



LITTLE ROCK

**Water Reclamation  
Authority** ONE WATER.  
ONE FUTURE.

**LITTLE ROCK, ARKANSAS**

A Component Unit of the City of Little Rock, Arkansas

**Comprehensive Annual**

**Financial Report**

**For the Years Ended December 31, 2018  
and 2017**



# LITTLE ROCK WATER RECLAMATION AUTHORITY

Little Rock, Arkansas

A Component Unit of the City of Little Rock

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# LITTLE ROCK WATER RECLAMATION AUTHORITY

Little Rock, Arkansas

A Component Unit of the City of Little Rock

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# INTRODUCTORY SECTION



LITTLE ROCK  
**Water Reclamation  
Authority** ONE WATER.  
ONE FUTURE.







April 9, 2019

To Little Rock Water Reclamation Commission,  
Little Rock City Board of Directors, and  
Little Rock Water Reclamation Authority Customers

The staff of Little Rock Water Reclamation Authority (LRWRA or the Utility) is proud to present the Comprehensive Annual Financial Report (CAFR) for the fiscal years ended December 31, 2018 and 2017. State law requires every general-purpose local government publish a complete set of audited financial statements for each fiscal year. This report is published to fulfill that requirement for the fiscal year ended December 31, 2018. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with LRWRA.

The CAFR is management's representation of the finances of LRWRA. Management assumes full responsibility for the completeness and reliability of all the information presented in this report, based upon a comprehensive framework of internal control that LRWRA has established for this purpose. Because the cost of internal controls should not outweigh their benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement.

LRWRA's financial statements have been audited by **BKD, LLP**, a firm of licensed certified public accountants. BKD has issued an unmodified (clean) opinion on LRWRA's financial statements for the years ended December 31, 2018 and 2017. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

### ***Profile of the Government***

The 1933 Arkansas General Assembly Enacted Act 132, authorizing all cities and towns in the state to levy user charges against property owners "to construct, own, equip, operate, maintain and improve" sewage collection and treatment systems. In June 1935, a full-fledged Sanitary Sewer Committee was named and the City of Little Rock Sanitary Sewer System was created. The seven-member group in 2015 changed the governing board from Little Rock Sanitary Sewer Committee (LRSSC) to Little Rock Water Reclamation Commission (LRWRC). LRWRC changed the organization's name from Little Rock Wastewater (LRW) to Little Rock Water Reclamation Authority (LRWRA) in July 2017. The LRWRC manages and controls the City's sewer system. The LRWRC and LRWRA must seek approval of all sewer rate increases and long-term financing through the City of Little Rock Board of Directors (LRBOD). The LRBOD appoints LRWRC members. The LRWRC in turn hires a Chief Executive Officer. The LRWRC meets on the third Wednesday of each month.

LRWRA provides wastewater service to its customers. For financial reporting purposes, LRWRA is considered a component unit of the City of Little Rock, Arkansas. The LRWRC operates and manages LRWRA with the City of Little Rock (the City) having the power to impose its will on LRWRA. LRWRA adopts an annual operating, capital, and debt service budget along with associated rates and fees for services; and issues updates to its Rules and Regulations.

LRWRA recovers the cost of providing wastewater services primarily through user charges and collects a 10.0% Franchise Fee for the City.

The LRWRC is required to adopt a final budget by no later than the close of the fiscal year. This annual operating and capital budget serves as the foundation for LRWRA's financial planning and control. The budget is submitted by each department, consolidated and prepared by the Finance Department and reviewed by the budget subcommittee before final approval from the LRWRC. Financial overviews are available for review at each monthly LRWRC meeting to show operations are being conducted in accordance to management's intentions.

### **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment in which LRWRA operates.

### **Local Economy**

The City currently enjoys a favorable economic environment and local indicators point to continued stability. The City is the capital and largest city of Arkansas as well as the governmental, economic, cultural and financial center of the state. The City and surrounding communities have a mix of industry – state government, centralized health care centers, a financial sector, information sector and a variety of other sectors that are not cyclical. In a 2013 national publication, *Kiplinger's Personal Finance*, the City was selected as the number one best place to live for small- and mid-size cities. This was based on the cost of living, quality of life, education system and strong economics. In addition, Little Rock was recently listed as 'No. 3 Best State Capital' by *USA Today Readers' Choice: 10 Best*.

The customer base has continued to grow at a slow but steady pace from previous years for the domestic and non-domestic users of the City of Little Rock Water Reclamation System (the System). The number of domestic customer accounts has increased by 3.16% over the past 10 years, while non-domestic users have increased by 3.03% over the same period. The overall growth of total customer accounts for the 10-year period is 3.15%, an increase of 0.24% from 2017.

### **Long-Term Financial Planning**

The Capital Improvement Plan (CIP) is a multi-year plan to address capital projects outlined in the System Evaluation and Capacity Assurance Plan (SECAP), the SECAP update, and routine expenditures to maintain infrastructure and replace aging fleet and equipment. The SECAP was adopted as part of the Sierra Club Settlement Agreement dated September 12, 2001. In 2006, Arkansas Department of Environmental Quality (ADEQ) and LRWRA signed a Consent Administrative Order (CAO) to address sanitary sewer overflows. The deadline to complete all the requirements of the CAO was set at January 1, 2016. In 2010, RJN Group was selected to provide LRWRA with an update to the SECAP report. In 2011, the deadline to complete the requirements of the CAO was extended three years to December 31, 2018. During 2015 the direction of the capital improvements for capacity-related overflows changed from wet weather storage facilities to collection system upgrades and renewal. The Rock Creek Storage Facility and the Cantrell Road Area In-Line Storage Facility projects were canceled and replaced by Collection System Overflow Mitigation Projects. Because of these changes, the deadline to complete all the requirements of the CAO and the Settlement Agreement was extended to December 31, 2023.

The 10-year plan contained in the 2019 budget represents the capital expenditures required to meet the goals of the SECAP plan from the study completed in 2002, the updated study from 2010, and the new Collection System Overflow Mitigation Projects by December 31, 2023. The plan is updated annually to reflect the latest priorities, updated cost estimates, and available funding. Total costs remaining that are associated with the CAO is estimated at \$160 million. *Note 8, Litigation*, of the audit discusses the Settlement Agreement in more detail.

Total capital expenditures of \$59.6 million are planned for 2019. Of this amount, \$46.1 million relates to carryover projects and \$13.5 million is proposed for new capital projects.

The Utility estimates that capital improvements required over the next 10 years, both to comply with the Settlement Agreement and the CAO and for routine capital improvements, will cost \$295.0 million and will include the following:

### **Collection System Rehabilitation Capacity Assurance Projects**

Various rehabilitation projects are forecast to require expenditures totaling \$115.8 million over the next 10 years through 2028. The total cost of work scheduled during 2019 is \$26.7 million and will be funded with system revenues and sewer revenue bonds issued in 2016, 2018 and 2019. The balance of the cost will be funded with System revenues and sewer revenue bonds to be issued in 2020 and 2024.

### **Trenchless Sewer Line Rehabilitation**

Trenchless sewer line rehabilitation is for the renewal of structurally deteriorated line segments that contribute to non-capacity overflows. The line segments for trenchless rehabilitation are typically located in areas where replacement by reconstruction is costly due to site restrictions. For 2019, \$2.5 million is forecasted for trenchless rehabilitation work. The Utility is projecting that \$22.5 million will be needed in total for years 2020 to 2028. This project is being funded with System revenues and sewer revenue bonds from 2016, 2018, 2019, 2020 and 2024.

### **Large Diameter Pipe Inspection and Rehabilitation**

A large diameter pipe inspection and rehabilitation program started to address the renewal of structurally deteriorated line segments. The 2019 cost is estimated at \$3.1 million. The identified line segments will be prioritized and placed on a rehabilitation schedule. The rehabilitation is estimated at a total cost of \$30.6 million through 2026 and will be funded by System revenues and revenue bonds to be issued in 2018, 2019, 2020 and 2024.

### **Scott Hamilton Drive Peak Flow Facility**

The SECAP identified the need for additional storage to complement the existing storage facility located at Scott Hamilton Drive. The total capital cost for this project is estimated at \$18.8 million, with funding sources from the Series 2012 Bonds, Revolving Loan Fund (RLF) 2016A and System revenues. The total project is estimated at \$18,823,229 with \$10,000 forecasted for 2019. The project should be operational by mid 2019.

### **Adams Field Water Reclamation Facility – Parallel Treatment Installation/Disinfection**

To help reduce wet-weather overflows, LRWRA plans to increase the peak flow treatment capacity of its Adams Field Water Reclamation Facility (AFWRF) to 94 million gallons per day (MGD) by installing media filters at additional treatment facilities that will be operated in parallel with the existing activated sludge facilities. The project construction is expected to be completed by 2020 and the total capital cost for this project is estimated at \$34.1 million. The funding source will be sewer revenue bonds RLF 2016A and RLF 2020.

### **Adams Field Water Reclamation Facility – Asset Renewal Phase I**

The AFWRF was placed into service as a primary treatment plant in 1961 with the addition of secondary treatment in 1972. The plant went through some modifications in the 1980s. In the mid-2000s, the plant was again modified to reduce odors, eliminate risks associated with chlorine gas storage, and accommodate flows up to 94 MGD through primary treatment for a period of hours. Through these modifications, some facility assets were renewed or replaced to accommodate the intent of the modifications. However, no formal asset management plan (AMP) has been developed to evaluate and plan for the replacement or renewal of depreciated, unreliable, or dysfunctional assets that could threaten the health and environment of the Arkansas River. While the AMP is being developed in another project, this project sets aside monies to allow for the systematic replacement of identified assets targeted for replacement or renewal at the AFWRF. A preliminary engineering study was completed in 2017 to develop the progress reports. The project design and construction for the selected treatment option is forecasted to be complete in 2023. The total project cost is estimated at \$13.2 million and will be funded by System revenues and sewer revenue bonds from the 2016A and 2020 RLF issues.

### **Adams Field WTF Asset Renewal – Phase II**

Based on current trends and in anticipation of future regulatory requirements on nutrient removal, LRWRA created a project for projected upgrades to facilities through the design phase for nutrient removal. Estimated expenditures through 2025 (estimated completion date) are \$4.7 million and will be funded by System revenues and sewer revenue bonds from the 2020 and 2024 RLF issues.

### **Fourche Creek Water Reclamation Facility Phase III – Rehabilitation**

Recent improvements to the Fourche Creek Water Reclamation Facility (FCWRF) increased the hydraulic capacity of the plant from 36 MGD to 45 MGD. This level of hydraulic throughput was needed to address the hydraulic improvements at the Arch Street Pump Station. However, in the 2008 Facility Plan for the facility, the ultimate hydraulic throughput of the plant was placed at 55 MGD to allow for anticipated growth in the industrial port complex. Construction is scheduled to be completed by the end of 2020. The total cost is estimated at \$11.4 million for the construction of hydraulic and other capital improvements and will be funded by System revenues and sewer revenue bond RLF 2017.

### **Jamison Pump Station Upgrade**

The Jamison Road Pump Station was constructed in 1993. The station consists of five submersible pumps, which include two 25 hp and three 150 hp pumps. There are two grinders and screens—one on each of the inlet channels. Dry weather flow at the station is approximately 2 MGD. Peak pumping capacity is approximately 16 MGD. Overall the wet well, valve vault, and building structure are in good condition and the station is functioning as designed. No changes are immediately required, but the SECAP recommended installing back-up power, painting the ferrous surfaces at the station, and replacing the grinders with a mechanical bar screen when maintenance of the grinders becomes an issue. The project is scheduled to start in 2020 and be completed in 2021. Estimated total cost is \$2.2 million and will be funded by System revenues and sewer revenue bond RLF 2020.

### **Two Rivers Park Station**

The Two Rivers Park Pump Station would allow the Walton Heights area sewer to operate independently during all wasting activities at Little Maumelle Water Reclamation Facility (LMWRF). The Walton Heights gravity line valve must be shut during wasting, or the flows from the LMWRF will back up in the lines and cause stoppages and overflows. This project would allow the flexibility to waste at the treatment plant when needed. The project is scheduled to start in 2020 and finish in 2022. Estimated total cost is \$3.5 million, with funding coming from the 2020 RLF.

## **Capitalized Interest**

Capitalized interest is allocated among the projects associated with each sewer revenue bond or RLF. It has been LRWRA's practice to include incurred interest payments during the construction period as part of the disbursements from the RLF. The estimated capitalized interest is based on amounts and timing of the withdrawals on the projects. Beginning in 2020, implementation of Governmental Accounting Standards Board (GASB) 89 will require that interest be expensed as incurred. Estimated capitalized interest for 2019 is \$1,770,500, and estimated expensed interest for 2020 through 2028 is \$14,024,701.

## **Financial Policies**

LRWRA is accounted for as an Enterprise Fund, which is a proprietary fund. Enterprise Funds are used to account for operations that are financed and operated in a manner like private business enterprises. The intent of LRWRA is that the cost (including depreciation) of providing goods or services to the public on a continuing basis be financed or recovered primarily through user charges. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, maintenance, financing and related debt issues and billing and collection.

## **Flow of Funds Policy**

The flow of funds is established based on parity bond ordinances. The most recent City of Little Rock Bond Ordinance is No. 21,479. The ordinance states that rates charged for services of the System are fixed by ordinances of the City and all System revenues shall be paid into a special fund designated "Sewer Fund" (or Revenue Fund). The System revenues deposited in the Revenue Fund are pledged and applied in sequence to: (a) current expenses of maintenance and operations; (b) payment, pro rata, into the bond fund being maintained in connection with the Parity Bonds and any Additional Bonds that require monthly deposits; (c) payment, pro rata, into the bond fund being maintained in connection with the Subordinate Bonds; (d) payment into the Deprecation Fund (3% of System Revenues remaining after disbursement into (a), (b) and (c) from above; and (e) any surplus in the Revenue Fund after making all disbursements and providing for all funds described above may be used for any lawful purpose related to the System authorized by the LRWRA.

## **Sewer Revenue Fund**

All gross revenues are deposited into the Sewer Revenue Fund (Revenue Fund). Monies deposited in the Sewer Revenue Fund shall first be used to pay all Operation and Maintenance Expenses (O&M). The revenues of the System not actually required to pay Operation and Maintenance Expenses (the "Net Revenues") shall be transferred from the Revenue Fund to the other funds, in the order of priority, in the manner set forth in the Bond Ordinance.

## **Bond Fund**

The following shall be deposited in the Bond Fund:

1. Such amounts, in equal monthly installments by the 10th of the month following the month of closing, and on or before the 10th of each month thereafter, as will be sufficient to pay principal and interest scheduled to come due on the bonds' next principal and interest payment date, less any amount already on deposit therein for such purposes derived from the proceeds of the bonds or from any other lawfully available source.
2. Additional sums as necessary to provide for the Trustee's fees and expenses and any arbitrage rebate payment due to be paid to the United States Treasury under Section 148(f) of the code.

### **Bond Reserve Fund**

If the funds on deposit in the Bond Reserve Fund created for the benefit of all bonds are equal to the Reserve Fund Requirement, no deposits need to be made to the credit on the individual Bond Reserve Funds. However, should the Bond Reserve Fund at any time contain less than the Reserve Fund Requirement, then subject and subordinate to making the required deposits to the credit of the Bond Fund, LRWRA shall transfer from the Net Revenues in the Revenue Fund and deposit to the credit of the Bond Reserve Fund, by the 10th day of each month, such amounts in equal monthly installments to accumulate within at least a 24-month period equal to the Reserve Fund Requirement. The money on deposit in the Bond Reserve Fund may be used to pay the principal and interest on all bonds at any time there are not sufficient funds on deposit in the Bond Fund for such purposes.

