

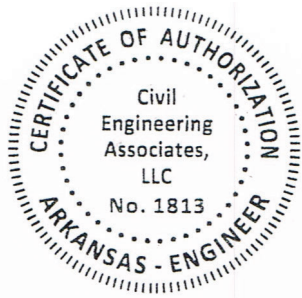
2025 Sewer Rate Study

Prepared For:

Central States Water Resources, Inc.

September 2025

Prepared By:



1163 MAIN STREET, SUITE 104
VILONIA, ARKANSAS 72173
(501) 504-2455
FAX (870) 932-0432

Overview - What is Act 925 of 2025

In the 95th General Assembly Regular Session of the Arkansas State Legislature a Bill was enacted that modified Arkansas Code Title 14, Chapter 239 to add Subchapter 1 - Oversight of Wastewater and Sewer Retail Providers. The purpose of this Bill is to amend the law concerning retail wastewater and sewer providers and related service, and for other purposes **(See Appendix A for full text of Act 925 of 2025)**.

The Arkansas Department of Agriculture, Natural Resources Division (NRD) will be responsible for compliance oversight implemented by Act 925. Formal rules have not been provided at this time, but the rules are expected to mirror those of rules implementing Act 605 of 2021, as amended by Act 545 of 2023. The following categories of rules are to be adhered to **(See Appendix B for text of Rules Implementing Act 605)**;

1. Requirement to establish Refurbishment and Replacement Account(s)
2. Requirements of Rate Studies for Retail Water Providers
3. Determination of Fiscal Distress
4. Miscellaneous
5. Requirements for Training

Background (Source - Arkansas Department of Agriculture, Natural Resources Division)

Act 925 of 2025 tasked retail wastewater and sewer providers with additional responsibilities in managing and operating their systems, with some exceptions. These responsibilities include preparation of a rate study every 5 years. Rates determined from the study are required to be implemented within one year of the completion of the study, or two years if the recommended rates increase the provider's rates by fifty percent or more. Failure to complete a rate study or implement the required rate increases will result in a determination that the provider is in fiscal distress. Rate studies must be filed with the Arkansas Legislative Audit and the Arkansas Department of Agriculture's Natural Resources Division.

Under the legislation, all members of a provider's governing board must complete eight hours of training. The training must be completed within one year of becoming a board member. A member with 10 years or more service on the governing board is exempt from training. The Act provides that the NRD shall consult with an advisory training board for the development of the required training.

All rate studies performed by an approved rate study provider shall be an objective and unbiased review of the Provider's fiscal status. All submitted rate studies must include a certification by the approved rate study provider that the study complies with Act 925 of 2025 and the rules implementing the Act, as amended. The NRD may remove an approved rate study provider from its list of approved entities if it determines that an entity violated Arkansas law or Commission rules in performing a rate study.

Rate studies shall be based on the guidelines of the American Water Works Association and the Water Environment Federation.

Data Collection and Analytical Review

For the purpose of this Study, Central States Water Resources, Inc. (CSWR) provided information for analysis in compliance with the requirements of Act 925. Civil Engineering Associates, LLC (CEA) is an approved Rate Study provider and has been retained to perform an analytical review of the Arkansas Systems owned and operated by CSWR for the purpose of ensuring compliance with the rules and regulations of Act 925. The conclusion of the review will result in a report that meets all requirements and is suitable for submission to the Arkansas Legislative Audit and NRD, including a recommended rate structure to be implemented.

Required Information to be Provided for Complete Rate Study

The following shall be incorporated into Rate Study Analysis for compliance with Act 925

1. Reports containing the following information for the current year and projections for the next five (5) years:
 - A. A comprehensive cost analysis, including:
 - i. Operations and maintenance (O&M) expenses;
 - ii. Financing expenses, including but not limited to, debt service payments, bond issuance costs, and commercial paper fees, if applicable;
 - iii. Any required cash reserves unavailable to pay for expenses, including but not limited to the annual refurbishment and replacement account deposit requirement as set out in Ark. Code Ann. § 14-234-802(e);
 - iv. Depreciation expenses;
 - v. Future capital expenses;
 - vi. Expenses required for an annual audit or agreed-upon procedures and compilation report;
 - vii. Expenses required for rate studies required under Ark. Code Ann. § 14-234-802; and
 - viii. Any other expenses not accounted for in paragraphs (i) through (vii).
 - B. A comprehensive revenue earnings analysis, including:
 - i. Available Cash balance;
 - ii. Non-rate revenue;
 - iii. Rate revenue without recommended increases;
 - iv. For the five projected years, recommended rate increases and the projected additional revenue derived therefrom;
 - v. Debt Service Coverage Ratios;
 - vi. The number of days that the available cash balance could cover O&M expenses without additional revenue;
 - vii. Annualized revenue requirement.
2. The provider's asset management plan, including:
 - A. An inventory of essential assets. For each essential asset, the provider shall provide the following information:

- i. Asset type;
 - a. Annual maintenance costs;
 - b. Year installed;
 - c. Vendor-specified useful life, if available;
 - d. Anticipated date of replacement;
 - e. Installation or replacement cost estimate; and
 - f. Projected consequence of failure.
 - B. The provider's plan for replacement of essential assets.
- 3. An explanation of the provider's chosen rate design.
- 4. Recommendations for any changes to the provider's operations, including a plan on how the changes should be implemented.
- 5. Certification by the entity performing the rate study that such study complies with Ark. Code Ann. § 14-234-801 et. seq. and the Rules.

Financial Sustainability

Providers of public and private sewer systems are required to establish rate structures that consistently generate sufficient revenues to pay all debt service obligations, operate and maintain the system(s) within regulatory compliance, and maintain reserve accounts for repairs and replacements within the system(s). In order to maintain revenues in excess of expenses, Providers should periodically review their rates to ensure an adequate revenue stream that keeps up with the rising costs associated with operating and maintaining a system. Should a Provider not be proactive in keeping up with rising costs, they tend to defer maintenance obligations and deplete reserve accounts. Neither of these would be considered good management practices and could lead to a system being found as distressed and/or non-compliant with regulatory agencies.

Periodic evaluation of system costs should be evaluated to maintain financial sustainability. The primary indicator of financial sustainability is the Debt Service Coverage Ratio (DSCR). This ratio is the comparison of system expenses and revenues and is calculated by the total revenues less the total expenses of the system divided by the total existing and anticipated debt payments of the system. The rules developed by the NRD state that the minimum DSCR is 1.05, but the recommended minimum DSCR is between 1.10 & 1.25. However, higher ratios may be warranted depending on circumstances within the system. One indicator that warrants a higher DSCR ratio is the Median Affordability Ratio. This ratio is calculated using the customer cost of 4,000-gallons of sewer (or water, depending on the system being evaluated) and multiplying the cost by 12-months, then dividing by the Median Household Income of the system, then multiplying by 100 for a percentage. If this ratio is 1.25 (for entities with LMI > 51%) or 1.5 (for entities with LMI < 51%), or higher, this value indicates that rates are sufficiently high without causing undue financial hardship on rate payers. Systems that maintain a Median Affordability Ratio that meets the criteria can be deemed a disadvantaged community; therefore, potentially qualifying for grant funds for capital improvement projects from certain state/federal lenders.

