Fund - 2014	542,500
Bond Fund - 2016 Maumelle	486,303
Debt Service Reserve Fund - 2016 Maumelle	600,713
Bond Fund - 2016 Refinance	95,696
Debt Service Reserve Fund - 2016 Refinance	698,700
Bond Fund - 2018B	1,111,385
Debt Service Reserve Fund - 2018B	717,894
Bond Fund - 2020B, 2020C, 2020D	772,457
Debt Service Reserve - 2020B	2,580,169
Construction Fund - 2020B	1,005,827
Construction Fund - 2020C	893,785
Total Trust Funds	51,794,993

**Central Arkansas Water
Accounts Receivable Aged Trial Balance
As of August 31, 2024**



	<i>Days</i>				<i>Total</i>
	<i>Current</i>	<i>31 - 60</i>	<i>61 - 90</i>	<i>91 - Over</i>	
Central Arkansas Water Customer Accounts					
Water	\$6,653,457	\$775,993	\$314,094	\$666,015	\$8,409,559
Sewer	5,445,394	759,372	367,199	640,061	7,212,026
Refuse	1,725,428	256,843	126,194	271,857	2,380,321
Total Customer Accounts	13,824,279	1,792,208	807,487	1,577,934	18,001,907
Accrued Unbilled Revenue	4,762,732	0	0	0	4,762,732
State, County, and City Taxes	646,081	73,566	31,394	48,657	799,698
Allowance for Bad Debts	0	0	0	(495,392)	(495,392)
Total Accounts Receivable - Customers	\$19,233,092	\$1,865,774	\$838,881	\$1,131,198	\$23,068,944

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 Financial Advisor, and the Underwriter believe the source of such information to be reliable, but none of the Issuer, the Financial 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"). 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 affect 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.

APPENDIX G

FORM OF OPINION OF BOND COUNSEL

Regions Bank, as Trustee
Little Rock, Arkansas

_____, _____

Re: \$22,260,000* Central Arkansas Water Capital Improvement Water Revenue Bonds, Series 2024A

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by Central Arkansas Water (the "Issuer"), of \$22,260,000* Central Arkansas Water Capital Improvement Water Revenue Bonds, Series 2024A (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 _____ 2024 (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 has 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"); 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 2016 (the "Series 2016 Bonds"); Water Revenue Bond (Wilson Pump Station Project), Series 2017A (the "Series 2017A Bond"); Water Revenue Bonds, Series 2018B (the "Series 2018B Bonds"); Water Revenue Bond (Ozark Point Water Treatment Plant Project), Series 2019A (the "Series 2019A Bond"); Capital Improvement and Refunding Water Revenue Bonds, Series 2020B (the "Series 2020B Bonds"); Capital Improvement and Refunding Water Revenue Bonds, Series 2020C (Green Bonds) (the "Series 2020C Bonds"); Water Revenue Bonds, Series 2020D (Taxable) (the "Series 2020D Bonds"); Water Revenue Bond (Wilson Pump Station #1A Project), Series 2022B (the "Series 2022B Bond"); and Water Revenue Bond (Wilson Treatment Plant Project), Series 2023B (the

* Preliminary; subject to change.

"Series 2023B Bond"). 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 2016 Bonds, the Series 2017A Bond, the Series 2018B Bonds, the Series 2019A Bond, the Series 2020B Bonds, the Series 2020C Bonds, the Series 2020D Bonds, the Series 2022B Bond, and the Series 2023B Bond 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; Water Revenue Bond (POWA Project), Series 2020A; Water Revenue Bond (Frazier Pike Project), Series 2021A; Water Revenue Bond (Wye Mountain Project), Series 2021B; Water Revenue Bond (Ridgefield Project), Series 2022A; Water Revenue Bond (West Pulaski Project), Series 2023C; and Water Revenue Bond (West Pulaski Project), Series 2023D.

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; provided, however, that with respect to certain corporations, interest on the Bonds will be taken into account in determining annual adjusted financial statement income for the purpose of computing the federal alternative minimum tax. 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,

FRIDAY, ELDREDGE & CLARK, LLP