### **Depreciation Fund**

Three percent (3%) of the remaining money in the Revenue Fund at the end of each month after all payments required to be made from the Revenue Fund have been made and all deficiencies accumulated from prior months have been paid shall continue to be paid to the Depreciation Fund established about the System, and shall be held in and paid out from such fund for the following purpose:

To be used solely for paying the cost of replacement made necessary by the depreciation of the System.

### **Contributions in Aid of Construction Fund**

Any monies that may be received by the LRWRC that shall represent contributions in aid of construction shall be deposited in a separate account at the depository bank. Such contributions shall not be considered as part of the gross revenues of the System. Payments from such bank account shall be made only for the purposes for which the contributions were made, including any refunds that may become due to any contributor.

### **Capital Projects Fund**

Any monies derived from the proceeds of Sewer Revenue Bond issues, State RLF issues, or transfers from the Revenue Fund to finance major capital improvement projects.

### **Capital Improvements Budget Policy**

A budget will be prepared for all capital expenditures contemplated, including completions of active construction projects, projects and capitalized purchases planned for the succeeding calendar year, and all projects for which a commitment of funds is to be made even though the actual expenditure will not occur in the succeeding year.

This actual budget is used for projecting anticipated capital requirements and becomes a vital element in the LRWRA Operating Plan.

The initial capital budget is prepared by each department at LRWRA, assimilated and reviewed by the Chief Financial Officer (CFO), and submitted for approval to both the Director of Engineering and Chief Executive Officer (CEO).

After the CEO's approval, the Capital Budget will be incorporated into the LRWRA Operating Plan and submitted to the LRWRC for approval.

Upon approval, all proposed expenditures included in the Capital Budget will be classified as "Planned Expenditures." Any of the capital expenditures proposed during the plan year which are not included in the approved capital budget will be classified as "Unplanned Expenditures."

Expenditures equal to or greater than \$5,000 on construction projects or purchases of new equipment are hereby defined as capital expenditures. Expenditures equal to or greater than \$5,000 on work, equipment parts, or a combination of the two, that add discernible life to an existing depreciated asset are also defined as capital expenditures. In general, expenses associated with additions, replacements, reconstructions, improvements or betterments qualify as capital expenditures.

Due to state procurement laws and the nature of capital improvement expenditures, it generally takes more than one (1) fiscal year to complete most capital improvement projects. Therefore, many projects carry over from year to year before they are completed and placed into service. LRWRA does not award a project contract unless it is fully funded. However, many large projects have multiple year and/or multiple phase construction periods. LRWRA uses several benchmarks of efficiency to ensure capital budget integrity. These include timely completion clauses, aggressive efforts to minimize change orders, and tracking the progress of the overall Capital Improvement Plan (CIP).

The following is a typical schedule for the development of a CIP and an O&M budget:

- January 1 – fiscal year begins.
- July and August – department heads formulate their requests for O&M budgets as well as their capital budget requests for the upcoming budget year and the succeeding four years.
- September – department heads and supervisors submit their budget requests, which are then combined into the first draft of the overall LRWRA budget. The finance staff is responsible for combining them for each department’s O&M and capital requests, budget revenues and other expenditures. The CEO, officers, directors, department heads and supervisors review the submitted budgets and establish priorities based on need and availability of funds.
- September (continued) – any changes resulting from management reviews are made at that time. One or more members of the LRWRC, serving as the Budget Subcommittee, reviews the budget document with LRWRA staff. Any revisions resulting from the Budget Subcommittee’s review are made at that time.
- October – the budget is presented at the regularly scheduled LRWRC meeting.
- November – the budget is considered for approval at the regularly scheduled LRWRC meeting.

### **Budget Amendment Policy**

Operating or capital budget line item transfers are done on a memorandum basis, submitted by the requesting CFO. The transfer is subject to approval by management but does not need approval by the LRWRC. Emergency funding authorizations and amendments to the approved operating or capital budgets can only be done with approval by the LRWRC.

### **Revenue Policy**

City of Little Rock Ordinance No. 21,080 also requires that the LRWRC maintain rates sufficient to produce or yield revenues to produce in each fiscal year an amount adequate to pay all expenses incurred for the operations and maintenance of the System as such expenses that shall accrue during the year. The current bond ordinance requires that LRWRA produce an additional amount equal to 100% of the aggregate amount required to be paid in such year for principal and interest and redemption premiums on bonds payable from the Bond Fund.

LRWRA is a component unit of the City of Little Rock and operates as an autonomous enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner like a private business enterprise, where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the public on a continuing basis be financed or recovered primarily through user charges.

All activities necessary to provide such services are accounted for in this fund, including (but not limited to) administration, operations, maintenance, financing and related debt service, and billing and collection. Because LRWRA operates in a proprietary manner, the major revenue sources are user charges for wastewater services. LRWRA's revenue requirements are based on cost of service. This includes operating costs, expenditures for capital improvements, and repayment of debt. The description and figures of the revenue sources are covered in the financial overview section of this budget.

### **Operating Cash Reserve Policy**

Resolution No 2012-12 created a 60-day operating cash reserve of operations and maintenance, revenue-funded capital, and debt principal and interest requirements by December 31, 2019, and set a minimum cash operating balance of 45 days effective immediately. This resolution also gives the CEO and staff authorization to take necessary action if reserve levels drop below minimum to adjust expenses and replenish reserves.

### **Investment Policy**

LRWRA also has an Investment Policy outlined in the bond ordinances that states available funds shall be invested and reinvested at the direction of the LRWRC in eligible investments. Those eligible investments shall have a maturity of no longer than five (5) years from the date of acquisition unless, as documented at the time of acquisition, the investment is to fund or support a specific purpose and there are no expectations that the investment will be sold before maturity. The primary objectives of the investment policy are 1) preservation of capital; 2) safety of LRWRA funds; 3) maintenance of sufficient liquidity; 4) maximization of return within acceptable risk constraints; and 5) diversification of investments. The Investment Policy requires an annual review of its investment policy and strategies.

"Eligible Investments" defined by Arkansas statute (AR § Code 19-1-501) authorizes LRWRA to invest in eligible investment securities such as (1) direct or guaranteed obligation of the United States that is backed by the full faith and credit of the U.S. Government; (2) A direct obligation of an agency, instrumentality, or government-sponsored enterprise created by act of the United States Congress and authorized to issue securities or evidences of indebtedness are guaranteed for repayment by the U.S. Government; and (3) A bond of a governmental entity that: (A) Is issued for an essential governmental purpose or is guaranteed by a state agency; and (B) Has a debt rating from a nationally recognized credit rating agency of "A" or better at the time of purchase, or other debt of the state, a school district, a county government, a municipal government, or an authority.

### **Debt Service Policy**

Planned rate increases on a consistent basis are programmed in the Financial Plan and are mainly driven by the capital improvement program and debt service coverage required both by the revenue bond covenants and by the LRWRC benchmarks for financial management. The parity revenue bond covenants require debt service coverage of 1.2 times or greater (meaning 120% of the current year's debt service requirements must be available that fiscal year to issue new debt). LRWRA does not have a legal debt limit.

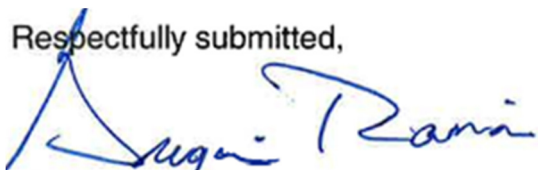
### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Little Rock Water Reclamation Authority, Little Rock, Arkansas, for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2017. This was the fourteenth year in a row that LRWRA has received this prestigious award. To be awarded a Certificate of Achievement, LRWRA had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one (1) year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.



The preparation of this report would not have been possible without the efficient and dedicated service of Debbie Williams, Chief Financial Officer, and the entire staff of LRWRA Finance.

Respectfully submitted,

A handwritten signature in blue ink that reads "Greg Ramon". The signature is fluid and cursive, with the first name "Greg" and last name "Ramon" clearly distinguishable.

Greg Ramon  
Chief Executive Officer

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Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Little Rock  
Water Reclamation Authority  
Arkansas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

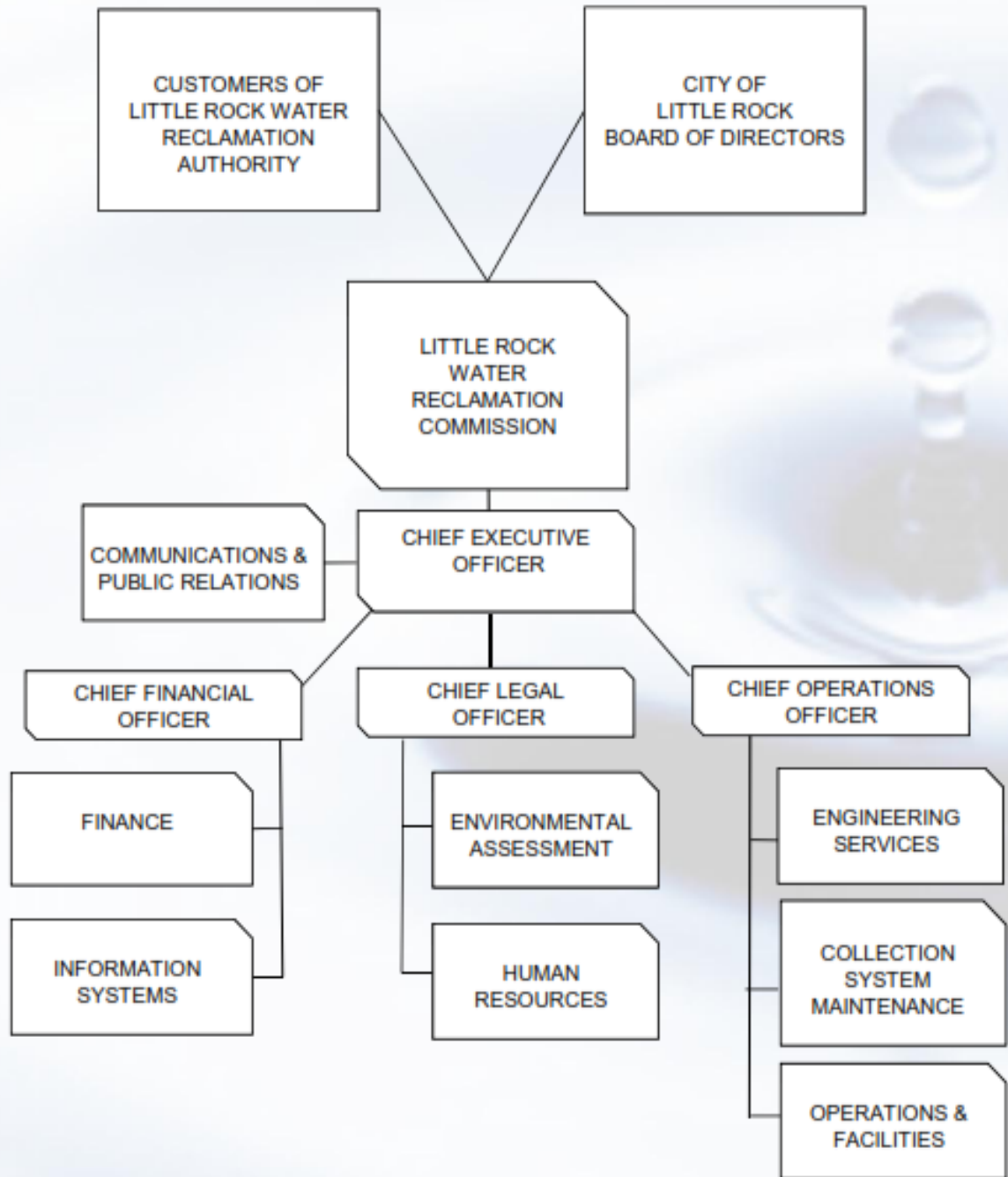
**December 31, 2017**

*Christopher P. Morill*

Executive Director/CEO

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# LITTLE ROCK WATER RECLAMATION AUTHORITY ORGANIZATIONAL CHART



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# 2018 LITTLE ROCK WATER RECLAMATION COMMISSION

**Chris Marsh  
Secretary**



**Richard Mays  
Jr.  
Chair**



**Bill Flowers  
Vice Chair**



**Debbie Shock  
Commissioner**

**Ganelle  
Holman  
Commissioner**



**Schawnee Hightower  
Commissioner**



**Lauren Ward  
Commissioner**

## EXECUTIVE STAFF

- Greg Ramon – Chief Executive Officer
- Summer Dobbins – Executive Assistant
- Debbie Williams – Chief Financial Officer
- Jean Block – Chief Legal Officer
- Howell Anderson, P.E. – Chief Operating Officer
- John Holloway, P.E. – Engineering
- Jamie Ewing – Environmental Assessment
- Walter Collins, P.E. – Operations

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# FINANCIAL SECTION



LITTLE ROCK  
**Water Reclamation  
Authority** ONE WATER.  
ONE FUTURE.



## Independent Auditor's Report

The Members of the Little Rock  
Water Reclamation Commission  
Little Rock, Arkansas

We have audited the accompanying financial statements of the business-type activities and the postemployment benefit trust fund of Little Rock Water Reclamation Authority (the Utility), collectively a component unit of the City of Little Rock, Arkansas, as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the postemployment benefit trust fund of Little Rock Water Reclamation Authority as of December 31, 2018 and 2017, and the changes in its financial position and, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in *Note 1* to the financial statements, in 2018 the Utility adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and other postemployment benefit information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Little Rock Water Reclamation Authority's basic financial statements. The accompanying supplementary information including the introductory section, budgetary comparison schedule, schedule of operating expenses by department – excluding depreciation, schedule of bonded indebtedness and the statistical section as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule, schedule of operating expenses by department – excluding depreciation and schedule of bonded indebtedness are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule, schedule of operating expenses – excluding depreciation and schedule of bonded indebtedness are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

*BKD, LLP*

Dallas, Texas  
April 9, 2019

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

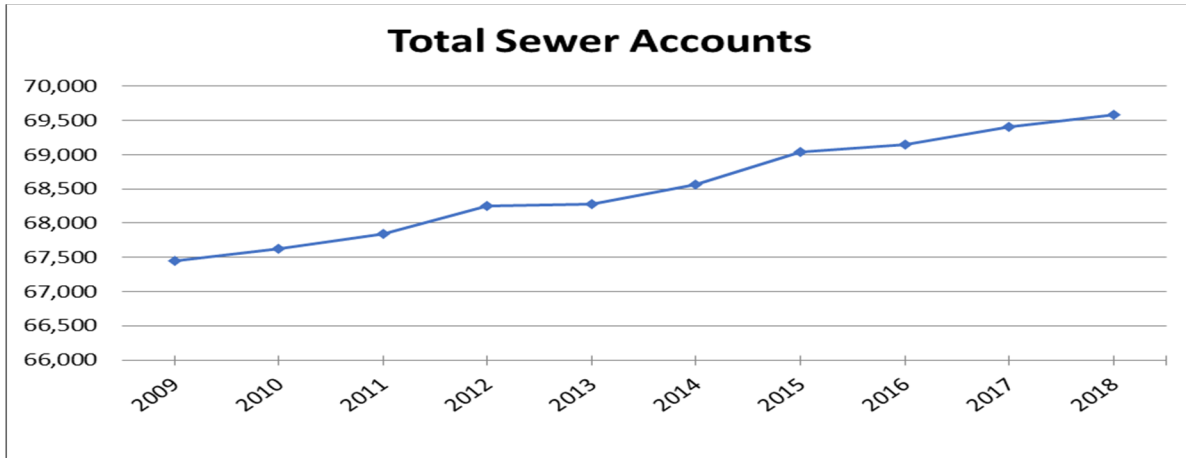
As management of Little Rock Water Reclamation Authority (LRWRA), we offer readers of LRWRA's financial statements this narrative overview and analysis of the financial activities of LRWRA for the fiscal year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with additional information that is provided in our letter of transmittal, which can be found on pages 1 through 9 of this report. The comprehensive annual financial report is made available via the internet ([www.lrwra.com](http://www.lrwra.com)). The use of the internet is consistent with LRWRA's objective to provide greater information to the public in a more efficient manner, reducing paperwork, labor and communication costs.