Comprehensive Cost Analysis

CEA has completed a comprehensive cost analysis based on information provided by CSWR. For this analysis, financial data from the 1st Quarter of 2025 was used for the required calculations to determine compliance with Act 925. The results of this analysis are as follows;

AR Wastewater Utility Operating Companies				
2025 Revenue & Expenses				
Revenues	2025 YTD (Apr-30)	2025 Budget	2025 Year End Total (Estimated)	Est (Over)/Under Budget
Total Revenues:	\$ 536,291.00	\$ 2,023,000.00	\$ 1,608,873.00	\$ 414,127.00
Expenses				
Sub-Total O&M:	\$ 303,921.00	\$ 1,425,295.00	\$ 911,763.00	\$ 513,532.00
Sub-Total Overhead:	\$ 151,962.00	\$ 99,512.00	\$ 455,886.00	\$ (356,374.00)
Sub-total D&A:	\$ 114,834.00	\$ 344,502.00	\$ 344,502.00	\$ -
Total Expenses:	\$ 570,717.00	\$ 1,869,309.00	\$ 1,712,151.00	\$ 157,158.00

The review of financial information provided shows that the Arkansas Systems of CSWR will operate in a net deficit for 2025 and operation and maintenance of the sewer systems are expected to remain the "Red" during the study evaluation period.

AR Wastewater Utility Operating Companies							
Debt Service Coverage Ratio (DSCR)							
7-Yr Projection of Revenue v. Expenses (Based on Current Rate Structure)							
Revenues	2025	2026	2027	2028	2029	2030	2031
Total Revenues:	\$ 1,773,324.00	\$ 1,877,357.52	\$ 1,874,991.60	\$ 1,872,625.68	\$ 1,870,259.76	\$ 1,867,893.84	\$ 1,865,527.92
Expenses	2025	2026	2027	2028	2029	2030	2031
Total Expenses:	\$ 1,813,772.74	\$ 2,065,105.98	\$ 2,151,715.14	\$ 2,202,858.31	\$ 2,255,796.18	\$ 2,310,591.57	\$ 2,367,309.48
DSCR Ratio (Current Rates):	0.91	0.58	0.38	0.26	0.14	0.01	-0.12

The above projections are based on an estimated slight yearly decrease in population based on available information developed by the Institute for Economic Advancement, Arkansas Census State Data Center coupled with historical customer count data within the system. As can be seen, the DSCR for sewer is below the minimum of 1.05 throughout the evaluation period. Based on this calculation, if the system continues to operate in this manner, the system could be designated as fiscally distressed and be subjected to more stringent oversight by regulatory agencies.

For a full summary of the Financial Sustainability, **see Appendix C for Sewer.**

Rate Structure

The CSWR uses a Flat Rate Structure across all user types. This type of rate structure is common practice for providers of sewer only to its customer base. The current rate structures are as follows;

AR Wastewater Utility Operating Companies		
Estimated Revenues Per Current Rate Structure		
<u>Current (2025)</u>		
Customer Type	Base Rate (1st 1000-Gal)	Uniform Rate (Over 1000-Gal)
Residential	\$ 93.00	\$ -
Business	93.00	-

The rate structures shown above coincide with the tables from the Comprehensive Cost Analysis. Based on these rates, CSWR will operate in a net deficit over the evaluation period and will not meet the required debt service coverage ratio. The primary causes of not meeting the requirements are due to continual rise in operating cost coupled with planned capital improvements.

Financial Analysis

The purpose of the financial analysis is to determine whether CSWR is properly positioned to sustain the sewer system under its control and determine whether required revenues meet the requirements of the system. This analysis must include consideration for revenues needed to adequately fund all aspects of the system, including but not limited to, principal and interest payments for existing debt, estimated operating expenses, funding reserves for equipment replacement, depreciation funds, and new debt associated with planned and/or emergency capital improvements. This need for sufficient revenue can be summarized as Asset Management and is a requirement to be in full compliance with Act 925.

Currently, the outstanding debt associated with the sewer system includes five (5) loans for the system. Payment schedules for all bonds are as follows;

Debt Service Requirements

AR Wastewater Utility Operating Companies			
Assets & Long-Term Liabilities			
<u>Long-Term Liabilities</u>			
Account Type	Balance	Annual Pmnt @ 8.5%	Est Payoff Year
Eagle Ridge	\$ 2,128,425.00	\$ 196,389.00	2055
Flushing Meadows	949,445.00	87,604.90	2055
Hayden's Place	612,215.00	63,755.28	2045
Oak Hill	406,925.00	42,376.68	2045
St. Joseph's Glenn	536,456.00	55,997.88	2045
Total:	4,633,466.00	446,123.74	

The loans associated with the sewer system are current and it appears that all reserve requirements are being met.

Revenues v. Expenses

In order to estimate revenues and expenses through 2031, CEA utilized current budget information from CSWR and estimated customer trends. Non-rate revenue was not considered in the evaluation. All calculations disregarded existing cash-on-hand and strictly reviewed what it would take to sustain the system with the estimated revenue stream. Calculating in this manner is a conservative approach and allows for any cash reserves to be utilized according to their specified intent. The table below was produced as described and is based on the recommended rate structures for the sewer system.

AR Wastewater Utility Operating Companies							
Debt Service Coverage Ratio (DSCR)							
7-Yr Projection of Revenue v. Expenses (Based on Current Rate Structure)							
Revenues	2025	2026	2027	2028	2029	2030	2031
Total Revenues:	\$ 1,773,324.00	\$ 1,877,357.52	\$ 1,874,991.60	\$ 1,872,625.68	\$ 1,870,259.76	\$ 1,867,893.84	\$ 1,865,527.92
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Total Expenses:	\$ 1,813,772.74	\$ 2,065,105.98	\$ 2,151,715.14	\$ 2,202,858.31	\$ 2,255,796.18	\$ 2,310,591.57	\$ 2,367,309.48

Compliance with Act 925 requires minimum annual reserve deposits totaling 5% of gross system revenue. The above calculations account for these deposits. **For a complete listing of the revenues and expenses, see Appendix C for Sewer.**

Debt Service Coverage Ratio (DSCR)

As previously mentioned, the rules implementing Act 925 will require a minimum DSCR 1.05. Existing and proposed DSCR are shown in the table below through 2031.

AR Wastewater Utility Operating Companies							
Debt Service Coverage Ratio (DSCR)							
7-Yr Projection							
	2025	2026	2027	2028	2029	2030	2031
DSCR (Current Rates):	0.91	0.58	0.38	0.26	0.14	0.01	-0.12
DSCR (Proposed Rates):	0.91	0.75	0.89	0.98	1.07	1.07	1.06

The target DSCR should be between 1.10 and 1.25, but lower percentages can be warranted.

Median Affordability

Typical retail providers of sewer are public entities which necessitate considerable consideration rate payer affordability. However, CSWR is a for-profit business providing a service to rate payers who would otherwise have no option of sewer service within the areas served by CSWR. CSWR operates a total of 14 independent sewer systems located in 10 different Arkansas Communities and these systems are operated under the umbrella of 5 different parent companies.

The financial sustainability of the systems owned and operated by CSWR is key to continuing to provide service to areas that have no option for sewer service and therefore the median affordability as a percentage of median household income is insignificant to evaluating the systems needs to remain sustainable and was therefore not considered in this report.

Conclusions and Recommendations

Debt Service: CSWR maintains five (5) outstanding loans for the systems under its control. In order to maintain an adequate debt service coverage ratio, the sewer system will need to increase their revenues through a rate increase. It is recommended that CSWR adopt the rate structure proposed in **Appendix C (Pgs. 9-11)**. Adopting the recommended rates for the sewer system is expected to maintain a DSCR that is compliant with the requirements of Act 925 of 2025.