### **Financial Highlights**

- Total Assets and Deferred Outflows of Resources at December 31, 2018, were \$550.1 million and exceeded Total Liabilities and Deferred Inflows of Resources that totaled \$346.4 million. Total Net Position was \$203.7 million, an increase of 2.4% from 2017. Total Assets and Deferred Outflows of Resources at December 31, 2017, were \$530.0 million and exceeded Total Liabilities and Deferred Inflows of Resources that totaled \$331.1 million. Total Net Position was \$198.9 million, an increase of 2.5% from 2016.
- Operating Revenue for 2018 was \$60.9 million, which is an increase of \$5.6 million, or 10.1%, from 2017. Operating Revenue for 2017 was \$55.3 million, which is an increase of \$1.8 million, or 3.4%, from 2016. The major increases reflect LRWRA's implemented rate changes of 4.75% in January 2017 and January 2018.
- Operating Expenses, before Depreciation, for 2018 were \$28.3 million, which is an increase of \$1.1 million, or 4.2%, compared to fiscal year 2017. Operating Expenses, before Depreciation, for 2017 were \$27.2 million, which is an increase of \$1.3 million, or 5.1%, from 2016. The largest change is \$346 thousand in administrative expenses from 2017 and \$1.0 million in Salaries and Benefits from 2016.
- Operating Expenses, including Depreciation, for 2018 were \$44.4 million, which is an increase of \$2.0 million, or 4.8%, from fiscal year 2017. Operating Expenses, including Depreciation, for 2017 were \$42.4 million, which is an increase of \$2.5 million, or 6.2%, from fiscal year 2016.
- Debt Service Coverage was 2.59, which exceeds the 1.20 required by the Bond Covenant. In the Statistical Data Section, Schedule 11 – Pledged-Revenue Coverage provides more information on debt service coverage.
- In August 2015, the City of Little Rock Board of Directors passed a new Sewer Rate Ordinance. The ordinance included a five-step sewer rate adjustment timeline; 4.75% for January 2017; 4.75% for January 2018; 4.75% for January 2019; 4.75% for January 2020; and 4.75% for January 2021. Most of this revenue is to fund debt service for the 2017 Construction Revenue Bond, the 2018 Sewer Revenue Bond, and future debt issues in 2019 and 2020.
- Adoption of Governmental Accounting Standards Board (GASB) Statement No. 75, *Financial Reporting for Postemployment Benefits Plans other than Pension Plans* (GASB 75). This implementation resulted in the restatement of 2018 beginning net position. Prior year comparative information herein has not be restated for the adoption of GASB 75.

**General Trends**

LRWRA’s customer accounts increased from 2017 by 170, or 0.24%, and from 2016 by 261, or 0.38%. Over a 10-year period, the customer growth rate was 3.15%. As you can see from the chart below, customer growth has slow steady upward movement starting in 2009 to present.



<b>Water Reclamation Authority Customers</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Beginning customer accounts	69,410	69,149	69,039
Additional customers (net)	170	261	110
Ending customers	69,580	69,410	69,149

The following chart shows a Domestic bill based on a consumption of 6 Ccf as of December 31 of each year. These amounts do not include a 10.0% franchise fee that is collected for and paid to the City of Little Rock or the monthly \$1.00 service line replacement fee.

<b>Domestic Bill</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
	36.31	34.66	32.04

Little Rock’s Water Reclamation Authority rates remain moderately higher than neighboring utilities. The LRWRC has a continual budget plan that allows LRWRA to project rate adjustments in conjunction with major capital construction and debt issuance.



## **Little Rock Water Reclamation Authority System**

LRWRA is regulated by the United States Environmental Protection Agency (EPA) and Arkansas Department of Environmental Quality (ADEQ). These agencies issue permits to LRWRA for discharge of treated wastewater. Currently, LRWRA has 34 remote, unattended pumping stations, one tertiary and two secondary treatment facilities, a peak flow attenuation facility, a maintenance facility and an administration building. The collection system includes over 124 square miles containing approximately 1,393 miles of sewer lines. The National Association of Clean Water Agencies (NACWA) awarded all three LRWRA facilities in 2018. Adams Field was awarded a Platinum Peak Performance Award, which recognizes facilities with consistent record of full compliance for a consecutive five-year period; Fourche Creek was awarded a Gold Peak Performance Award, which recognizes facilities with no permit violations for the entire calendar year, and Little Maumelle was awarded a Silver Award!

The Adams Field Water Reclamation Facility has been in operation since 1961 and was Little Rock's first water reclamation facility. The facility was put into operation at a cost of \$3.5 million and was only equipped with primary treatment. Secondary treatment facilities were added in the early 1970s at a cost of \$6.2 million. The latest facility upgrade was completed in 2007 at a cost of \$27.5 million. The construction consisted of upgrading the primary clarifiers for peak flow and building an equalization basin to hold up to 14 million gallons. The plant has a new Hydraulic Peak Capacity, with the maximum capacity consisting of 94 Million Gallons per Day (MGD). The plant is a complete-mix activated sludge plant, serving approximately 70% of the city of Little Rock, and is a two-stage secondary treatment plant, designed to reduce the pollutant load by approximately 90% through a combination of physical and biological processes. Starting in 2007, this treatment facility added the Ultra-Violet disinfection process.



The Fourche Creek Water Reclamation Facility has been providing wastewater treatment to the Fourche Creek Valley since 1983 when it was placed in service at a cost of \$19.6 million. The step-feed activated sludge section was brought on line in 1989 at a cost of \$9 million. The FCWRF is also a two-stage, or secondary treatment facility. It has an installed treatment capacity of 16 MGD, or a population equivalent of 120,000 persons. The plant's annual average dry weather influent sewage flow is 12 MGD.

This treatment plant is currently in the design stages of being upgraded to accommodate higher peak wet weather flows from the original 36 MGD to approximately 55 MGD to further mitigate collection system surcharging.



The Little Maumelle Water Reclamation Facility is a newly constructed facility that came online in September 2011 and serves the residents of the Little Maumelle River Valley. It is the only treatment facility in Arkansas to have a tertiary treatment process. This activated sludge treatment plant of 4 MGD was built so that it could be expanded to 16 MGD. The facility has odor control and uses Ultra Violet light for disinfection. The outfall point (where the disinfected wastewater or effluent will be discharged) has a special diffuser that will scatter the effluent so as not to have one giant flow of treated wastewater. Aesthetically speaking, the facility is completely covered and constructed with a brick façade to match the theme of the nearby Pinnacle Mountain State Park. The cost for land, engineering, construction, administration expenses and contingencies was \$80.9 million.



The Peak Flow Attenuation Facility was placed in service mid-year of 2009 to help improve the hydraulic capacity of the collection system during wet weather events and address wet weather overflows in the western end of the Fourche Creek Bottoms. This project consists of a 50 MGD pump station, 12,000 linear feet (LF) of 48-inch force main, two (2) diversion structures, and a 30-million-gallon storage facility. This, along with an associated project, Arch Street Pump Station rehabilitation and hydraulic upgrade, has a project cost of \$54.5 million dollars. It is part of a system created to reduce the effects of designated storm events, also referred to as 'peak flow events,' where so many inches of rain accumulate within 48 hours.



The Clearwater Maintenance Facility is the operations/maintenance complex on a 36-acre tract that was built in 1989. LRWRA jointly owns the building with Central Arkansas Water, and the two (2) utilities share a Fleet Maintenance Department for the maintenance and repair of vehicles and equipment. About 90 LRWRA employees in the Maintenance department work from this facility, making it the home base for most LRWRA work force.

The Clearwater Administration Building was built in 2005 and is located near the Clearwater Maintenance Facility. The CEO, Department Managers, Engineering, Information Services, Accounting, Human Resources, Safety, Communications and Purchasing are all located in the administrative building. This building is also the location for the monthly LRWRC meetings.



## **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to LRWRA's basic financial statements. LRWRA's basic financial statements are: 1) Statement of Net Position; 2) Statement of Revenues, Expenses and Changes in Net Position; 3) Statement of Cash Flows; 4) Statement of Fiduciary Net Position; 5) Statement of Changes in Fiduciary Net Position; and 6) Notes to Financial Statements.

The Statement of Net Position presents information on all LRWRA's assets, deferred outflows, liabilities and deferred inflows with the difference between the four (4) reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of LRWRA is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position reflects the results of the business activities over the course of the most recent fiscal year and information as to how the net position changed during the year. 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.

The Statement of Cash Flow presents changes in cash and cash equivalents, resulting from operational, financing and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

A major change to the 2018 LRWRA financial statements was the implementation (and initial adjusting entries for change in accounting principle) of the Governmental Accounting Standards Board (GASB) Statement No. 75, *Financial Reporting for Postemployment Benefits Plans other than Pension Plans* (GASB 75). The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits, or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. GASB 75 replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*. Only the net position at the beginning of fiscal year was restated.

## **Fiscal Years 2016–2018 Financial Information**

### **Statement of Net Position**

Total Assets increased by \$21.8 million in 2018 and increased \$29.9 million in 2017. This change was primarily due to the increase in Net Capital Assets, which increased \$16.6 million in 2018 and \$12.9 million in 2017. *Note 4* on page 42 provides a breakdown between classes of additions and retirements. Also, current assets increased \$7.8 million in 2018 and \$6.1 million in 2017 primarily due to strong operating results.

A new item to the Deferred Outflows and Deferred Inflows in 2018 was the OPEB funding related to the implementation of GASB 75. *Note 11, Other Post-Employment Benefits* and *Note 14, Advanced Refunding* provide greater detail on these Deferred Outflows of Resources.

Current Liabilities showed an increase of 17.7%, or \$3.5 million, in 2018 and 8.0%, or \$1.4 million, in 2017. The biggest contributing line items are Bond Payable current increasing \$324 thousand in 2018 and \$493 thousand in 2017, and construction payable increased \$2.9 million in 2018 and \$729 thousand in 2017.

Noncurrent Liabilities showed an increase of 3.3% or \$10.1 million, for 2018 due to a \$5.4 million increase in net OPEB liability and an increase in bond payable of \$7.9 million. Additional information for GASB 75 OPEB liability can be found on Pages 70 and 71. LRWRA's bond information can be found in *Note 6* starting on Page 43. Total Liabilities increased by \$13.6 million from 2017 and \$24.7 million from 2016.

In 2018, Total Net Position had an increase of \$4.8 million, or 2.4%, including a change of \$7.5 million from income before contributions, \$2.8 million from capital contributions, and a (\$5.5) million restatement due to the implementation of GASB 75. In 2017, Total Net Position had an increase of \$4.9 million, or 2.5%, including a change of \$3.9 million from income before contributions and \$1.0 million from capital contributions.

	2018	Percent Change	2017	Percent Change	2016
<b>Assets</b>					
Current assets	\$ 40,926,045	23.61%	\$ 33,107,687	22.71%	\$ 26,980,446
Noncurrent unrestricted and restricted assets	16,879,965	-13.33%	19,476,487	126.68%	8,592,042
Capital assets (net)	478,224,019	3.59%	461,636,852	2.88%	448,700,337
Total assets	<u>536,030,029</u>	<u>4.24%</u>	<u>514,221,026</u>	<u>6.18%</u>	<u>484,272,825</u>
<b>Deferred Outflows of Resources</b>					
Bond refunding	9,116,181	-8.66%	9,980,769	-8.12%	10,862,625
Pension funding	3,462,493	-40.17%	5,787,553	6.14%	5,452,853
OPEB	1,516,554	100.00%	-	0.00%	-
Total deferred outflows of resources	<u>14,095,228</u>	<u>-10.61%</u>	<u>15,768,322</u>	<u>-3.35%</u>	<u>16,315,478</u>
Total assets and deferred outflows of resources	<u>\$ 550,125,257</u>	<u>3.80%</u>	<u>\$ 529,989,348</u>	<u>5.87%</u>	<u>\$ 500,588,303</u>
<b>Liabilities</b>					
Current liabilities	22,945,797	17.75%	19,487,165	7.96%	18,051,043
Noncurrent liabilities	321,325,948	3.25%	311,205,177	8.09%	287,921,872
Total liabilities	<u>344,271,745</u>	<u>4.11%</u>	<u>330,692,342</u>	<u>8.08%</u>	<u>305,972,915</u>
<b>Deferred Inflows of Resources</b>					
Pension funding	1,835,639	397.05%	369,306	-37.84%	594,142
OPEB	328,564	100.00%	-	0.00%	-
Total deferred inflows of resources	<u>2,164,203</u>	<u>486.02%</u>	<u>369,306</u>	<u>-37.84%</u>	<u>594,142</u>
<b>Net Position</b>					
Net investment in capital assets	178,984,742	2.02%	175,449,301	0.30%	174,925,069
Restricted	7,147,197	-16.01%	8,509,516	10.49%	7,701,740
Unrestricted	17,557,370	17.29%	14,968,883	31.37%	11,394,437
Total net position	<u>203,689,309</u>	<u>2.39%</u>	<u>198,927,700</u>	<u>2.53%</u>	<u>194,021,246</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 550,125,257</u>	<u>3.80%</u>	<u>\$ 529,989,348</u>	<u>5.87%</u>	<u>\$ 500,588,303</u>

## Statement of Revenues, Expenses and Changes in Net Position

Operating revenue falls into three (3) general categories: assessments levied, industrial surcharges and other fees and income. Assessments levied are monthly residential/commercial service charge billings. Industrial surcharges consist of fees based on wastewaters having excessive Biochemical Oxygen Demand (BOD), Total Suspended Solids (TSS), Oil and Grease (O&G), Chemical Oxygen Demand (COD) or pH discharge. Other fees and income are permit fees, connection fees, inspection fees, sewer dump permits and co-generation revenue. Nonoperating revenue consists of interest income from investments and cash, and cash equivalent accounts, along with gain on disposal of property, unrealized gain on investments and miscellaneous income.

Total Revenue increased from 2017 to 2018 by \$6.1 million, or 10.9%, and from 2016 to 2017 by \$2.0 million, or 3.7%. LRWRA had a 4.75% rate increase in January 2018 and 2017 for the future debt repayment on the 2016 RLF principal and interest. Assessments Levied and Industrial Surcharges increased over 2017 by \$5.7 million and over 2016 by \$1.8 million. Nonoperating Revenue showed an increase of \$492.9 thousand in 2018 due primarily to an increase in interest income provided by better interest rates and more dollars invested, and an increase of \$165.1 thousand in 2017 in which \$96.0 thousand was a gain on the disposal of capital assets.

Operating Expenses are divided into departments within LRWRA. Each department tracks its expenses based on the following breakdown: salaries, benefits, supplies, contract services, vehicle maintenance, utilities, insurance and training and administration. Nonoperating Expenses are made up of interest expense, bond issuance costs, gain on disposal of capital assets, unrestricted loss on investments and miscellaneous.

Total Operating Expense increased by \$1.1 million, or 4.2%, in 2018. Although Operating Expenses are over budget by 0.74%, the increase is primarily due to an increase in administrative expenses, filling of vacant positions, associated benefits and normal business activities. Total Operating Expense increased by \$1.3 million, or 5.1%, in 2017. Although Operating Expenses were over budget by 0.9%, the increase is due primarily due to an increase in pension expense for net pension liability change of \$1.6 million from 2016, filling vacant positions, associated benefits and normal business activities.

Nonoperating Expense had an increase of \$391.0 thousand in 2018 compared to 2017 and \$254.8 thousand in 2017 compared to 2016. The 2018 increase was due to loss on disposal of capital assets. The 2017 increase was due to an increase in interest expense on funded debt during 2017.

Change in Net Position in 2018 represents an increase of \$10.3 million due primarily to 2018 Income Before Contributions of \$7.5 million and capital contributions of \$2.8 million. Total Net Position – Ending showed an increase of 2.4% comparing 2018 and 2017. Change in Net Position in 2017 represents an increase of \$4.9 million due primarily to 2017 income before contributions of \$3.9 million and capital contributions of \$1.0 million. Total Net Position – Ending showed an increase of 2.5% comparing 2017 to 2016.

Additional information can be found on the Statement of Revenues, Expenses and Changes in Net Position on Page 28 and Budgetary Comparison Schedule on Page 76.

	2018	Percent Change	2017	Percent Change	2016
<b>Revenues</b>					
Operating revenues					
Assessments levied	\$ 58,836,838	10.34%	\$ 53,324,852	3.08%	\$ 51,733,703
Industrial surcharges	1,337,871	15.04%	1,162,912	16.05%	1,002,058
Other fees and income	712,655	-10.77%	798,629	8.68%	734,824
Nonoperating revenues	957,559	106.09%	464,636	55.10%	299,581
Total revenues	61,844,923	10.93%	55,751,029	3.68%	53,770,166
<b>Expenses</b>					
Operating expense	28,332,522	4.18%	27,196,677	5.09%	25,879,136
Depreciation expense	16,099,423	5.99%	15,190,118	8.24%	14,033,870
Nonoperating expense	9,890,871	4.12%	9,499,884	2.76%	9,245,117
Total expense	54,322,816	4.70%	51,886,679	5.55%	49,158,123
<b>Income Before Contributions</b>	7,522,107	94.65%	3,864,350	-16.21%	4,612,044
<b>Capital Contributions</b>	2,786,302	167.37%	1,042,104	-37.96%	1,679,766
<b>Change in Net Position</b>	10,308,409	110.10%	4,906,454	-22.02%	6,291,810
<b>Net Position – Beginning, as Previously Reported</b>	198,927,700	2.53%	194,021,246	3.35%	187,729,436
<b>Adjustment for Accounting Change – Adoption of GASB 75</b>	(5,546,800)	100.00%	-	0.00%	-
<b>Net Position – Beginning, Adjusted</b>	193,380,900	-0.33%	194,021,246	3.35%	187,729,436
<b>Total Net Position – Ending</b>	\$ 203,689,309	2.39%	\$ 198,927,700	2.53%	\$ 194,021,246

## Capital Assets and Debt Administration

The additions to LRWRA’s wastewater system capital improvements were \$33.7 million in fiscal year 2018. The largest major construction dollars were spent on collection projects in the amounts of \$10.4 million, pumping/treatment for \$0.6 million, transportation for \$2.5 million, mains/development at \$1.8 million, AFWTF Parallel Treatment Disinfection for \$8.2 million, Scott Hamilton Drive Peak Flow Facility for \$5.5 million, FCWTF Phase III for \$1.4 million, and all other \$3.3 million. Additional information can be found on *Note 4* of this report.

The total long-term debt (less bond payable within one year) increased by \$8.8 million in 2018. Additional information can be found on *Note 6* of this report.

Moody’s Investors Service assigned an Aa3 rating on the City of Little Rock (AR) Sewer Revenue Bonds.

Long-Term Debt	2018	2017	2016
2007B Sewer Revenue Bond	\$ 11,098,358	\$ 11,951,610	\$ 12,781,873
2009A Sewer Revenue Bond	5,740,173	6,107,145	6,466,887
2011 Sewer Revenue and Refunding Bond	8,995,000	10,695,000	12,340,000
2012 Sewer Revenue Bond	24,600,000	25,265,000	25,915,000
2013 Sewer Revenue Bond	33,080,773	34,556,715	31,033,439
2014 Sewer Refunding Revenue Bond	7,015,000	8,290,000	9,535,000
2015 Sewer Refunding Revenue Bond	144,440,000	149,050,000	153,525,000
2016A Sewer Revenue Bond	32,892,558	19,524,179	1,632,139
2016B Sewer Refunding Revenue Bond	17,335,000	17,965,000	18,585,000
2017 Sewer Revenue Bond	10,650,000	10,835,000	-
2018 Sewer Revenue Bond	7,554,450	-	-
Less debt payable, due within one year	<u>(12,085,562)</u>	<u>(11,761,167)</u>	<u>(11,268,291)</u>
Total long-term debt	<u>\$ 291,315,750</u>	<u>\$ 282,478,482</u>	<u>\$ 260,546,047</u>

Additional information on LRWRA’s long-term debt can be found in *Note 6* on Page 43 of this report.

## Economic Factors and Next Year’s Budget and Rates

LRWRA has monitored customer base trends and the reliance on LRWRA-required services will continue to grow at a slow pace of less than 1.0%. LRWRA believes that 2019 revenues will match budget based on the monitoring of the first month of collections. LRWRA evaluates the Average Winter Consumption (AWC) for residential customers in the March/April timeframe. The downward trend has leveled off the past two years. LRWRA has one major customer that accounts for just over 1% of assessment levied revenues (see Schedule 13 – Ten Largest Customers).

The 10-year capital improvement plan set forth in the 2019 budget encompasses the amended deadline of December 31, 2023, to meet the requirements of the Settlement Agreement and the CAO. Unfinished capital projects represented in the 2019 budget primarily relate to wastewater collection, transmission and treatment improvements. Total capital expenditures of \$59.6 million are planned for 2019. Of this amount, \$46.1 million relates to carryover projects and \$13.5 million is proposed for new capital projects.

LRWRA estimates the capital improvements required over the next 10 years, both to comply with the Settlement Agreement and the CAO and for routine capital improvements, will cost \$294,958,600. In August 2015, the City of Little Rock Board of Directors passed a five-step rate increase for the following timelines and percentage adjustments; 4.75% on January 1, 2017; 4.75% on January 1, 2018; 4.75% on January 1, 2019; 4.75% on January 1, 2020; and 4.75% on January 1, 2021.

Moody's Investors Service rated LRWRA with a Aa3 and a stable outlook to the 2017 Bond Revenue issue on the underlying rating of the City of Little Rock (AR) Sewer Revenue Bonds based on projected rate increases necessary to support future debt needs to meet the CAO.

**Request for Information**

This financial report is designed to provide a general overview of LRWRA's finances for the rate payers, citizens, city leaders, investors, and creditors. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, 11 Clearwater Drive, Little Rock, Arkansas 72204.



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**Little Rock Water Reclamation Authority**  
**Statements of Net Position**  
**December 31, 2018 and 2017**

<b>Assets</b>	<b>2018</b>	<b>2017</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 26,203,394	\$ 20,489,838
Accounts receivable (net of allowance for doubtful accounts of \$381,338 in 2018 and \$433,783 in 2017)	6,583,590	3,675,494
Inventories	1,533,657	1,468,585
Prepaid items	113,323	72,119
Construction receivable	115,132	143,576
Restricted current assets		
Bond requirements		
Cash and cash equivalents	5,580,431	6,513,092
Accrued interest receivable	55,214	16,133
Prepaid items	741,304	728,850
Total current assets	<u>40,926,045</u>	<u>33,107,687</u>
<b>Noncurrent Assets</b>		
Unrestricted noncurrent assets		
Workers' compensation fund investments	596,070	592,074
Total unrestricted noncurrent assets	<u>596,070</u>	<u>592,074</u>
<b>Restricted Noncurrent Assets</b>		
Prepaid other postemployment benefits	-	1,640,581
Other prepaid items	1,092	-
Bond requirements		
Investments	6,448,773	6,423,877
Cash and cash equivalents	9,834,030	10,819,955
Total restricted noncurrent assets	<u>16,283,895</u>	<u>18,884,413</u>
<b>Capital Assets (Net of Accumulated Depreciation)</b>	<u>478,224,019</u>	<u>461,636,852</u>
Total noncurrent assets	<u>495,103,984</u>	<u>481,113,339</u>
Total assets	<u>536,030,029</u>	<u>514,221,026</u>
<b>Deferred Outflows of Resources</b>		
Deferred amounts on bond refunding	9,116,181	9,980,769
Deferred amounts on pension funding	3,462,493	5,787,553
Deferred amounts on OPEB	1,516,554	-
Total deferred outflows of resources	<u>14,095,228</u>	<u>15,768,322</u>
Total assets and deferred outflows of resources	<u>\$ 550,125,257</u>	<u>\$ 529,989,348</u>

The accompanying notes are an integral part of these financial statements.

**Little Rock Water Reclamation Authority**  
**Statements of Net Position (Continued)**  
**December 31, 2018 and 2017**

<b>Liabilities</b>	<b>2018</b>	<b>2017</b>
<b>Current Liabilities</b>		
Accounts payable	\$ 397,973	\$ 459,352
Franchise fee collections due to City of Little Rock	442,764	445,221
Sewer line replacement fee	492,092	282,870
Accrued wages payable and related liabilities	719,484	640,907
Accrued expenses and other	33,066	29,913
Compensated absences	922,449	893,029
Construction contracts payable	5,533,193	2,593,387
Accrued bond/note interest payable	2,319,214	2,381,319
Bonds payable – current	<u>12,085,562</u>	<u>11,761,167</u>
Total current liabilities	<u>22,945,797</u>	<u>19,487,165</u>
<b>Noncurrent Liabilities</b>		
Bonds payable (net of unamortized premiums)	300,570,733	292,648,766
Compensated absences	59,237	66,315
Net pension liability	15,306,760	18,490,096
Net OPEB liability	<u>5,389,218</u>	<u>-</u>
Total noncurrent liabilities	<u>321,325,948</u>	<u>311,205,177</u>
Total liabilities	<u>344,271,745</u>	<u>330,692,342</u>
<b>Deferred Inflows of Resources</b>		
Deferred amounts on pension funding	1,835,639	369,306
Deferred amount related to OPEB	<u>328,564</u>	<u>-</u>
	<u>2,164,203</u>	<u>369,306</u>
<b>Net Position</b>		
Net investment in capital assets	178,984,742	175,449,301
Restricted		
Debt service	7,147,197	6,868,935
Other postemployment benefits	<u>-</u>	<u>1,640,581</u>
Unrestricted	<u>17,557,370</u>	<u>14,968,883</u>
Total net position	<u>203,689,309</u>	<u>198,927,700</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 550,125,257</u>	<u>\$ 529,989,348</u>

The accompanying notes are an integral part of these financial statements.

**Little Rock Water Reclamation Authority**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Operating Revenues</b>		
Sewer charges	\$ 58,836,838	\$ 53,324,852
Industrial surcharges	1,337,871	1,162,912
Other	<u>712,655</u>	<u>798,629</u>
Total operating revenues	<u>60,887,364</u>	<u>55,286,393</u>
<b>Operating Expenses</b>		
Salaries and benefits	18,569,410	18,374,739
Supplies	2,655,047	2,536,833
Contract services	3,975,373	3,579,063
Vehicle expenses	342,651	322,542
Utilities	1,629,151	1,568,833
Administrative	<u>1,160,890</u>	<u>814,667</u>
Total operating expenses	<u>28,332,522</u>	<u>27,196,677</u>
<b>Provision for Depreciation</b>		
Building and improvements	4,149,796	4,141,042
Infrastructure – collections, pumping and treatments	8,249,157	7,700,757
Equipment	<u>3,700,470</u>	<u>3,348,319</u>
Total provision for depreciation	<u>16,099,423</u>	<u>15,190,118</u>
<b>Operating Income</b>	<u>16,455,419</u>	<u>12,899,598</u>
<b>Nonoperating Income (Expense)</b>		
Interest income	739,314	295,084
Interest expense	(9,087,059)	(9,197,384)
Current year bond issuance costs	-	(297,558)
Gain (loss) on disposal of capital assets	(803,812)	96,011
Gain (loss) on investments	40,402	(4,942)
Other	<u>177,843</u>	<u>73,541</u>
Net nonoperating expense	<u>(8,933,312)</u>	<u>(9,035,248)</u>
<b>Increase in Net Position Before Capital Contributions</b>	7,522,107	3,864,350
<b>Capital Contributions (Cash and Noncash)</b>	<u>2,786,302</u>	<u>1,042,104</u>
<b>Change in Net Position</b>	<u>10,308,409</u>	<u>4,906,454</u>
<b>Net Position, Beginning of Year, as Previously Reported</b>	198,927,700	194,021,246
<b>Adjustment for Accounting Change – Adoption of GASB 75</b>	<u>(5,546,800)</u>	<u>-</u>
<b>Net Position, Beginning of Year, Adjusted</b>	<u>193,380,900</u>	<u>194,021,246</u>
<b>Net Position, End of Year</b>	<u>\$ 203,689,309</u>	<u>\$ 198,927,700</u>

The accompanying notes are an integral part of these financial statements.

**Little Rock Water Reclamation Authority**  
**Statements of Cash Flows**  
**Years Ended December 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Cash Flows from Operating Activities</b>		
Cash received from customers	\$ 57,475,835	\$ 54,447,827
Cash received City of Little Rock franchise fees	5,777,800	5,428,204
Other receipts	890,498	872,170
Payments to employees	(18,478,884)	(18,513,219)
Payments to suppliers	(2,781,498)	(2,437,202)
Payments for contractual services	(3,975,373)	(3,579,063)
Payments for utilities	(1,629,151)	(1,568,833)
Payments to City of Little Rock franchise fees	(5,780,257)	(5,422,885)
Payments for employee pensions	(858,276)	1,589,481
Payments for employee post employment benefits	295,009	-
Other payments	(78,412)	(1,088,569)
Net cash provided by operating activities	30,857,291	29,727,911
<b>Cash Flows from Capital and Related Financing Activities</b>		
Bond issuance costs	-	(297,558)
Acquisition and construction of capital assets	(28,107,562)	(26,265,821)
Cash donations	193,660	-
Proceeds from disposal of property and equipment	178,052	94,805
Principal paid on indebtedness	(12,052,309)	(11,278,440)
Interest paid on indebtedness	(9,199,878)	(9,244,289)
Proceeds from issuance of indebtedness	21,213,973	33,796,937
Net cash used in capital and related financing activities	(27,774,064)	(13,194,366)
<b>Cash Flows from Investing Activities</b>		
Interest on investments	700,233	295,486
Proceeds from sale of investments	24,691	4,929
Purchase of investments	(13,181)	(9,872)
Net cash provided by investing activities	711,743	290,543
Net increase in cash and cash equivalents	\$ 3,794,970	\$ 16,824,088

The accompanying notes are an integral part of these financial statements.