Operating/Depreciation Reserve: It is recommended that CSWR establish a separate unrestricted reserve account and deposit 5% of gross revenues from the sewer system for the purpose of replacement and refurbishment of infrastructure related to the system. This recommendation will comply with the minimum requirements of Act 925, specific to reserve fund requirements.

Capital Improvement Plan: CSWR has developed a capital improvement plan that addresses the major components of the sewer system. It is recommended that this plan be reviewed on an annual basis and updated as needed.

Budget & Rate Reviews: CSWR has implemented a process to review rates based on required revenues and expenses. Development of a comprehensive Rate Study for compliance with Act 925 is an additional check to ensure that the rate structures being implemented for the water and sewer system are sufficient to maintain the required debt service coverage ratio. It is recommended that the incrementally increasing rate structure proposed in **Appendix C (Pgs. 9-**

11) be adopted, and reviewed every five (5) years, at a minimum, to remain compliant with Act 925. Any future reviews of rate structures should be mindful of maintaining a DSCR above the required minimums.

Affordability: It is recommended that CSWR strive to adopt rate structures that generate the necessary revenue to properly operate and maintain the sewer system while being mindful of implementing rates that are excessive and create undue hardships on rate payers.

Water & Sewer Rates: CSWR is expected to be non-compliant with the minimum DSCR of 1.05 specified in Act 925 should the existing rate structures for the sewer system remain in place. This non-compliance may result in CSWR being designated as fiscally distressed and result in more stringent regulatory oversight, including but not limited to, fines and penalties imposed by the State of Arkansas. It is recommended that CSWR adopt the proposed rate structures included with this report. **See Appendix C (Pgs. 9-11).**

Asset Management Plan: CSWR has developed an Asset Management Plan in accordance with the requirements of Act 925. It is recommended that this plan be reviewed on an annual basis. A copy of the current plan is included in **Appendix D.**

RATE STUDY CERTIFICATION

Civil Engineering Associates, LLC is a duly authorized Rate Study Provider and is listed as such on the approved provider list published by the Arkansas Department of Agriculture, Natural Resources Division. The undersigned representative of Civil Engineering Associates, LLC hereby certifies the following;

1. The Rate Study provided herein was provided at the request of the City of Vilonia, AR, Sewer Department and has been completed in an objective and unbiased manner of the Provider's fiscal status.
2. The Rate Study provided herein was completed in compliance with Act 925 of 2025, otherwise codified as Ark. Code Annotated §14-239-101 and the implementing rules adopted by the Arkansas Natural Resources Commission.

A handwritten signature in blue ink, appearing to read 'Trey Foster', is written over a horizontal line.

Trey Foster, P.E.
Member/Principal
Civil Engineering Associates, LLC

APPENDIX A

ACT 925 OF 2025

State of Arkansas *As Engrossed: H3/20/25 S4/7/25*

95th General Assembly

A Bill

Regular Session, 2025

HOUSE BILL 1701

By: Representatives Gonzales, L. Johnson

By: Senator G. Stubblefield

For An Act To Be Entitled

AN ACT TO AMEND THE LAW CONCERNING SEWER COLLECTION
AND SEWER TREATMENT PROVIDERS AND RELATED SERVICES;
AND FOR OTHER PURPOSES.

Subtitle

TO AMEND THE LAW CONCERNING SEWER
COLLECTION AND SEWER TREATMENT PROVIDERS
AND RELATED SERVICES.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. Arkansas Code Title 14, Chapter 239, is amended to add an
additional subchapter to read as follows:

Subchapter 1 — Oversight of Wastewater and Sewer Retail Providers

14-239-101. Legislative findings.

The General Assembly finds that:

(1) Oversight of providers in the state is primarily handled by
the Arkansas Natural Resources Commission and the Division of Environmental
Quality;

(2) Wastewater and sewer systems need to have rates that support
capital improvement needs; and

(3) It is necessary to improve the operations and
infrastructures of wastewater and sewer systems in the state similar to the
reform of retail water providers by Acts 2021, No. 605.

14-239-102. Definitions.



1 As used in this subchapter:

2 (1) "Provider" means any public or private provider of a sewage
3 collection service or sewage treatment service; and

4 (2) "Provider's board" means the governing body of a provider,
5 whether the governing body is organized as a board, commission, committee,
6 council, or other type of entity.

7
8 14-239-103. Fiscal distress — Improvement plans — Rates and rate
9 studies — Definition.

10 (a)(1) For the purposes of this section, a provider is in fiscal
11 distress if the provider:

12 (A) Fails to obtain a rate study as required under this
13 section;

14 (B) Fails to implement a completed rate study required
15 under this section; or

16 (C) Has been found by the Arkansas Natural Resources
17 Commission to be in significant noncompliance with rules of the commission
18 because of inadequate funds for operation and maintenance or inadequate
19 compliance with rules of the commission.

20 (2) A provider may be found by the commission to be subject to
21 this section if a member of the provider's board does not receive the
22 training required under § 14-239-105.

23 (b) The commission shall maintain and publish on the commission's
24 website a list of providers in fiscal distress.

25 (c)(1) A provider shall obtain a rate study on the following schedule:

26 (A) By July 1, 2028, and every five (5) years thereafter
27 for a provider that serves five hundred (500) or fewer customers;

28 (B) By July 1, 2029, and every five (5) years thereafter
29 for a provider that serves not less than five hundred one (501) and not more
30 than one thousand (1,000) customers; and

31 (C) By July 1, 2030, and every five (5) years thereafter
32 for a provider that serves more than one thousand (1,000) customers.

33 (2)(A) Rates and other revenue dedicated to the support of the
34 provider's wastewater and sewer systems shall adequately address costs for:

35 (i) Operation and maintenance;

36 (ii) Debt service;

1 (iii) Required reserves;
2 (iv) Depreciation;
3 (v) Future capital expenses;
4 (vi) Preparation and publication of an annual
5 financial report as currently required by law; and
6 (vii) Other expenses as necessary.

7 (B)(i) The rates recommended in the rate study that is
8 obtained and chosen by the provider shall be implemented by the provider in
9 the manner provided under the applicable law for modifying rates.

10 (ii) Except as provided in subdivision
11 (c)(2)(B)(iii) and (c)(2)(B)(iv) of this section, an increase in rates
12 recommended in the rate study shall be implemented within one (1) year of the
13 receipt of the rate study.

14 (iii) Except as provided in subdivision
15 (c)(2)(B)(iv) of this section, if recommended rates increase the provider's
16 rates by fifty percent (50%) or more from the fiscal year before the rate
17 study was completed, the provider may phase in the rate increase over a two-
18 year period.

19 (iv) If, through the rate study, it is recommended
20 that a series of rate increases be implemented over a period of time that
21 exceeds the periods of time required in subdivisions (c)(2)(B)(ii) and
22 (c)(2)(B)(iii) of this section, the provider may implement the series of rate
23 increases without regard to the limitations of subdivisions (c)(2)(B)(ii) and
24 (c)(2)(B)(iii) of this section, provided that the series of rate increases
25 conform with the recommendations of the rate study.

26 (d)(1) The commission shall determine by rule the requirements of the
27 rate study, including without limitation a review of the provider's
28 refurbishment and replacement account and asset management plan.

29 (2)(A) The rate study shall use as its basis the guidelines of
30 the American Water Works Association and the Water Environment Federation.

31 (B) The commission shall determine by rule an appropriate
32 entity to provide guidelines for the rate study to use as its basis if
33 guidelines of the American Water Works Association and the Water Environment
34 Federation are unavailable.

35 (e)(1) A provider shall deposit a minimum of five percent (5%) per
36 annum of gross revenues in a dedicated refurbishment and replacement account.