**Little Rock Water Reclamation Authority**  
**Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Cash and Cash Equivalents</b>		
Beginning of year	\$ 37,822,885	\$ 20,998,797
Net increase in cash and cash equivalents	<u>3,794,970</u>	<u>16,824,088</u>
End of year	<u>\$ 41,617,855</u>	<u>\$ 37,822,885</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating income	\$ 16,455,419	\$ 12,899,598
Adjustments		
Depreciation	16,099,423	15,190,118
Other income	177,843	73,541
Change in operating assets and liabilities		
(Increase) decrease in accounts receivable	(2,908,096)	(139,161)
(Increase) decrease in inventories	(65,072)	(10,677)
(Increase) decrease in prepaid items and other assets	(54,750)	(126,881)
(Increase) decrease in deferred outflows on pensions	2,325,060	(334,700)
(Increase) decrease in deferred outflows on OPEB	(1,516,554)	-
Increase (decrease) in accounts payable	147,843	110,308
Increase (decrease) in accrued expenses	104,072	136,266
Increase (decrease) in City of Little Rock franchise fees	(2,457)	5,318
Increase (decrease) in net pension liability	(3,183,336)	4,073,198
Increase (decrease) in net OPEB liability	1,482,999	-
Increase (decrease) in deferred inflows on pensions	1,466,333	(2,149,017)
Increase (decrease) in deferred inflows on OPEB	<u>328,564</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 30,857,291</u>	<u>\$ 29,727,911</u>
<b>Reconciliation of Total Cash and Cash Equivalents</b>		
Current assets – cash and cash equivalents	\$ 26,203,394	\$ 20,489,838
Restricted for bond requirements	5,580,431	6,513,092
Restricted for construction and improvement	<u>9,834,030</u>	<u>10,819,955</u>
Total cash and cash equivalents	<u>\$ 41,617,855</u>	<u>\$ 37,822,885</u>
<b>Supplemental Schedule of Noncash Investing, Capital and Financing Activities</b>		
Donated sewer lines capitalized	\$ 2,592,642	\$ 1,042,104

The accompanying notes are an integral part of these financial statements.

**Little Rock Water Reclamation Authority**  
**Statements of Fiduciary Net Position**  
**December 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 36,213	\$ 25,682
Investments – at fair value	1,252,338	1,247,001
Total assets	1,288,551	1,272,683
<b>Liabilities</b>		
Benefits payable and accrued expenses	-	-
Total liability	-	-
<b>Net Position Restricted for Postemployment Benefits Other Than Pensions</b>		
	\$ 1,288,551	\$ 1,272,683

The accompanying notes are an integral part of these financial statements.

**Little Rock Water Reclamation Authority**  
**Statements of Changes in Fiduciary Net Position**  
**Years Ended December 31, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Additions</b>		
Employer contributions	\$ 137,515	\$ 97,446
Investment income		
Investment income	20,317	13,346
Less trustee fee	(4,449)	(4,449)
Net investment income	15,868	8,897
Total additions	153,383	106,343
<b>Deductions</b>		
Benefit payments	137,515	97,446
Total deductions	137,515	97,446
<b>Net Increase in Net Position</b>	15,868	8,897
<b>Net Position Restricted for Postemployment Benefits Other Than Pensions</b>		
Beginning of year	1,272,683	1,263,786
End of year	\$ 1,288,551	\$ 1,272,683

The accompanying notes are an integral part of these financial statements.



# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2018 and 2017

### Note 1: Nature of Operations and Summary of Significant Accounting Policies

#### **Reporting Entity**

The financial statements of the Little Rock Water Reclamation Authority (LRWRA or the Utility), a component unit (Enterprise Fund) of the City of Little Rock, conform to generally accepted accounting principles for state and local governments. The Utility provides sewer services for the greater Little Rock area. These services primarily consist of treatment and disposal of sewer water, inspection of sewer lines, and construction of sewer treatment plants, rehabilitation projects, and spot repairs. The clear majority of the Utility's customers are residential; however, the Utility also services commercial businesses. The Utility had 69,580 and 69,410 customers at December 31, 2018 and 2017, respectively. LRWRA is financially accountable to the City of Little Rock because the City's Board of Directors must approve any rate adjustments and debt issuances.

#### **Basis of Accounting**

LRWRA is a proprietary fund and its financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units.

As a component unit of the City of Little Rock, LRWRA has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. It requires the classification of net position into three components: restricted, net investment in capital assets, and unrestricted.

Restricted – Consists of constraints placed on net position used through external constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction or improvement of those assets, and adding back unspent proceeds.

Unrestricted – Consists of net position that do not meet the definition of “restricted” or “invested in capital assets.”

When both restricted and unrestricted resources are available for use on an expenditure, it is generally LRWRA's policy to use the restricted resources first. For projects funded by debt proceeds and other sources, the debt proceeds are used first.

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2018 and 2017

As a component unit of the City of Little Rock, LRWRA applies the provisions of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. This statement requires that capital contributions to LRWRA be presented as a change in net position.

LRWRA's accounting and financial reporting practices are like those used for business enterprises; therefore, the accrual basis of accounting is utilized. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Revenues from assessments levied, industrial surcharges, connection fees and other sewer fees are reported as operating revenues. Transactions which are capital, financing or investing related are reported as nonoperating revenues. All expenses related to operating the sewer system such as salaries, benefits, supplies, utilities and administrative costs are reported as operating expenses. Interest expense and financing costs are reported as nonoperating expenses.

LRWRA utilizes fiduciary funds to report assets that are held in a trustee or agency capacity for others and that cannot be used to support the general operations of the Utility. The Utility's fiduciary fund consists of the LRWRA Post Retiree Healthcare plan (OPEB Plan). It 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 transactions and balances of the fiduciary fund are also reported using the economic resources measurement focus and the accrual basis of accounting. The OPEB Plan does not have a separate board and is administered by LRWRA.

### **Cash and Cash Equivalents**

LRWRA considers both restricted and unrestricted demand deposits, certificates of deposit, money market funds and cash management pools to be cash equivalents. In addition, all highly liquid investments, including repurchase agreements, with maturities of three months or less from the date of purchase are cash equivalents.

### **Investments**

Investments are stated at fair value and consist of debt securities with original maturities more than three months when purchased. Unrealized gains and losses are included as nonoperating income (expense) in the accompanying statements of revenues, expenses and changes in net position.

### **Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Details of accounts receivable and the related valuation account as of December 31, 2018 and 2017, are more fully explained in *Note 3*.

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2018 and 2017

### ***Inventory***

Materials, supplies and fuel inventories are valued at cost.

### ***Restricted Assets***

Restricted assets consist of monies and other resources which are restricted legally as described below:

Bond Requirements – These assets include cash, investments and accrued interest held in various accounts as required by the bond indentures.

Construction and Improvements – These assets are restricted by bond indentures for designated capital projects and cannot be expended for any other item.

### ***Capital Assets and Capital Contributions***

Capital assets consist of property, plant and equipment and include assets which have been contributed to LRWRA. These assets, consisting primarily of donated sewer lines, are recorded at acquisition cost. Capital assets are defined by LRWRA as assets with an initial, individual cost of at least \$5,000 and an estimated useful life more than one year. Depreciation is computed using the straight-line method of depreciation with estimated useful lives of 10 to 50 years for buildings and improvements, five to 25 years for machinery and equipment, and 50 years for collection systems (primarily sewer lines).

### ***Capital Asset Impairment***

The Utility evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital asset historical cost and related accumulated depreciation are decreased proportionately such that the net decrease equals the impairment loss.

No asset impairment was recognized during the years ended December 31, 2018 and 2017.

### ***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Utility has three items that qualify for reporting in this category:

- Deferred amounts on bond refunding – A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2018 and 2017

- Deferred amounts on pension funding – The contributions made to the pension plan after the measurement date are deferred and recognized in the following fiscal year. The difference in assumption changes in the pension plan is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which they incurred. The net difference between projected and actual earnings on pension plan investments is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which they were incurred.
- Deferred amounts on OPEB – The difference in assumption changes in the OPEB plan and the net difference between projected and actual earnings on OPEB assets are deferred and amortized over the average remaining service life of all participants in the OPEB plan.

In addition to liabilities, the statement of net financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Utility has two items that qualify for reporting in this category.

- Deferred amounts on pension funding – The differences between expected and actual experience and changes in proportionate differences between employer contributions and proportionate share is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which the difference occurred.
- Deferred amounts on OPEB – The differences between expected and actual experiences are deferred and amortized over the average remaining service life of all participants in the OPEB plan and recorded as a component of OPEB expense beginning with the period in which the difference occurred.

### **Compensated Absences**

Employees earn Personal Time Off (PTO) as the only paid personal leave, as it covers time away from the workplace for vacation, personal time, illness, etc. There are no restrictions on how much PTO can be accrued and no deadline to use the time accrued, but there is a “use or lose” policy for any balance over 300 hours at December 31 of each year. Employees accumulate PTO each pay period based on length of service. The rate of accrual for any given year in the first 12 months is 18 days, one through five years accrue 20 days, six through 15 years accrue 25 days, 16 through 25 years accrue 30 days, and 25 years and up accrue 35 days. Net changes in the liability for compensated absences are summarized in *Note 7*.

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2018 and 2017

### **Basis of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **Adoption of Governmental Accounting Standards Board Statement No. 75**

Effective for the year beginning January 1, 2018, the Utility implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits, or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The statements result from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. GASB 75 replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, as Amended*. The adoption of this statement required the Utility to restate its net position as of January 1, 2018, as information to restate as of January 1, 2017, was not readily available.

Net position January 1, 2018	\$ 198,927,700
GASB 75 implementation	<u>(5,546,800)</u>
Net position January 1, 2018 – restated	<u>\$ 193,380,900</u>

### **Reclassifications**

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 financial statement presentation. These reclassifications had no effect on the change in net assets.

**Little Rock Water Reclamation Authority**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

**Note 2: Cash and Cash Equivalents and Investments**

A summary of cash, cash equivalents and investments per the statements of net position and statements of fiduciary net position as of December 31, 2018 and 2017, follows:

	December 31, 2018			
	Cash			
	Cash	Equivalents	Total	Investments
Unrestricted assets	\$ 26,203,394	\$ -	\$ 26,203,394	\$ 596,070
Restricted assets				
Bond requirements	-	5,580,431	5,580,431	6,448,773
Construction and improvements	-	9,834,030	9,834,030	-
OPEB trust	-	36,213	36,213	1,252,338
Total restricted assets	-	15,450,674	15,450,674	7,701,111
<b>Total</b>	<b>\$ 26,203,394</b>	<b>\$ 15,450,674</b>	<b>\$ 41,654,068</b>	<b>\$ 8,297,181</b>

	December 31, 2017			
	Cash			
	Cash	Equivalents	Total	Investments
Unrestricted assets	\$ 20,489,838	\$ -	\$ 20,489,838	\$ 592,074
Restricted assets				
Bond requirements	-	6,513,092	6,513,092	6,423,877
Construction and improvements	-	10,819,955	10,819,955	-
OPEB trust	-	25,682	25,682	1,247,001
Total restricted assets	-	17,358,729	17,358,729	7,670,878
<b>Total</b>	<b>\$ 20,489,838</b>	<b>\$ 17,358,729</b>	<b>\$ 37,848,567</b>	<b>\$ 8,262,952</b>

**Deposits**

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Utility's deposit policy for custodial credit risk requires compliance with the provisions of state law and city of Little Rock statute.

City statute requires that deposits in financial institutions be collateralized with federal depository insurance and bonds or other interest-bearing securities of the United States, the State of Arkansas, Arkansas political subdivisions or agencies or instrumentalities of these entities at 104%.

The Utility had deposits with financial institutions of \$26,751,524 at December 31, 2018, and \$22,036,728 at December 31, 2017. The Utility had deposits on books of \$26,203,394 at December 31, 2018, and \$20,489,838 at December 31, 2017. The greatest credit risk exposure would be uninsured portions not collateralized since the collateral is not held by our pledging financial institution itself and all collateralized amounts are in the name of LRWRA.

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2018 and 2017

As of December 31, 2018 and December 31, 2017, the Utility's bank balance was fully insured and collateralized by the pledging financial institution.

### Investments

Arkansas statute (AR § Code 19-1-501) authorizes the Utility to invest in eligible investment securities such as (1) direct or guaranteed obligations of the United States that are backed by the full faith and credit of the U.S. Government; (2) A direct obligation of an agency, instrumentality, or government-sponsored enterprise created by act of the United States Congress and authorized to issue securities or evidences of indebtedness are guaranteed for repayment by the U.S.

Government; and (3) a bond or other debt of the state, a school district, a county government, a municipal government or an authority of a governmental entity that: (A) is issued for an essential governmental purpose or is guaranteed by a state agency; and (B) has a debt rating from a nationally recognized credit rating agency of "A" or better at the time of purchase. None of LRWRA's investments owned at December 31, 2018, were subject to custodial credit risk.

Cash equivalents and investments at December 31, 2018 and 2017, consisted of Federated Treasury Obligations (publicly traded government money market mutual fund held by LRWRA's bond trustee and are short-term U.S. Treasury securities with a stable net asset value of \$1), U.S. Government Obligations, and bonds from Arkansas State Development Finance Authority stated at fair values of \$23,747,855 and \$25,621,681, respectively. The OPEB Trust is included in both Cash and Cash Equivalent and Investment Types-Federated Treasury Obligation and Federal Home Loan Mortgage for each of the years ended December 31, 2018 and 2017, and was \$1,288,551 and \$1,272,683, respectively. Net unrealized gain (loss) for each of the years ended December 31, 2018 and 2017, was \$40,402 and (\$4,942), respectively.

Investment Type	December 31, 2018				Credit Rating
	Fair Value	Less than 1 year	1-5 years	6-10 years	
<b>Cash Equivalents and Investments</b>					
Cash equivalents:					
Federated treasury obligation	\$ 15,450,674	\$ 15,450,674	\$ -	\$ -	AA+/Aaa
Investments:					
Federal Farm Credit Bank	7,244,997	-	7,244,997	-	AA+/Aaa
Federal Home Loan Mortgage	740,208	-	740,208	-	AA+/Aaa
Arkansas State Development Finance Authority Bonds	311,976	-	311,976	-	AA+/Aaa
	<u>8,297,181</u>	<u>-</u>	<u>8,297,181</u>	<u>-</u>	
	<u>\$ 23,747,855</u>	<u>\$ 15,450,674</u>	<u>\$ 8,297,181</u>	<u>\$ -</u>	

**Little Rock Water Reclamation Authority**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

Investment Type	December 31, 2017				Credit Rating
	Fair Value	Less than 1 year	1–5 years	6–10 years	
<b>Cash Equivalents and Investments</b>					
Cash equivalents					
Federated treasury obligation	\$ 17,358,729	\$ 17,358,729	\$ -	\$ -	AA+/Aaa
Investments					
Federal Farm Credit Bank	1,270,784	-	1,270,784	-	AA+/Aaa
Federal Home Loan Mortgage	6,680,724	-	6,680,724	-	AA+/Aaa
Arkansas State Development Finance Authority Bonds	311,444	-	311,444	-	AA+/Aaa
	<u>8,262,952</u>	<u>-</u>	<u>8,262,952</u>	<u>-</u>	
	<u>\$ 25,621,681</u>	<u>\$ 17,358,729</u>	<u>\$ 8,262,952</u>	<u>\$ -</u>	

**Interest Rate Risk**

Arkansas statute (AR Code § 19-1-504) limits the eligible investment securities to having a maturity of no longer than five (5) years from the date of acquisition unless, as documented at the time of acquisition, the investment is to fund or support a specific purpose and there are no expectations that the investment will be sold before maturity.

**Credit Risk**

Credit risk is the risk that the issuer or other counterparty will not fulfill its obligation. The Utility manages its credit risk by investing exclusively in government-issued treasuries and agencies. All the Utility's investments at December 31, 2018 and 2017, are insured or registered and held in the Utility's name.

**Fair Value Measurement**

LRWRA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation input used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

LRWRA has the following recurring fair value measurements as of December 31, 2018:

Federated Treasury Obligations of \$15.5 million are valued using quoted market prices (Level 1 inputs).

U.S. Treasury Securities (Federal Farm Credit Bank and Federal Home Loan) of \$8.0 million are valued using a matrix pricing model (Level 2 inputs).

Arkansas State Development Finance Authority Economic Bonds of \$0.3 million are valued using a matrix pricing model (Level 2 inputs).



# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2018 and 2017

LRWRA had the following recurring fair value measurements as of December 31, 2017:

Federated Treasury Obligations of \$17.4 million are valued using quoted market prices (Level 1 inputs).

U.S. Treasury Securities (Federal Farm Credit Bank and Federal Home Loan) of \$8.0 million are valued using a matrix pricing model (Level 2 inputs).

Arkansas State Development Finance Authority Economic Bonds of \$0.3 million are valued using a matrix pricing model (Level 2 inputs).

### Note 3: Accounts Receivable

Accounts receivable at December 31, 2018 and 2017, consisted of the following:

	<u>2018</u>	<u>2017</u>
Trade receivables, current	\$ 6,642,301	\$ 3,675,494
Trade receivables, past due	<u>322,627</u>	<u>433,783</u>
Total	<u>6,964,928</u>	<u>4,109,277</u>
Allowance for uncollectibles, beginning of year	(433,783)	(317,998)
Write off of uncollectibles	368,612	351,584
Provision for bad debt expense	<u>(316,167)</u>	<u>(467,369)</u>
Allowance for uncollectibles, end of year	<u>(381,338)</u>	<u>(433,783)</u>
Accounts receivable, net of allowance for uncollectibles	<u>6,583,590</u>	<u>3,675,494</u>
Current accounts receivable	<u>\$ 6,583,590</u>	<u>\$ 3,675,494</u>

**Little Rock Water Reclamation Authority**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

**Note 4: Capital Assets**

Capital asset activity for the years ended December 31, 2018 and 2017, was as follows:

2018	Balance 12/31/2017	Additions and Transfers In	Retirements and Transfers Out	Balance 12/31/18
Capital assets not being depreciated				
Land and right-of-way	\$ 5,434,140	\$ -	\$ -	\$ 5,434,140
Construction in progress	65,961,867	33,663,908	35,839,423	63,786,352
Total capital assets not being depreciated	<u>71,396,007</u>	<u>33,663,908</u>	<u>35,839,423</u>	<u>69,220,492</u>
Capital assets being depreciated				
Building and improvements	136,093,040	662,796	-	136,755,836
Infrastructure – collection and treatment	354,773,500	31,008,690	9,187	385,773,003
Equipment	77,667,199	3,505,901	1,702,107	79,470,993
Total capital assets being depreciated	<u>568,533,739</u>	<u>35,177,387</u>	<u>1,711,294</u>	<u>601,999,832</u>
Less accumulated depreciation for				
Buildings and improvements	38,204,281	4,149,796	-	42,354,077
Infrastructure – collections and treatment	103,332,366	8,249,156	708	111,580,814
Equipment	36,756,247	3,700,471	1,395,304	39,061,414
Total accumulated depreciation	<u>178,292,894</u>	<u>16,099,423</u>	<u>1,396,012</u>	<u>192,996,305</u>
Capital assets, net	<u>\$ 461,636,852</u>	<u>\$ 52,741,872</u>	<u>\$ 36,154,705</u>	<u>\$ 478,224,019</u>
2017	Balance 12/31/2016	Additions and Transfers In	Retirements and Transfers Out	Balance 12/31/17
Capital assets not being depreciated				
Land and right-of-way	\$ 5,434,140	\$ -	\$ -	\$ 5,434,140
Construction in progress	50,396,325	28,128,071	12,562,529	65,961,867
Total capital assets not being depreciated	<u>55,830,465</u>	<u>28,128,071</u>	<u>12,562,529</u>	<u>71,396,007</u>
Capital assets being depreciated				
Building and improvements	135,337,928	755,112	-	136,093,040
Infrastructure collection and treatment	344,637,737	10,135,763	-	354,773,500
Equipment	76,649,717	1,671,654	654,172	77,667,199
Total capital assets being depreciated	<u>556,625,382</u>	<u>12,562,529</u>	<u>654,172</u>	<u>568,533,739</u>
Less accumulated depreciation for				
Buildings and improvements	34,063,240	4,141,041	-	38,204,281
Infrastructure – collections and treatment	95,631,609	7,700,757	-	103,332,366
Equipment	34,060,661	3,348,320	652,734	36,756,247
Total accumulated depreciation	<u>163,755,510</u>	<u>15,190,118</u>	<u>652,734</u>	<u>178,292,894</u>
Capital assets, net	<u>\$ 448,700,337</u>	<u>\$ 25,500,482</u>	<u>\$ 12,563,967</u>	<u>\$ 461,636,852</u>

**Little Rock Water Reclamation Authority**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

Construction in progress at December 31, 2018 and 2017, included capitalized construction period interest of \$654,878 and \$191,627 that was incurred in each respective year.

Depreciation expense was \$16,099,423 and \$15,190,118 for the years ended December 31, 2018 and 2017, respectively.

**Note 5: Contributions in Aid of Construction**

Contributions in aid of construction, because of acceptance of cash donations and sewer lines from private contractors and individuals, were \$2,786,302 and \$1,042,104 for the years ended December 31, 2018 and 2017, respectively.

**Note 6: Long-Term Debt**

Long-term debt consists of Sewer Revenue Bonds for which the changes in the years ended December 31, 2018 and 2017, are as follows:

		December 31, 2018				
		Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within One Year
Sewer revenue bonds		\$ 294,239,648	\$ 21,213,973	\$ 12,052,309	\$ 303,401,312	\$ 12,085,562
Unamortized bond premium		<u>10,170,285</u>	-	<u>915,302</u>	<u>9,254,983</u>	-
		<u>\$ 304,409,933</u>	<u>\$ 21,213,973</u>	<u>\$ 12,967,611</u>	<u>\$ 312,656,295</u>	<u>\$ 12,085,562</u>
		December 31, 2017				
		Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within One Year
Sewer revenue bonds		\$ 271,814,338	\$ 33,710,784	\$ 11,285,474	\$ 294,239,648	\$ 11,761,167
Unamortized bond premium		<u>10,631,206</u>	<u>162,020</u>	<u>950,691</u>	<u>10,170,285</u>	-
		<u>\$ 282,445,544</u>	<u>\$ 33,872,804</u>	<u>\$ 12,236,165</u>	<u>\$ 304,409,933</u>	<u>\$ 11,761,167</u>

**Little Rock Water Reclamation Authority**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

Sewer revenue bonds payable consist of the following:

<b>Series</b>	<b>Interest Rate</b>	<b>Year of Maturity</b>	<b>December 31, 2018</b>	<b>Amount Due Within One Year</b>
2007B	2.75%	2029	\$ 11,098,358	\$ 876,878
2009A	2.00%	2032	5,740,173	374,348
2011	3.00% to 5.00%	2022	8,995,000	1,965,000
2012	3.00% to 4.00%	2042	24,600,000	685,000
2013	2.25%	2036	33,080,773	1,509,336
2014	3.00% to 4.00%	2025	7,015,000	1,300,000
2015	3.00% to 5.00%	2037	144,440,000	4,525,000
2016A	2.72%	2050	32,892,558	-
2016B	1.15% to 4.00%	2038	17,335,000	635,000
2017	1.15% to 4.00%	2047	10,650,000	215,000
2018	2.00%	2051	7,554,450	-
<b>Total</b>			<b>\$ 303,401,312</b>	<b>\$ 12,085,562</b>

The Arkansas Natural Resource Commission (ARNC) currently administers federal and state programs that aid through loans and grants for water and wastewater. These loan (Revolving Loan Funds – RLFs) fund revenue bonds are issued to LRWRA for financing costs of construction extensions, betterments, and improvements to the sewer system.

**2007B Sewer Revenue Bond**

The Series 2007B Bond was issued in July 2007 in the amount of \$18,000,000 to finance the construction of extensions, betterments and improvements to the sewer system collection system within the city of Little Rock and designated collection system projects and to pay the cost of issuing the 2007B Bond. This bond is a special obligation through the ANRC with permission from the City of Little Rock, Arkansas, payable solely from the net revenues of the sewer system. Principal and interest payments are due semiannually on April 15 and October 15. The final payment is scheduled for October 2029.

**2009A Sewer Revenue Bond**

The Series 2009A Bond was issued in March 2009 in the amount of \$8,000,000 to finance the improvements to the Arch Street Pump Station and to pay the cost of issuing the 2009A Bond. This bond is a special obligation through the ANRC with permission from the City of Little Rock, Arkansas, payable solely from the net revenues of the sewer system. Principal and interest payments are due semiannually on April 15 and October 15. The final payment is scheduled for April 2032.

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2018 and 2017

### **2011 Sewer Revenue and Refunding Bond**

The Series 2011 Bond was issued in July 2011 in the amount of \$17,675,000 to refinance the 2001 Sewer Revenue Bond, to establish a debt service reserve for the Series 2011 Bond, and to pay the cost of issuing the 2011 Sewer Bond. This bond is a special obligation of the Issuer with permission from the City of Little Rock, Arkansas, payable solely from the net revenues of the sewer system. Principal and interest payments are due semiannually on February 1 and August 1. The final payment is scheduled for August 2022.

### **2012 Sewer Revenue Bond**

The Series 2012 Bond was issued in August 2012 in the amount of \$28,390,000 to finance capital projects (Cantrell Road Pump Station, Cantrell Road Force Main, Fourche Creek Plant Upgrades), to establish a debt service reserve for the Series 2012 Bond, and to pay the cost of issuing the 2012 Sewer Bond. This bond is a special obligation of the Issuer with permission from the City of Little Rock, Arkansas, payable solely from the net revenues of the sewer system. Principal payments are due annually on August 1, and interest payments are due semiannually on February 1 and August 1. The final payment is scheduled for August, 2042.

### **2013 Sewer Revenue Bond**

The Series 2013 Bond was issued in May 2013 in the amount of \$36,000,000 to finance the improvements to the Collection System Rehabilitation-Phase Seven and to pay the cost of issuing the 2013 Bond. This bond is a special obligation through the ANRC with permission from the City of Little Rock, Arkansas, payable solely from the net revenues of the sewer system. Principal and interest payments are due semiannually on April 15 and October 15 starting in 2020. The final payment is scheduled for October 2036.

### **2014 Sewer Refunding Revenue Bond**

The Series 2014 Bond was issued in October 2014 in the amount of \$11,980,000 and refunded the 1999 Sewer Revenue Bond and advance fund the 2005 Sewer Revenue Bond. This bond is a special obligation of the Issuer with permission from the City of Little Rock, Arkansas, payable solely from the net revenues of the sewer system. Principal and interest payments are due semiannually on May 1 and November 1. The final payment is scheduled for May 2025.

### **2015 Sewer Refunding Revenue Bond**

The Series 2015 Bond was issued in March 2015 in the amount of \$160,070,000 and refunded the 1996, 2004A, 2004B, 2004C, and advance funded the 2007A and 2007C Sewer Revenue Bond. These bonds are special obligations of the Issuer with permission from the City of Little Rock, Arkansas, payable solely from the net revenues of the sewer system. Principal and interest payments are due semiannually on April 1 and October 1. The final payment is scheduled for October 2037.

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2018 and 2017

### **2016A Sewer Revenue Bond**

The Series 2016A Bond was issued in August 2016 in the amount of \$61,000,000 to finance the construction of extensions, betterments and improvements to the sewer system collection systems, Adams Field WTF Parallel Treatment Installation & Disinfection, Fourche Creek WTF Phase III Rehabilitation, Scott Hamilton Peak Flow Equalization Facilities, and to pay the cost of issuing the 2016A Bond. Outstanding draws totaled \$32,892,558 as of December 31, 2018. The remaining draws will occur as construction projects are completed. This bond was a special obligation through the ANRC with permission from the City of Little Rock, Arkansas, payable solely from the net revenues of the sewer system. Principal and interest payments are due semiannually on April 15 and October 15 beginning in 2020. The final payment is scheduled for April 2050.

### **2016B Sewer Refunding Revenue Bond**

The Series 2016B Bond was issued in November 2016 in the amount of \$18,585,000 and refunded the 2008 and 2009B Sewer Revenue Bond. These bonds are special obligations of the Issuer with permission from the City of Little Rock, Arkansas, payable solely from the net revenues of the sewer system. Principal and interest payments are due semiannually on June 1 and December 1. The final payment is scheduled for December 2038.

### **2017 Sewer Revenue Bond**

The Series 2017 Bond was issued in October 2017 in the amount of \$10,835,000 to finance the Fourche Creek WRF Phase III Rehabilitation improvements to the facility and to pay the cost of issuing the 2017 Sewer Bond. This bond was a special obligation of the issuer with permission from the City of Little Rock, Arkansas, payable solely from the net revenues of the sewer system. Principal payments are due annually on October 1 and interest payments are due semiannually on April 1 and October 1. The final payment is scheduled for October 2047.

### **2018 Sewer Revenue Bond**

The Series 2018 Bond was issued in February 2018 in the amount of \$61,600,000 to finance the construction of extensions, betterments and improvements to the sewer system collection systems, and to pay the cost of issuing the 2018 Bond. Draws totaled \$7,554,450 as of December 31, 2018. The remaining draws will occur as construction projects are completed. This bond has a special obligation through ANRC with permission from the City of Little Rock, Arkansas, payable solely from the net revenues of the sewer system. Principal and interest payments are due annually on April 15 and October 15 starting in 2021. The final payment is scheduled for April 2051.

In addition to the \$303,401,312 balance of Sewer Revenue Bonds outstanding at December 31, 2018, an additional \$82,152,992 will, as previously described, be drawn in fulfillment of current bond issues 2016A and 2018 for a total Sewer Revenue Bond indebtedness of \$385,554,304.

The 2007B, 2009A, 2013, 2016A and 2018 Series Sewer Revenue Bonds are subordinate to the 2011, 2012, 2014, 2015, 2016B and 2017 Series Revenue Bonds.