1 (2) The provider may spend any amount of the provider's cash
2 savings referenced in subdivision (e)(1) of this section at any time for
3 refurbishment and replacement of the provider's wastewater system facilities
4 and other real property.

5 (3) If a different amount to be deposited per annum is
6 determined by a rate study, then the amount determined by the rate study
7 shall be deposited into a dedicated refurbishment and replacement account.

8 (f)(1) The commission shall maintain an approved list of entities to
9 conduct rate studies required by this section, including without limitation
10 the Arkansas Rural Water Association, professional engineers, certified
11 public accountants, economists, and actuaries.

12 (2) If a provider chooses an entity to conduct the rate study
13 that is not on the approved list of entities, the entity shall have conducted
14 at least one (1) rate study in the state in the previous five-year period.

15 (g)(1) To ensure fiscal soundness, the commission shall consider and
16 approve a new provider with fewer than three hundred (300) customers within
17 the proposed service area only if:

18 (A) The commission determines that public health or the
19 environment is threatened without the approval of the new provider; or

20 (B) There is no other viable alternative.

21 (2) A new provider with fewer than three hundred (300) customers
22 seeking approval shall:

23 (A) Be organized through a political subdivision,
24 including without limitation an improvement district, a county, or a
25 municipality;

26 (B) Demonstrate the ability to remain fiscally
27 sustainable; and

28 (C) Complete a technical, financial, and managerial
29 capacity review conducted by the commission.

30 (h) A provider shall file its most recent rate study annually with
31 Arkansas Legislative Audit at the same time the provider files its audit
32 report or agreed-upon procedures and compilation report as required under §
33 14-234-120.

34 (i)(1) The commission shall annually identify and notify a provider if
35 the provider is in fiscal distress.

36 (2) The provider may appeal the finding to Pulaski County

1 Circuit Court.

2 (j)(1) A provider found to be in fiscal distress shall file an
3 improvement plan with the Division of Environmental Quality and the
4 commission, including without limitation specific action to be taken to
5 correct financial, technical, and managerial deficiencies, within ninety (90)
6 days of the finding of fiscal distress.

7 (2)(A) Upon receipt of an improvement plan under this
8 subsection, the division and the commission shall review the improvement plan
9 and:

10 (i) Approve the improvement plan in whole or in
11 part;

12 (ii) Modify the improvement plan; or

13 (iii) Deny the improvement plan.

14 (B) At the time the commission determines that the
15 provider is no longer in fiscal distress, the commission shall remove the
16 fiscal distress designation and notify the provider.

17 (k) If a provider is found to be in fiscal distress, the provider
18 shall not receive state financial assistance for sewage collection or sewage
19 treatment operations until an improvement plan that has been approved by the
20 commission is in place, unless the financial assistance is immediately
21 necessary to ensure preservation of the public peace, health, and safety, as
22 determined by the commission.

23 (l) If the provider is found to be in fiscal distress, the provider
24 shall obtain written authorization from the commission to:

25 (1) Incur additional debt;

26 (2) Accept assistance for the refurbishment or replacement of
27 facilities or construction of facilities not within the provider's
28 improvement plan; or

29 (3) Transfer assets to another entity.

30 14-239-104. Workforce recruitment and retention – Education.

31 A provider shall:

32 (1) Work with the Association of Arkansas Counties and the
33 Arkansas Municipal League to develop training for leaders of the county or
34 municipality that the provider serves;

35 (2) Provide suitable compensation and incentives to encourage
36 individuals to consider a career with the provider; and

1 (3) Promote the recruitment, education, and licensing of
2 employees of the provider.

3
4 14-239-105. Training.

5 (a)(1)(A) Within one (1) year of election or appointment, a majority
6 of the members of a provider's board shall receive a minimum of eight (8)
7 hours of provider training as promulgated by rule of the Arkansas Natural
8 Resources Commission.

9 (B) A member of a provider's board as of January 1, 2025,
10 shall receive the training required under this section by December 31, 2026.

11 (2) If a majority of the members of a provider's board do not
12 receive the training required under this section, the commission may find the
13 provider is subject to § 14-239-103.

14 (3) This section does not apply to a member of a provider's
15 board who has served on the provider's board for ten (10) years or more.

16 (b) The commission shall consult with an advisory training board for
17 the development of the training required under this section, whose members
18 shall include without limitation:

19 (1) The Secretary of the Department of Health or his or her
20 designee;

21 (2) The Director of the Division of Environmental Quality or his
22 or her designee;

23 (3) The State Director of the United States Department of
24 Agriculture Rural Development in Arkansas or his or her designee;

25 (4) The Chief Executive Officer of the Arkansas Rural Water
26 Association or his or her designee;

27 (5) The Executive Director of the Association of Arkansas
28 Counties or his or her designee;

29 (6) The President of the Arkansas Municipal League or his or her
30 designee;

31 (7) The Chair of the Board of Directors of Communities
32 Unlimited, Inc., or his or her designee;

33 (8) The Chair of the Arkansas Water Works and Water Environment
34 Association, Inc., or his or her designee;

35 (9) The Director of the Arkansas Environmental Training Academy
36 or his or her designee;

1 (10) The Chair of the House Committee on City, County, and Local
2 Affairs;

3 (11) The Vice Chair of the House Committee on City, County, and
4 Local Affairs;

5 (12) The Chair of the Senate Committee on City, County, and
6 Local Affairs;

7 (13) The Vice Chair of the Senate Committee on City, County, and
8 Local Affairs; and

9 (14) The President of the Arkansas Water and Wastewater Managers
10 Association, Inc.

11
12 14-239-106. Applicability.

13 This subchapter does not apply to:

14 (1) A wastewater system regulated by the Arkansas Public Service
15 Commission as a public utility under § 23-1-101 et seq.;

16 (2) A municipal utility system owned or operated by a
17 municipality that provides electric service to retail customers in addition
18 to wastewater service, including without limitation an electric system:

19 (A) Managed or operated by a nonprofit corporation under §
20 14-199-701 et seq.; or

21 (B) Owned or operated by a municipality or by a
22 consolidated utility district under the General Consolidated Public Utility
23 System Improvement District Law, § 14-217-101 et seq.;

24 (3) A privately owned provider that supplies the majority of its
25 wastewater service to nonresidential customers;

26 (4) A wastewater system operated jointly between two (2)
27 municipalities in which each municipality is located in a different state;

28 (5) A provider during the time that the provider is subject to a
29 federal court decree or judgment for remediation efforts related to the
30 provider's water system or wastewater system, or both, for the purpose of
31 compliance with federal law; or

32 (6) An individual homeowner.

33
34 14-239-107. Rules.

35 The Arkansas Natural Resources Commission shall promulgate rules to
36 implement this subchapter.

1
2 SECTION 2. TEMPORARY LANGUAGE. DO NOT CODIFY. Rules.

3 (a) When adopting the initial rules to implement this act, the
4 Arkansas Natural Resources Commission shall file the final rules with the
5 Secretary of State for adoption under § 25-15-204(f):

6 (1) On or before January 1, 2026; or

7 (2) If approval under § 10-3-309 has not occurred by January 1,
8 2026, as soon as practicable after approval under § 10-3-309.

9 (b) The commission shall file the proposed rules with the Legislative
10 Council under § 10-3-309(c) sufficiently in advance of January 1, 2026, so
11 that the Legislative Council may consider the rules for approval before
12 January 1, 2026.

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14 /s/Gonzales

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17 APPROVED: 4/21/25
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APPENDIX B

RULES IMPLEMENTING ACT 605

Rules Implementing Act 605 of 2021

I. Purpose

1. The purpose of these rules is to:
 - a. Implement Ark. Code Ann. § 14-234-801 et. seq.;
 - b. Provide oversight of retail water providers to promote efficiency in service and stability in fiscal management;
 - c. Provide training and education to governing bodies of retail water providers; and
 - d. Provide training of local, state, and federal leaders on the issues surrounding provider personnel, finances, compliance, and environmental factors.
2. The rules shall be read in conjunction with Ark. Code Ann. § 14-234-801 et. seq.

II. Definitions

The following definitions are supplemental to the definitions in Ark. Code Ann. § 14-234-801 et. seq.:

1. “Annualized Revenue Requirement” means the projected revenue if the recommended increase, as well as all previous recommended increases, is in effect for the full 12-month period.
2. “Commission” means the Arkansas Natural Resources Commission.
3. “Debt Service Coverage Ratio” (“DSCR”) means Net Operating Income divided by Total Debt Service.
4. “Department” means the Arkansas Department of Agriculture, including the Natural Resources Division thereof.
5. “Future Capital Expenses” means the design and construction of new and replacement infrastructure, including any associated labor and fees.
6. “Major Development Project” means a project that exceeds twenty percent (20%) of gross revenues of the provider for the immediately preceding fiscal year.
7. “Non-operating Revenue” means revenue derived from sources other than water use charges.
8. “Net Operating Income” means earnings before interest, tax, depreciation, and amortization (EBITDA) less capital expenditures.
9. “Provider board” as used herein shall have the definition provided in Ark. Code Ann. § 14-234-801(b)(3).
10. “System” means:
 - a. For a provider that provides water service only, the provider’s water system.
 - b. For a provider that provides water service and sewer service, but where the water system and the sewer system are not operated as a joint and integrated undertaking (i.e., when a separate audit is prepared for water and for sewer), the provider’s water system.

- c. For a provider that provides water service and sewer service, and the water facilities are operated as a joint and integrated undertaking (i.e., when water and sewer are combined in a single audit), the provider's joint and integrated water and sewer system.
- 11. "Total Debt Service" means current debt obligations, including but not limited to any interest, principal, sinking fund, and lease payments due in a given year.

III. Refurbishment and Replacement Account

- 1. Refurbishment and Replacement accounts, as required under Ark. Code Ann. § 14-234-802(e), shall only be used to make repairs or to replace ~~water system~~ System appurtenances.
- 2. Providers may designate existing depreciation or replacement accounts as the Refurbishment and Replacement Account required by Ark. Code Ann. § 14-234-802(e), so long as the amount deposited therein complies with the provisions of Ark. Code Ann. § 14-234-802(e).
- 3. The calculation of the amount required to be deposited into a Refurbishment and Replacement Account pursuant to these Rules and Ark. Code Ann. § 14-234-802(e) shall be based on the gross operating revenues of a System.
- 4. The funds shall not be used for routine repairs. Expenditures of \$1,000 or less shall be considered routine repairs.
- 5. Utilization of funds from the Refurbishment and Replacement account must be approved by the Provider Board prior to its use.

IV. Rate Studies for Retail Water Providers

- 1. Retail water providers shall obtain rate studies pursuant to the requirements in Ark. Code Ann. § 14-234-802.
- 2. A provider that plans to undertake a major development project, as defined above and in Ark. Code Ann. § 14-234-802(h)(2), shall obtain a rate study or amend the provider's existing rate study before beginning the major development project to include consideration of the financial impact of the major development project on the fiscal sustainability of the provider.
- 3. Rate studies shall be based on the guidelines of the American Water Works Association and the Water Environment Federation.
 - a. The rate studies shall include:
 - i. Reports containing the following information for the current year and projections for the next five years:
 - 1. A comprehensive cost analysis, including:
 - a. Operations and maintenance (O&M) expenses;
 - b. Financing expenses, including but not limited to debt service payments, bond issuance costs, and commercial paper fees, if applicable;
 - c. Any required cash reserves unavailable to pay for expenses, including but not limited to the annual refurbishment and replacement account deposit requirement as set out in Ark. Code Ann. § 14-234-802(e);
 - d. Depreciation expenses;
 - e. Future capital expenses;
 - f. Expenses required for an annual audit or agreed-upon procedures and compilation report;

- g. Expenses required for rate studies required under Ark. Code Ann. § 14-234-802; and
 - h. Any other expenses not accounted for in paragraphs (a) through (g).
- 2. A comprehensive revenue earnings analysis, including:
 - a. Available Cash balance;
 - b. Non-rate revenue;
 - c. Rate revenue without recommended increases;
- 3. For the five projected years, recommended rate increases and the projected additional revenue derived therefrom;
- 4. Debt Service Coverage Ratios;
- 5. The number of days that the available cash balance could cover O&M expenses without additional revenue;
- 6. Annualized revenue requirement.
- ii. The provider's asset management plan, including:
 - 1. inventory of essential assets and for each essential asset, without limitation, the following information:
 - a. Asset type;
 - b. Annual maintenance costs;
 - c. Year installed;
 - d. Vendor-specified useful life, if available;
 - e. Anticipated date of replacement;
 - f. Installation or replacement cost estimate; and
 - g. Projected consequence of failure.
 - 2. The provider's plan for replacement of essential assets.
- iii. Proposed changes in rates should be based on achieving and maintaining a Debt Service Coverage Ratio of 1.1 or higher.
- iv. An explanation of the provider's chosen rate design; and
- v. Recommendations for any changes to the provider's operations, including a plan on how the changes should be implemented.
- vi. Certification by the entity performing the rate study that such study complies with Ark. Code Ann. § 14-234-801 et. seq. and these Rules.
- b. Rate studies shall be provided to the Department at the time it is provided to Arkansas Legislative Audit under Ark. Code Ann. § 14-234-802(i).
- c. The Commission may request further information necessary to determine a provider's fiscal status, and providers shall cooperate with the Commission's requests.
- d. The Commission may waive any one or more requirement in Section IV(3)(a), above, upon written request.
- 4. Rate studies for providers that operate a joint and integrated water and sewer system shall analyze the total System.
- 5. Rate studies performed shall be an objective and unbiased review of the provider's fiscal status.
- 6. The Commission will maintain a list of approved entities to conduct rate studies as required under Ark. Code Ann. § 14-234-802(f)(1). The Commission may remove an approved entity from its list of approved entities if it determines that an entity violated Arkansas law or Commission rules in performing a rate study.

V. Determinations of Fiscal Distress

1. A Provider will be in Fiscal Distress if the Provider:
 - a. Fails to obtain a rate study as required;
 - b. Fails to implement the rates contained in the completed rate study required within one (1) or two (2) years as provided under ACA 14-234-802(c)(2)(B)(ii)-(iii); or
 - c. Fails to maintain a Debt Service Coverage Ratio of 1.05 or higher.
2. A Provider may be determined to be in fiscal distress if the Provider:
 - a. Does not comply with the training required by Ark. Code Ann. § 14-234-805 and Section VII, below;
 - b. Fails to file with Arkansas Legislative Audit an audit report or agreed-upon procedures and compilation report required by Ark. Code Ann. § 14-234-120;
 - c. Fails to maintain unincumbered cash or cash equivalents in an amount equal to one-twelfth of the total expenses from the most recent fiscal year;
 - d. Fails to adopt budget before the beginning of a new fiscal year providing for sufficient revenues to meet or exceed anticipated expenses during that fiscal year;
 - e. Fails to make all required payments due to the United States Treasury – Internal Revenue Service, Arkansas Department of Finance and Admission, or Arkansas Department of Health;
 - f. Fails to make any bond, loan, or lease payment; or
 - g. Fails to comply with an administrative order of the US Environmental Protection Agency, Arkansas Department of Health or Arkansas Division of Environmental Quality concerning operation and maintenance of the system.
3. Providers determined to be in fiscal distress shall submit to the Department an improvement plan as required in Ark. Code Ann. § 14-234-802(k) detailing in writing the provider's plan to resolve the violation or violations of rule or law or the provider's plan to resolve its fiscal insufficiency that caused it to be considered in fiscal distress.
4. A provider will be determined by the Commission to no longer be in fiscal distress if:
 - a. The provider resolves the violation of rule or law that caused it to be considered in fiscal distress and obtains written verification from the Commission that the violation has been resolved; or
 - b. The provider implements a change of rates that is shown by the study to resolve the provider's fiscal insufficiency.