**Little Rock Water Reclamation Authority**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

The annual requirements to amortize sewer revenue bond indebtedness outstanding, and scheduled, including interest, as of December 31, 2018, are as follows:

<b>Year Ending December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 12,085,562	\$ 9,245,754	\$ 21,331,316
2020	12,901,159	9,356,967	22,258,126
2021	13,877,039	9,470,307	23,347,346
2022	14,412,778	9,105,595	23,518,373
2023	11,559,597	8,669,989	20,229,586
2024 to 2028	66,116,482	36,761,972	102,878,454
2029 to 2033	77,795,029	24,513,672	102,308,701
2034 to 2038	70,093,354	9,333,363	79,426,717
2039 to 2043	14,441,080	2,598,371	17,039,451
2044 to 2048	7,912,802	873,872	8,786,674
2049 to 2051	2,206,430	63,465	2,269,895
<b>Total</b>	<b><u>\$ 303,401,312</u></b>	<b><u>\$ 119,993,327</u></b>	<b><u>\$ 423,394,639</u></b>

**Note 7: Compensated Absences**

Net changes in the liability for compensated absences for the years ended December 31, 2018 and 2017, are as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>	<b>Amount Due Within One Year</b>
<b>2018</b>	<b><u>\$ 959,344</u></b>	<b><u>\$ 55,049</u></b>	<b><u>\$ 32,707</u></b>	<b><u>\$ 981,686</u></b>	<b><u>\$ 922,449</u></b>
<b>2017</b>	<b><u>\$ 1,010,527</u></b>	<b><u>\$ 46,748</u></b>	<b><u>\$ 97,931</u></b>	<b><u>\$ 959,344</u></b>	<b><u>\$ 893,029</u></b>

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2018 and 2017

### Note 8: Litigation

#### *Sierra Club*

The Little Rock Sanitary Sewer Committee (LRSSC), now known as Little Rock Water Reclamation Commission (LRWRC), was a defendant, along with the City of Little Rock, in a lawsuit filed in the U.S. District Court on January 13, 2000, by the Sierra Club. The plaintiff alleged violations of the Clean Water Act and the Resource Conservation and Recovery Act for sanitary sewer overflows (SSOs), and sought injunctions for the alleged violations as well as penalties. LRWRC and the plaintiff entered into a written settlement agreement releasing LRWRC's liability for any alleged violations up to the settlement agreement dated September 12, 2001.

A judgment approving this settlement was filed on November 16, 2001, subject to an award of the plaintiff's statutory attorneys' fees, which were awarded on December 13, 2002, and paid in full in 2003. There were no further sums due to the plaintiff in this litigation; accordingly, LRWRA's financial statements as of December 31, 2018 and 2017, do not include any provisions of potential liability with regard to this litigation.

However, pursuant to the settlement agreement between the plaintiff and LRWRC, the Court retained jurisdiction for the purpose of enforcing the provisions of the settlement agreement incorporated by reference in the judgment. Under the provisions of the settlement, LRWRC is required to follow certain reporting, notice and maintenance procedures, as well as the requirement of completion of a study to address sanitary sewer overflows in the system. These requirements are specified in the settlement agreement, and the schedules for developing, adopting and implementing the necessary programs and improvements within specified deadlines, which LRWRC has done or is doing, are set forth in a separate System Evaluation and Capacity Assurance Plan (SECAP).

Management is of the opinion that LRWRA is generally in compliance with the provisions of the settlement agreement; and due to LRWRA's success in the past twelve (12) consecutive years in reducing non-capacity sanitary sewer overflows (SSOs), LRWRA is deemed to have complied with all provision of the settlement related to non-capacity SSOs. Due to various delays in the acquisition of the proposed Little Maumelle Water Reclamation Facility site, selection of the treatment process, adoption of the necessary rate ordinance (adopted on November 28, 2006), as well as delay in securing necessary financing to comply with the settlement agreement (as provided in the SECAP approved by LRWRC), the sewage treatment facility was not completed as originally scheduled, but was completed in July 2011.

Management completed annual reports for 2018, as required by both the Consent Administrative Order (CAO) and the settlement agreement each year, which detailed compliance actions taken during the year 2018. The Sierra Club compliance report was presented by staff to the LRWRC at its monthly meeting February 20, 2019, where the LRWRC voted to accept the compliance report and then send it to the attorney for the Sierra Club.

The annual compliance report required by the Sierra Club was delivered to representing attorneys on February 28, 2019. Prior such reports, starting in 2002, were all accepted by the LRWRC.



# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2018 and 2017

Management expects to remain in compliance with the settlement agreement and will in good faith take all reasonable steps in that regard to comply with the provisions of the settlement agreement, which will require the expenditure of substantial sums of capital dollars.

### **ADEQ**

On March 9, 2006, staff representatives of Arkansas Department of Environmental Quality (ADEQ) and LRWRA entered into a CAO addressing certain issues including, but not limited to, maintenance practices, secondary treatment bypasses at the Adams Field Water Reclamation Facility, administrative requirements, design and performance provisions, monitoring, measurement and program modifications, a sanitary sewer overflow plan, a system evaluation and capacity assurance plan, audits, communications and money penalties for failure of compliance with performance and specific project deadlines. Such penalties for noncompliance range from \$100 to \$500 per day, depending upon the duration of any violation of the proposed CAO noncompliance.

On September 6, 2011, Amendment No. 1 to the CAO was approved by ADEQ and LRWRA, extending the deadline for the obligations under the settlement agreement until December 31, 2018. Amendment No. 1 also required LRWRA submit to ADEQ a schedule of activities necessary to maintain compliance with the updated SECAP previously submitted to ADEQ. The updated SECAP was completed by RJN Group in November of 2010.

The annual report required by the CAO was delivered to ADEQ February 28, 2019. Prior such reports, starting in 2006, were all reported to the LRWRC.

On April 15, 2015, Amendment No. 2 to the CAO was approved. ADEQ granted LRWRA an extension of the CAO deadline to December 31, 2023. The extension allows for time to reduce sources of infiltration and inflow (I/I) in the areas that contribute to the Rock Creek and Cantrell Storage Projects thereby eliminating the need for in-system storage in those areas. On the collection system side, LRWRA completed the construction of projects in the Allsopp/Country Club area, Leawood, Echo Valley, Pleasant Valley, Springer Boulevard, West Markham and Lower Swaggerty areas. In 2017, LRWRA continued its service line replacement program targeted at maintaining reliable sewer service to the ratepayers and will also provide the benefit of reducing private sources of inflow which contribute to the cause of capacity related overflows. Management expects to remain on schedule with the CAO.

The CAO will not terminate until such time as full compliance has been achieved and LRWRA is given written notice of termination by ADEQ. Management is of the opinion that LRWRA is presently in compliance with the CAO and is diligently working to complete it within the mandated timeline by Amendment No. 2 to the CAO. The various projects can be seen in greater detail within LRWRA's annual report located at <http://www.lrwra.com/capitalprojects>.

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2018 and 2017

### ***Funding***

In 2015, the Little Rock Board of Directors granted LRWRA future rate adjustments in 2017, 2018, 2019, 2020 and 2021 that supports the funding of the 2016A revolving loan fund in the amount of \$61 million, the 2018 revolving loan fund in the amount of \$61.6 million, and projected revolving loan funds in the amount of \$18.0 million in 2019 and \$85.6 million in 2020.

This funding allows LRWRA to focus on improvements to the collection system that are designed to mitigate overflows and to initiate capacity-related facility projects such as expand storage at the Scott Hamilton Drive Peak Flow Facility, upgrade the Fourche Creek Water Reclamation Facility Hydraulics, and Adams Field Water Reclamation Facility Parallel Treatment, Disinfection Upgrade and Ammonia Removal modifications.

LRWRA continues to facilitate a service line replacement program targeted at maintaining reliable sewer service to the ratepayers and will also provide the benefit of reducing private sources of inflow which contribute to the cause of capacity related overflows.

The 10-year capital improvement plan set forth in the 2019 budget was designed with the intent of completing the settlement agreement and the CAO by December 31, 2023. Unfinished capital projects represented in the 2019 budget primarily relate to wastewater collection, transmission and treatment improvements. Total capital expenditures of \$59.6 million are planned for 2019. Of this amount, \$46.1 million relates to carryover projects and \$13.5 million is proposed for new capital projects. LRWRA estimates that capital improvements and associated costs required over the next 10 years, both to comply with the settlement agreement and the CAO and for routine capital improvements, will cost \$294,958,600.

Management is of the opinion that LRWRA staff is in compliance with the CAO and is diligently working to complete the other projects under the circumstances in accordance with the deadline set forth in Amendment No. 2 to the CAO.

### **Note 9: Other Commitments and Contingencies**

#### ***Commitments***

The Utility had commitments totaling approximately \$39.1 million at December 31, 2018, for the expansion of plant capacity and collection system improvements.

#### ***Claims and Litigation***

The Utility is currently involved in various claims and pending legal actions related to matters arising from the ordinary conduct of business. The Utility administration believes the ultimate disposition of the actions will not have a material effect on the financial statements of the Utility.

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2018 and 2017

### Note 10: Pension Benefits

#### ***Defined Contribution Plan***

LRWRA offers a voluntary 401(a) qualified Pension Plan to all full-time employees. The following breakdown shows both LRWRA's and the employee's percent contribution that is calculated on an employee's base salary and years of service for full-time employees, except the CEO, exempt 1 and exempt 2 employees.

<u>Years of Service</u>	<u>LRWRA</u>	<u>Employee</u>	<u>Vesting</u>
Less than 5 years	1%	2%	None
More than 5 years, but less than 10 years	2%	4%	100%
More than 10 years	3%	6%	100%

The Pension expense is recorded at the amount of LRWRA's required contribution, determined in accordance with the terms of the plan. The total employer contributions were \$361,938 and \$295,593 in 2018 and 2017, respectively.

The plan was established with a resolution passed by then Little Rock Sanitary Sewer Committee.

On January 17, 2018, the LRWRC passed Resolution 2018-03 to establish the LRWRA Retirement Plans Committee (LRWRARPC), adopt the LRWRARPC Charter and delegate specific duties to the LRWRARPC. Any amendments to the Plan would be adopted by the LRWRAPC. In July 2018, the LRWRAPC adopted a plan amendment to eliminate the two-year eligibility requirement and add 401(a) matching contribution schedules for the CEO, exempt 1 employees and exempt 2 employees. The LRWRAPC works with two entities, ICMA-RC and First Security Bank-Trust and Wealth Management, in administering the 401(a) plan.

#### ***Arkansas Public Employees Retirement System (APERS)***

##### **Summary of Significant Accounting Policies**

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 Employee Retirement System (APERS) and additions to/deductions from APERS fiduciary net position have been determined on the same basis as they are reported by APERS. 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.

##### **General Information about the Pension Plan**

**Plan Description:** The following brief description of the Arkansas Public Employees Retirement System (APERS or the System) is provided for general information purposes only. Participants should refer to Arkansas Code Annotated, Title 24 for more complete information.

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2018 and 2017

APERS is a cost-sharing multiple-employer defined benefit plan which covers all state employees who are not covered by another authorized plan. The plan was established by the authority of the *Arkansas General Assembly with the passage of Act 177 of 1957*. The costs of administering the plan are paid out of investment earnings.

The general administration and responsibility for the proper operation of the System is vested in the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes three state and three non-state employees, all appointed by the Governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Department of Finance and Administration.

**Benefits Provided:** Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapters 5 and 6 and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest three-year average compensation times the member's years of service. The percentage used is based upon whether a member is contributory or noncontributory as follows:

Contributory, prior to July 1, 2005	2.07%
Contributory, on or after July 1, 2005 but prior to July 1, 2007	2.03%
Contributory on or after July 1, 2007	2.00%
Noncontributory	1.72%

Members are eligible to retire with a full benefit under the following conditions:

- At age 65 with 5 years of service,
- At any age with 28 years actual service,
- At age 60 with 20 years of actual service if under the old contributory plan (prior to July 1, 2005), or
- At age 55 with 35 years of credited service for elected or public safety officials.

Members may retire with a reduced benefit at age 55 with at least five years of actual service at age 55 or at any age with 25 years of service.

Members are eligible for disability benefits with five years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member had five years of service, and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost-of-living adjustment of 3% of the current benefit is added each year.

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

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**Contributions:** Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701)(a)). Members who began service prior to July 1, 2005, are not required to make contributions to APERS.

Members who began service on or after July 1, 2005, are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). For 2018 and 2017, employers contributed 15.35% and 14.50%, respectively, of compensation. Contributions to the pension plan from LRWRA were \$1,917,096 and \$1,869,906 for the years ended December 31, 2018 and 2017, respectively.

### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2018 and 2017, LRWRA reported a liability of \$15,306,760 and \$18,490,096, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of those dates. LRWRA's proportion of the net pension liability was based on LRWRA's contributions to the pension plan relative to the contributions of all participating APERS members. At June 30, 2018, LRWRA's proportion was 0.69388988%, which was a decrease of 0.02163220% from its proportion measured as of June 30, 2017, of 0.71552208%.

For the years ended December 31, 2018 and 2017, LRWRA recognized pension expense of \$2,603,437 and \$3,483,540, respectively. At December 31, 2018 and 2017, LRWRA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2018</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 243,433	\$ 160,683
Changes in proportion and differences between employer contributions and proportionate share	451,618	341,021
Changes of assumptions	1,741,592	946,603
Net difference between projected and actual earnings on pension plan investments	-	387,332
Contributions subsequent to the measurement date	<u>1,025,850</u>	<u>-</u>
Total	<u>\$ 3,462,493</u>	<u>\$ 1,835,639</u>

**Little Rock Water Reclamation Authority**  
**Notes to Financial Statements**  
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	2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 358,439	\$ 363,659
Changes in proportion and differences between employer contributions and proportionate share	731,729	5,647
Changes of assumptions	2,975,028	-
Net difference between projected and actual earnings on pension plan investments	774,791	-
Contributions subsequent to the measurement date	947,566	-
Total	\$ 5,787,553	\$ 369,306

The \$1,025,850 reported as deferred outflows of resources at December 31, 2018, related to pensions resulting from LRWRA's contributions subsequent to measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	
2019	\$ 1,239,001
2020	538,133
2021	(824,619)
2022	(351,511)
	\$ 601,004

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

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**Actuarial Assumptions:** The total pension liability, net pension liability and certain sensitivity information was determined by an actuarial valuation as of June 30, 2018. The significant assumptions used in the valuation and adopted by the APERS Board of Trustees, were as follows:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Investment rate of return	7.15%, net of investment administrative expenses
Discount Rate	7.15%
Salary Increases	3.25–9.85% including inflation
Inflation	2.50% price inflation, 3.25% wage inflation
Mortality Table	Based on RP-2000 Combined Healthy mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major class included in the System's target allocation as of June 30, 2018, these best estimates are summarized in the following:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad domestic equity	37%	5.97%
International equity	24%	6.54%
Real assets	16%	4.59%
Absolute return	5%	3.15%
Domestic fixed	18%	0.83%
Total	<u>100%</u>	
Total real rate of return		4.71%
Plus: price inflation – actuary assumption		<u>2.50%</u>
Net expected return		<u>7.21%</u>

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2018 and 2017

**Discount Rate:** A single discount rate of 7.15% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.15%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate share of the net pension liability using the discount rate of 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate:

<b>Sensitivity of Discount Rate</b>		
<b>1% Lower</b>	<b>Discount Rate</b>	<b>1% Higher</b>
<b>6.15%</b>	<b>7.15%</b>	<b>8.15%</b>
\$ 25,025,787	\$ 15,306,790	\$ 7,289,340

**Pension Plan Fiduciary Net Position:** Detailed information about the pension plan’s fiduciary net position is available in the separately issued APERS financial report located at <http://www.apers.org/publications>.