VI. Miscellaneous

1. A provider seeking approval from the Commission under Ark. Code Ann. § 14-234-802(g) shall demonstrate its fiscal sustainability by submitting to the Commission a business plan demonstrating its technical, financial, and managerial capacity.
2. Pursuant to provisions relating to Commission intervention under the conditions provided for in Ark. Code Ann. § 14-234-804(d), upon request of a municipal provider or a customer or unserved customer of a municipal provider, the Department will assist in the resolution of the issue or issues if the party or parties involved demonstrate that all parties involved made a good faith effort to resolve the issue or issues.

- a. Such intervention may include without limitation negotiation or mediation with the party or parties involved.
- b. If the Department determines that a party is not acting in good faith, the Department may end its intervention.

VII. Training

1. The Advisory Training Board created under Ark. Code Ann. § 14-234-805 shall develop the training protocol for provider board members, including training protocol for rate studies performed under the guidelines of the American Water Works Association and the Water Environment Federation.
2. By December 31, 2022, a majority of the members of provider boards shall receive a minimum of eight hours of provider training.
3. If a change in membership of a provider board causes the provider board to have less than a majority of members who have undergone provider training, enough members of the provider board shall receive provider training within one year of the change in membership such that a majority of the board has received training.
4. Each provider board shall report the following information annually, by January 31, to the Department:
 - a. the names and contact information of each member on the provider board;
 - b. an identification of which members have obtained eight hours of provider training; and
 - c. an identification of which members have served on the board for more than ten (10) years and are exempt from the training requirement pursuant to Ark. Code Ann. § 14-234-805(a)(3).

APPENDIX C

**SEWER SYSTEM
FINANCIAL ANALYSIS**

Central States Water Resources, Inc
AR Wastewater Utility Operating Companies
2025 Revenue & Expenses

Revenues	2025 YTD (Apr-30)	2025 Budget	2025 Year End Total (Estimated)	Est (Over)/Under Budget
Eagle Ridge	\$ 142,806.00	\$ 441,524.00	\$ 428,418.00	\$ 13,106.00
Flushing Meadows	111,743.00	340,841.00	335,229.00	5,612.00
Hayden's Place	44,924.00	499,900.00	134,772.00	365,128.00
Oak Hill	72,966.00	226,656.00	218,898.00	7,758.00
St. Joseph's Glenn	163,852.00	514,079.00	491,556.00	22,523.00
Total Revenues:	\$ 536,291.00	\$ 2,023,000.00	\$ 1,608,873.00	\$ 414,127.00

Expenses	2025 YTD (Apr-30)	2025 Budget	2025 Year End Total (Estimated)	Est (Over)/Under Budget
<u>Operations & Maintenance</u>				
Eagle Ridge	\$ 113,975.00	\$ 537,243.00	\$ 341,925.00	\$ 195,318.00
Flushing Meadows	66,749.00	186,928.00	200,247.00	(13,319.00)
Hayden's Place	23,598.00	285,766.00	70,794.00	214,972.00
Oak Hill	37,784.00	172,153.00	113,352.00	58,801.00
St. Joseph's Glenn	61,815.00	243,205.00	185,445.00	57,760.00
Sub-Total O&M:	\$ 303,921.00	\$ 1,425,295.00	\$ 911,763.00	\$ 513,532.00

Overhead

Eagle Ridge	53,910.00	22,088.00	161,730.00	(139,642.00)
Flushing Meadows	30,769.00	15,173.00	92,307.00	(77,134.00)
Hayden's Place	12,558.00	24,945.00	37,674.00	(12,729.00)
Oak Hill	20,912.00	10,218.00	62,736.00	(52,518.00)
St. Joseph's Glenn	33,813.00	27,088.00	101,439.00	(74,351.00)
Sub-Total Overhead:	\$ 151,962.00	\$ 99,512.00	\$ 455,886.00	\$ (356,374.00)

Central States Water Resources, Inc
AR Wastewater Utility Operating Companies
2025 Revenue & Expenses

Depreciation & Amortization

Eagle Ridge	\$	42,675.00	\$	128,025.00	\$	128,025.00	\$	-
Flushing Meadows		36,503.00		109,509.00		109,509.00		-
Hayden's Place		6,614.00		19,842.00		19,842.00		-
Oak Hill		10,094.00		30,282.00		30,282.00		-
St. Joseph's Glenn		18,948.00		56,844.00		56,844.00		-
Sub-total D&A:	\$	114,834.00	\$	344,502.00	\$	344,502.00	\$	-
Total Expenses:	\$	570,717.00	\$	1,869,309.00	\$	1,712,151.00	\$	157,158.00
Total Revenue less Expense:					\$	(103,278.00)	\$	256,969.00
				Net Profit/(Loss) - w/o D&A:	\$	241,224.00		

Central States Water Resources, Inc
AR Wastewater Utility Operating Companies
Assets & Long-Term Liabilities

Assets

Account Type	Restricted	Non-Restricted	Current Balance (Dec-24)
Cash		X	92,303.00
Accts Receivable	X		878,798.00
Other	X		68,766.00
Total:	\$ 947,564.00	\$ 92,303.00	\$ 1,039,867.00

Long-Term Liabilities

Account Type	Balance	Annual Pmnt @ 8.5%	Est Payoff Year
Eagle Ridge	\$ 2,128,425.00	\$ 196,389.00	2055
Flushing Meadows	949,445.00	87,604.90	2055
Hayden's Place	612,215.00	63,755.28	2045
Oak Hill	406,925.00	42,376.68	2045
St. Joseph's Glenn	536,456.00	55,997.88	2045
Total:	4,633,466.00	446,123.74	

Central States Water Resources, Inc
AR Wastewater Utility Operating Companies
Asset Management Plan
Inflation Factor 3.5%

Short-Lived Assets/Maintenance	2025	2026	2027	2028	2029	2030	2031
Eagle Ridge	\$ 341,925.00	\$ 353,892.00	\$ 366,278.00	\$ 379,098.00	\$ 392,366.00	\$ 406,099.00	\$ 420,312.00
Flushing Meadows	200,247.00	207,256.00	214,510.00	222,018.00	229,789.00	237,832.00	246,156.00
Hayden's Place	70,794.00	73,272.00	75,837.00	78,491.00	81,238.00	84,081.00	87,024.00
Oak Hill	113,352.00	117,319.00	121,425.00	125,675.00	130,074.00	134,627.00	139,339.00
St. Joseph's Glenn	185,445.00	191,936.00	198,654.00	205,607.00	212,803.00	220,251.00	227,960.00
Total Maintenance:	\$ 911,763.00	\$ 943,675.00	\$ 976,704.00	\$ 1,010,889.00	\$ 1,046,270.00	\$ 1,082,890.00	\$ 1,120,791.00

Self-Funded Capital Improvements	2025	2026	2027	2028	2029	2030	2031
None	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Improvements:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Loan-Funded Capital Improvements	2025	2026	2027	2028	2029	2030	2031
Chicot	\$ -	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00
North Hills		37,200.00	37,200.00	37,200.00	37,200.00	37,200.00	37,200.00
Oak Tree		30,000.00	30,000.00	30,000.00	30,000.00	30,000.00	30,000.00
Oak Tree			37,200.00	37,200.00	37,200.00	37,200.00	37,200.00
Total Improvements:	\$ -	\$ 97,200.00	\$ 134,400.00	\$ 134,400.00	\$ 134,400.00	\$ 134,400.00	\$ 134,400.00

Total Yearly Cost:	911,763.00	1,040,875.00	1,111,104.00	1,145,289.00	1,180,670.00	1,217,290.00	1,255,191.00
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Central States Water Resources, Inc
AR Wastewater Utility Operating Companies
Estimated Revenues Per Current Rate Structure

Current (2025)

Customer Type	# Customer (Average)	% of Total Customer Base	Flat Rate	Average Revenue	% Change from Previous Year	Avg Yearly Rev
Residential	1517	95.47%	\$ 93.00	\$ 93.00	0%	\$ 1,692,972.00
Business	72	4.53%	93.00	93.00	0%	80,352.00
	1589				Total Avg Rev:	\$ 1,773,324.00

Current (2026)

Customer Type	# Customer (Average)	% of Total Customer Base	Flat Rate	Average Revenue	% Change from Previous Year	Avg Yearly Rev
Residential	1515	95.46%	\$ 93.00	\$ 93.00	0%	\$ 1,690,740.00
Business	72	4.54%	93.00	93.00	0%	80,352.00
	1587				Total Avg Rev:	\$ 1,771,092.00

Current (2027)

Customer Type	# Customer (Average)	% of Total Customer Base	Flat Rate	Average Revenue	% Change from Previous Year	Avg Yearly Rev
Residential	1513	95.46%	\$ 93.00	\$ 93.00	0%	\$ 1,688,508.00
Business	72	4.54%	93.00	93.00	0%	80,352.00
	1585				Total Avg Rev:	\$ 1,768,860.00

Central States Water Resources, Inc
AR Wastewater Utility Operating Companies
Estimated Revenues Per Current Rate Structure

Current (2028)

Customer Type	# Customer (Average)	% of Total Customer Base	Flat Rate	Average Revenue	% Change from Previous Year	Avg Yearly Rev
Residential	1511	95.45%	\$ 93.00	\$ 93.00	0%	\$ 1,686,276.00
Business	72	4.55%	93.00	93.00	0%	80,352.00
	1583				Total Avg Rev:	\$ 1,766,628.00

Current (2029)

Customer Type	# Customer (Average)	% of Total Customer Base	Flat Rate	Average Revenue	% Change from Previous Year	Avg Yearly Rev
Residential	1509	95.45%	\$ 93.00	\$ 93.00	0%	\$ 1,684,044.00
Business	72	4.55%	93.00	93.00	0%	80,352.00
	1581				Total Avg Rev:	\$ 1,764,396.00

Current (2030)

Customer Type	# Customer (Average)	% of Total Customer Base	Flat Rate	Average Revenue	% Change from Previous Year	Avg Yearly Rev
Residential	1507	95.44%	\$ 93.00	\$ 93.00	0%	\$ 1,681,812.00
Business	72	4.56%	93.00	93.00	0%	80,352.00
	1579				Total Avg Rev:	\$ 1,762,164.00

Central States Water Resources, Inc
 AR Wastewater Utility Operating Companies
 Estimated Revenues Per Current Rate Structure

Current (2031)

Customer Type	# Customer (Average)	% of Total Customer Base	Flat Rate	Average Revenue	% Change from Previous Year	Avg Yearly Rev
Residential	1505	95.43%	\$ 93.00	\$ 93.00	0%	\$ 1,679,580.00
Business	72	4.57%	93.00	93.00	0%	80,352.00
	1577				Total Avg Rev:	\$ 1,759,932.00

Central States Water Resources, Inc
AR Wastewater Utility Operating Companies
Debt Service Coverage Ratio (DSCR)

7-Yr Projection of Revenue v. Expenses (Based on Current Rate Structure)

Revenues	2025	2026	2027	2028	2029	2030	2031
Residential	\$ 1,692,972.00	\$ 1,690,740.00	\$ 1,688,508.00	\$ 1,686,276.00	\$ 1,684,044.00	\$ 1,681,812.00	\$ 1,679,580.00
Commercial	80,352.00	80,352.00	80,352.00	80,352.00	80,352.00	80,352.00	80,352.00
Depreciation Reserve	-	106,265.52	106,131.60	105,997.68	105,863.76	105,729.84	105,595.92
Total Revenues:	\$ 1,773,324.00	\$ 1,877,357.52	\$ 1,874,991.60	\$ 1,872,625.68	\$ 1,870,259.76	\$ 1,867,893.84	\$ 1,865,527.92
Expenses	2025	2026	2027	2028	2029	2030	2031
Operation & Maintenance	\$ 678,620.70	\$ 702,372.42	\$ 726,955.46	\$ 752,398.90	\$ 778,732.86	\$ 805,988.51	\$ 834,198.11
Overhead	455,886.00	471,842.01	488,356.48	505,448.96	523,139.67	541,449.56	560,400.29
Existing Loans	446,123.74	446,123.74	446,123.74	446,123.74	446,123.74	446,123.74	446,123.74
Depreciation Reserve	-	106,265.52	106,131.60	105,997.68	105,863.76	105,729.84	105,595.92
Asset Management - Maintenance	233,142.30	241,302.28	249,747.86	258,489.04	267,536.15	276,899.92	286,591.41
Asset Management - Self-Funded	-	-	-	-	-	-	-
Asset Management - Loan-Funded	-	97,200.00	134,400.00	134,400.00	134,400.00	134,400.00	134,400.00
Total Expenses:	\$ 1,813,772.74	\$ 2,065,105.98	\$ 2,151,715.14	\$ 2,202,858.31	\$ 2,255,796.18	\$ 2,310,591.57	\$ 2,367,309.48

Revenue/Expense Ratio: 0.98 0.91 0.87 0.85 0.83 0.81 0.79

DSCR Ratio (Current Rates): 0.91 0.58 0.38 0.26 0.14 0.01 -0.12

Central States Water Resources, Inc
AR Wastewater Utility Operating Companies
Estimated Revenues Per Proposed Rate Structure

Current (2025)

Customer Type	# Customer (Average)	% of Total Customer Base	Flat Rate	Average Revenue	% Change from Previous Year	Avg Yearly Rev
Residential	1517	95.47%	\$ 93.00	\$ 93.00	0%	\$ 1,692,972.00
Business	72	4.53%	93.00	93.00	0%	80,352.00
	1589				Total Avg Rev:	\$ 1,773,324.00

Proposed (2026)

Customer Type	# Customer (Average)	% of Total Customer Base	Flat Rate	Average Revenue	% Change from Previous Year	Avg Yearly Rev
Residential	1515	95.46%	\$ 97.00	\$ 97.00	4.30%	\$ 1,763,460.00
Business	72	4.54%	97.00	97.00	4.30%	83,808.00
	1587				Total Avg Rev:	\$ 1,847,268.00

Proposed (2027)

Customer Type	# Customer (Average)	% of Total Customer Base	Flat Rate	Average Revenue	% Change from Previous Year	Avg Yearly Rev
Residential	1513	95.46%	\$ 105.00	\$ 105.00	8.25%	\$ 1,906,380.00
Business	72	4.54%	105.00	105.00	8.25%	90,720.00
	1585				Total Avg Rev:	\$ 1,997,100.00

Central States Water Resources, Inc
AR Wastewater Utility Operating Companies
Debt Service Coverage Ratio (DSCR)

7-Yr Projection of Revenue v. Expenses
(Based on Proposed Rate Structure)

Revenues	2025	2026	2027	2028	2029	2030	2031
Residential	\$ 1,692,972.00	\$ 1,763,460.00	\$ 1,906,380.00	\$ 1,994,520.00	\$ 2,082,420.00	\$ 2,133,912.00	\$ 2,185,260.00
Commercial	80,352.00	83,808.00	90,720.00	95,040.00	99,360.00	101,952.00	104,544.00
Depreciation Reserve	-	110,836.08	119,826.00	125,373.60	130,906.80	134,151.84	137,388.24
Total Revenues:	\$ 1,773,324.00	\$ 1,958,104.08	\$ 2,116,926.00	\$ 2,214,933.60	\$ 2,312,686.80	\$ 2,370,015.84	\$ 2,427,192.24
Expenses	2025	2026	2027	2028	2029	2030	2031
Operation & Maintenance	\$ 678,620.70	\$ 702,372.42	\$ 726,955.46	\$ 752,398.90	\$ 778,732.86	\$ 805,988.51	\$ 834,198.11
Overhead	455,886.00	471,842.01	488,356.48	505,448.96	523,139.67	541,449.56	560,400.29
Existing Loans	446,123.74	446,123.74	446,123.74	446,123.74	446,123.74	446,123.74	446,123.74
Depreciation Reserve	-	110,836.08	119,826.00	125,373.60	130,906.80	134,151.84	137,388.24
Asset Management - Maintenance	233,142.30	241,302.28	249,747.86	258,489.04	267,536.15	276,899.92	286,591.41
Asset Management - Self-Funded	-	-	-	-	-	-	-
Asset Management - Loan-Funded	-	97,200.00	134,400.00	134,400.00	134,400.00	134,400.00	134,400.00
Total Expenses:	\$ 1,813,772.74	\$ 2,069,676.54	\$ 2,165,409.54	\$ 2,222,234.23	\$ 2,280,839.22	\$ 2,339,013.57	\$ 2,399,101.80
Revenue/Expense Ratio:	0.98	0.95	0.98	1.00	1.01	1.01	1.01
DSCR Ratio (Proposed Rates):	0.91	0.75	0.89	0.98	1.07	1.07	1.06

APPENDIX D

ASSET MANAGEMENT PLAN

Central States Water Resources, Inc
AR Wastewater Utility Operating Companies
Asset Management Plan

Eagle Ridge Wastewater Treatment Facilities							
Facility Name	Service Date	Useful Life (Yrs)	Last Major Upgrade	Annual Maintenance	Estimated Replacement Cost	Estimated Replacement Date	Consequence of Failure
Chicot	Unk	25	Unk	\$ 20,515.50	\$ 1,500,000.00	TBD	Non-compliance with NPDES permitting and contamination of fresh water streams
Eaglebrook Subdivision	Unk	25	Unk	\$ 20,515.50	\$ 1,500,000.00	TBD	Non-compliance with NPDES permitting and contamination of fresh water streams
Huntington Estates Subdivision	Unk	25	Unk	\$ 20,515.50	\$ 1,500,000.00	TBD	Non-compliance with NPDES permitting and contamination of fresh water streams
Shadow Ridge	Unk	25	Unk	\$ 20,515.50	\$ 1,500,000.00	TBD	Non-compliance with NPDES permitting and contamination of fresh water streams
WR Holdings	Unk	25	Unk	\$ 20,515.50	\$ 1,500,000.00	TBD	Non-compliance with NPDES permitting and contamination of fresh water streams
5-Yr Capital Improvement Needs							
Description of Need					Date	Cost	Method of Financing
Chicot - Krestview Estates - Replace Digester & Sitework					2026	\$ 200,000.00	Loan

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Flushing Meadows Wastewater Treatment Facilities							
Facility Name	Service Date	Useful Life (Yrs)	Last Major Upgrade	Annual Maintenance	Estimated Replacement Cost	Estimated Replacement Date	Consequence of Failure
Flushing Meadows	Unk	25	Unk	\$ 60,074.10	\$ 2,000,000.00	TBD	Non-compliance with NPDES permitting and contamination of fresh water streams
5-Yr Capital Improvement Needs							
Description of Need				Date	Cost	Method of Financing	
None				TBD	TBD	TBD	

Hayden's Place Wastewater Treatment Facilities							
Facility Name	Service Date	Useful Life (Yrs)	Last Major Upgrade	Annual Maintenance	Estimated Replacement Cost	Estimated Replacement Date	Consequence of Failure
Hayden's Place Subdivision	Unk	25	Unk	\$ 10,619.10	\$ 500,000.00	TBD	Non-compliance with NPDES permitting and contamination of fresh water streams
NWA Utilities	Unk	25	Unk	\$ 10,619.10	\$ 500,000.00	TBD	Non-compliance with NPDES permitting and contamination of fresh water streams
5-Yr Capital Improvement Needs							
Description of Need				Date	Cost	Method of Financing	
None				TBD	TBD	TBD	

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Oak Hill Wastewater Treatment Facilities							
Facility Name	Service Date	Useful Life (Yrs)	Last Major Upgrade	Annual Maintenance	Estimated Replacement Cost	Estimated Replacement Date	Consequence of Failure
North Hills Subdivision	Unk	25	Unk	\$ 9,410.40	\$ 500,000.00	TBD	Non-compliance with NPDES permitting and contamination of fresh water streams
Oak Tree Subdivision	Unk	25	Unk	\$ 9,410.40	\$ 500,000.00	TBD	Non-compliance with NPDES permitting and contamination of fresh water streams
5-Yr Capital Improvement Needs							
Description of Need				Date	Cost	Method of Financing	
North Hills - Replace Influent LS w/Screen				2026	\$ 250,000.00	Loan	
Oak Tree - Install Tertiary Filter				2026	\$ 200,000.00	Loan	
Oak Tree - Add Influent Screen				2027	\$ 250,000.00	Loan	

St. Joseph's Glenn Wastewater Treatment Facilities							
Facility Name	Service Date	Useful Life (Yrs)	Last Major Upgrade	Annual Maintenance	Estimated Replacement Cost	Estimated Replacement Date	Consequence of Failure
Cherokee Village	Unk	25	Unk	\$ 15,215.85	\$ 1,750,000.00	TBD	Non-compliance with NPDES permitting and contamination of fresh water streams
St. Joseph's Glenn Subdivision	Unk	25	Unk	\$ 15,215.85	\$ 1,750,000.00	TBD	Non-compliance with NPDES permitting and contamination of fresh water streams
5-Yr Capital Improvement Needs							
Description of Need				Date	Cost	Method of Financing	
None				TBD	TBD	TBD	

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Wastewater - Heavy Equipment

NONE - ALL MAINTENANCE CONTRACTED AND CONTRACTORS RESPONSIBLE FOR EQUIPMENT

5-Yr Capital Improvement Needs

Description of Need	Date	Cost	Method of Financing
N/A	N/A	N/A	N/A