**Actuarial Assumptions:** The total pension liability, net pension liability and certain sensitivity information was determined by an actuarial valuation as of June 30, 2017. The significant assumptions used in the valuation and adopted by the APERS Board of Trustees were as follows:

Actuarial Cost Method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	7.15%, net of investment administrative expenses
Discount rate	7.15%
Salary increases	3.95–9.85%
Inflation	2.50%
Mortality table	Based on RP-2000 Combined Healthy mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females



# Little Rock Water Reclamation Authority

## Notes to Financial Statements

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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 class included in the System’s target allocation as of June 30, 2017, these best estimates are summarized in the following:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	37%	5.97%
International equity	24%	6.54%
Real assets	16%	4.59%
Absolute return	5%	3.15%
Domestic fixed	18%	0.83%
Total	100%	
Total real rate of return		4.82%
Plus: price inflation – actuary assumption		2.50%
Net expected return		7.32%

**Discount Rate:** A single discount rate of 7.15% (7.50% in 2016) was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.15%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between 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.

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

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### Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate share of the net pension liability using the discount rate of 7.15%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate:

#### Sensitivity of Discount Rate

1% Lower 6.15%	Discount Rate 7.15%	1% Higher 8.15%
\$ 28,158,033	\$ 18,490,096	\$ 10,462,366

### Note 11: Other Postemployment Benefits (OPEB)

#### Plan Description

LRWRA's single-employer defined benefit postemployment health care plan, Little Rock Water Reclamation Authority Healthcare Plan (LRWRAHP), provides medical benefits to eligible retired employees and their beneficiaries. Employees are eligible for retiree medical coverage, including dental, prescription drug and vision benefits, if they are eligible for retirement plan benefits under APERS. Retiree Medical Benefits cease at age 65 or upon the retiree signing a waiver of coverage.

Participants included in the actuarial valuation include retirees and survivors, and active employees who may be eligible to participate in the plan upon retirement. Arkansas statute (ACT 664) provides that any Utility employee vested in the retirement plan and 55 years of age or older may continue to receive the same medical benefits as active employees after retirement provided either the Utility or retiree pays both the employer and employee contributions to the health care plan. LRWRA is required to pay actual claims.

The LRWRC assigns authority to the CEO for any changes to the benefit provisions of the plan based on recommendations by LRWRAHP. This postemployment health care plan is administered by Regions Bank Trust Department. LRWRAHP does not issue a stand-alone financial report.

For inquires relating to the plan, please contact the Little Rock Water Reclamation Authority, Finance Department (In Care of LRWRAHP), 11 Clearwater Dr., Little Rock, Arkansas 72204.

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2018 and 2017

### ***Summary of Significant Accounting Policies***

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 LRWRAHP 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, LRWRAHP 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.

### ***Funding Policy***

Starting in 2011, LRWRA's health care has become a fully insured employer-sponsored health plan that pays a premium to the insurance carrier from a self-funded plan. Premium rates are set on an annual basis with members of LRWRAHP and an outside benefit consulting firm and are approved by the LRWRC. LRWRA's budget goal is that total benefits should be no more than 35% of total salaries each year. As a part of benefits, the health insurance plan is adjusted accordingly.

### ***LRWRA Post Retiree Healthcare Plan (Years Ended December 31, 2018 and 2017) (GASB Statement No. 74 and No. 75)***

Since the LRWRAHP does not present separate financial statements, LRWRA is presenting the following disclosures below in accordance with GASB Statement No. 74 (LRWRAHP) and No. 75 (LRWRA):

LRWRAHP is supported by employer contributions. Using the Projected Unit Credit Cost Method, contributions are determined such that contributions will fund the projected benefits over a closed 30-year funding period.

The net OPEB liability is measured as of December 31, 2018, in LRWRA's financial statements using an actuarial valuation as of December 31, 2018, as the total OPEB liability, less the amount of the plan's fiduciary net position. A single discount rate of 4.0% was used to measure the total OPEB liability as of December 31, 2018 and 2017, respectively. This single discount rate was based on an expected rate of return on OPEB plan investments of 4.0%. Based on the stated assumptions and the projection of cash flows, the OPEB plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2018 and 2017

The components of the December 31, 2018, net OPEB liability of LRWRA as determined by an actuarial valuation as of that date were as follows:

	<u>2018</u>
Total OPEB liability – ending	\$ 6,677,769
Plan fiduciary net position – ending	<u>1,288,551</u>
Net OPEB Liability – ending	<u>\$ 5,389,218</u>
Plan fiduciary net position as % of total OPEB liability	19.30%

The components of the December 31, 2017, net OPEB liability of LRWRA as determined by an actuarial valuation as of that date were as follows:

	<u>2017</u>
Total OPEB liability – ending	\$ 5,178,902
Plan fiduciary net position – ending	<u>1,272,683</u>
Net OPEB Liability – ending	<u>\$ 3,906,219</u>
Plan fiduciary net position as % of total OPEB liability	24.57%

**Little Rock Water Reclamation Authority**  
**Notes to Financial Statements**  
**December 31, 2018 and 2017**

**Changes in the Net OPEB Liability**

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
<b>Balances on January 1, 2018</b>	\$ 5,178,902	\$ 1,272,683	\$ 3,906,219
Changes recognized for 2018:			
Service cost	153,267	-	153,267
Interest on total OPEB liability	203,573	-	203,573
Differences between expected and actual experience	(362,437)	-	-
Change of assumptions	1,641,979	-	1,641,979
Benefit payments	(137,515)	(137,515)	-
Contributions – employer	-	137,515	(137,515)
Net investment income	-	20,317	(20,317)
Administrative expense	-	(4,449)	4,449
Net changes	<u>1,498,867</u>	<u>15,868</u>	<u>1,482,999</u>
<b>Balances on December 31, 2018</b>	<u>\$ 6,677,769</u>	<u>\$ 1,288,551</u>	<u>\$ 5,389,218</u>

**Sensitivity of the net OPEB liability to change in the discount rate:** The following presents the net OPEB liability of LRWRA, as well as what LRWRA's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.0%) or 1-percentage-point higher (5.0%) than the current discount rate of 4.0%:

December 31, 2018	1% Lower Rates	Current Rates	1% Higher Rates
TOL	\$ 7,457,847	\$ 6,677,769	\$ 6,004,235
Net position	<u>1,288,551</u>	<u>1,288,551</u>	<u>1,288,551</u>
NOL	<u>\$ 6,169,296</u>	<u>\$ 5,389,218</u>	<u>\$ 4,715,684</u>
December 31, 2017	1% Lower Rates	Current Rates	1% Higher Rates
TOL	\$ 5,805,613	\$ 5,178,902	\$ 4,638,427
Net position	<u>1,272,683</u>	<u>1,272,683</u>	<u>1,272,683</u>
NOL	<u>\$ 4,532,930</u>	<u>\$ 3,906,219</u>	<u>\$ 3,365,744</u>

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2018 and 2017

**Sensitivity of the net OPEB liability to changes in the health care cost trend rates:** The following presents the net OPEB liability of LRWRA, as well as what LRWRA's net OPEB liability would be if calculated using health care cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current health care cost trend rates:

December 31, 2018	1% Lower Rates	Current Rates	1% Higher Rates
TOL	\$ 5,925,150	\$ 6,677,769	\$ 7,573,573
Net position	<u>1,288,551</u>	<u>1,288,551</u>	<u>1,288,551</u>
NOL	<u>\$ 4,636,599</u>	<u>\$ 5,389,218</u>	<u>\$ 6,285,022</u>
December 31, 2017	1% Lower Rates	Current Rates	1% Higher Rates
TOL	\$ 4,573,991	\$ 5,178,902	\$ 5,900,319
Net position	<u>1,272,683</u>	<u>1,272,683</u>	<u>1,272,683</u>
NOL	<u>\$ 3,301,308</u>	<u>\$ 3,906,219</u>	<u>\$ 4,627,636</u>

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

The Utility recognized OPEB expense of \$432,524 for the year ended December 31, 2018. Below is a table providing the deferred inflows and outflows of resources related to OPEB from the following sources as of December 31, 2018:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 328,564
Changes of assumptions	1,488,523	-
Net difference between projected and actual earnings on OPEB assets	<u>28,031</u>	<u>-</u>
Total	<u>\$ 1,516,554</u>	<u>\$ 328,564</u>

**Little Rock Water Reclamation Authority**  
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Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows for the year ended December 31:

2019	\$ 126,591
2020	126,591
2021	126,591
2022	126,591
2023	119,583
Thereafter	<u>562,043</u>
	<u>\$ 1,187,990</u>

**Actuarial Assumptions at December 31, 2018:**

**Actuarial Cost Method:** Entry Age Normal

**Participation:** Active members will elect the same retiree medical coverage as they elected with active.

**Mortality:** RP-2014 Total Dataset Mortality with Improvement Scale MP-2018.

**Discount Rate:** 4.0% per annum. The plan is partially funded in an irrevocable trust maintained by the plan sponsor.

**Inflation:** 2.5% per annum.

**Assumed Utilization:** 85% of eligible future retirees are assumed to elect plan benefits.

**Health Care (HC) Cost Trend Rate:** Covered medical expenses are assumed to increase by the following percentages:

<u>Year</u>	<u>HC Trend Rate</u>
2019	7.0%
2020	6.5%
2021	6.0%
2022	5.5%
2023	5.0%
2024 and later	4.5%

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

**December 31, 2018 and 2017**

**Membership Data:** The membership data used in the calculation is based on data as of December 31, 2018. The information is summarized for primary members (not dependents).

Status	Number	Average Age	Average Years of Service
Active members (with medical benefits)	185	46.1	13.7
Retired members under Age 65 (elected benefits)	25	58.4	N/A

**Employer-Paid Medical Premiums:** The retiree medical plan is currently fully insured. Employer-paid monthly premiums are set yearly, with 2017 ranging from \$219 to \$866, depending on which health care plan selected and type of coverage (retiree only, retiree plus spouse, retiree plus child(ren), and retiree plus family). LRWRA funded approximately 50% of the postretirement health care benefit costs.

**Actuarial Assumptions at December 31, 2017:**

**Actuarial Cost Method:** Entry Age Normal

**Participation:** Active members will elect the same retiree medical coverage as they elected with active.

**Mortality:** RP-2014 Total Dataset Mortality with Improvement Scale MP-2017.

**Discount Rate:** 4.0% per annum. The plan is partially funded in an irrevocable trust maintained by the plan sponsor.

**Inflation:** 2.5% per annum.

**Assumed Utilization:** 90% of eligible future retirees are assumed to elect plan benefits.

**Health Care (HC) Cost Trend Rate:** Covered medical expenses are assumed to increase by the following percentages:

<u>Year</u>	<u>HC Trend Rate</u>
2018	7.0%
2019	6.5%
2020	6.0%
2021	5.5%
2022	5.0%
2023 and later	4.5%



# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2018 and 2017

**Membership Data:** The membership data used in the calculation is based on data as of December 31, 2017. The information is summarized for primary members (not dependents).

Status	Number	Average Age	Average Years of Service
Active Members (with medical benefits)	190	45.2	12.4
Retired Members Under Age 65 (elected benefits)	25	58.2	N/A

**Employer-Paid Medical Premiums:** The retiree medical plan is currently fully insured. Employer-paid monthly premiums are set yearly, with 2017 ranging from \$209 to \$826, depending on which health care plan selected and type of coverage (retiree only, retiree plus spouse, retiree plus child(ren), and retiree plus family). LRWRA funded approximately 50% of the postretirement health care benefit costs. Employees hired after July 1, 2017, may elect retiree medical benefits upon retirement; however, they must pay 100% of premiums.

**Investment Policy and Long-Term Expected Rate of Return:** The plan's policy in regard to the allocation of invested assets is established by the LRWRC. The current asset allocation policy is 100% fixed income investments. The long-term expected rate of return on plan investments used is a proxy for annual long-term asset returns that are expected on high-quality AMT-free yields on municipal bonds with maturity in approximately 20 years. For the years ended December 31, 2018 and 2017, the annual money-weighted rate of return for the investments, net of investment expense, was 1.23% and 0.70%, respectfully.

Assuming that the plan sponsor continues to contribute in similar levels as in recent years (years on the average of all years since 2010), the plan should be sufficiently funded to pay benefits due for several years. The expected fund value would be projected to be at \$0 by the end of 2025 if the funds were used for its designated retiree benefits.

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2018 and 2017

### **Annual OPEB Cost and Net OPEB Obligation (Asset) (Year Ended December 31, 2017) (GASB 45)**

For 2017, 2016 and 2015, LRWRA's annual OPEB cost was \$28,014, \$26,918 and \$24,784, respectively, and there was no annual required contribution (ARC). The following table shows the components of LRWRA's annual OPEB cost for the year, the amount contributed to the plan and changes in the net OPEB obligation (asset):

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual required contribution	\$ -	\$ -	\$ -
Interest on net OPEB obligation (asset)	(62,846)	(60,387)	(55,597)
Adjustment to annual required contribution	90,860	87,305	80,381
Annual OPEB cost (benefit)	28,014	26,918	24,784
Contributions made	(97,446)	(88,396)	(144,518)
Increase (decrease) in net OPEB obligation (asset)	(69,432)	(61,478)	(119,734)
Net OPEB obligation (asset) – beginning of year	(1,571,149)	(1,509,671)	(1,389,937)
Net OPEB obligation (asset) – end of year	<u>\$ (1,640,581)</u>	<u>\$ (1,571,149)</u>	<u>\$ (1,509,671)</u>

The components of the ARC calculation reflecting a 30-year amortization of unfunded obligations and an amortization gain. Changes since last year include an assumed utilization assumption of 90% has been added. Also, the Mortality Table Improvement Scale has been changed from MP-2014 to MP-2015. The results are as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Service cost (one year)	\$ 162,249	\$ 159,642	\$ 267,413
30-year amortization	312,430	324,479	512,686
10-year amortization	(474,679)	(484,121)	(780,099)
ARC	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LRWRA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contributions</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 28,014	\$ (97,446)	347.85%	\$ (1,640,581)
2016	\$ 26,918	\$ (88,396)	328.40%	\$ (1,571,149)
2015	\$ 24,784	\$ (144,518)	583.13%	\$ (1,509,671)

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2018 and 2017

### **Funded Status and Funding Progress**

With the December 31, 2017, actuarial valuation, the plan's assets and liabilities are shown in the table below:

Actuarial accrued liability (AAL)	\$ (4,079,043)
Less actuarial value of plan assets	<u>1,263,786</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ (2,815,257)</u>
Funded ratio (actuarial value of plan assets/AAL)	30.98%
Covered payroll	\$ 13,606,281
Unfunded actuarial accrued liability as a percentage of covered payroll	20.69%

### **Actuarial Method and Assumptions**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant methods used for this fiscal year valuation were as follows:

Actuarial valuation date	December 31, 2017
Actuarial cost method	Projected Unit Credit Cost
Unfunded liabilities	Open, 30 Years
Amortization method	Level Dollar
Amendments to period amortization	10 Years, Level Dollar, Closed
Asset valuation method	Market Value

# Little Rock Water Reclamation Authority

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**Participation:** Active members will elect the same retiree medical coverage as they elected with active.

**Mortality:** RP-2014 Total Dataset Mortality with Improvement Scale MP-2017.

**Discount Rate:** 4.0% per annum. The plan is partially funded in an irrevocable trust maintained by the plan sponsor.

**Inflation:** 2.5% per annum.

**Assumed Utilization:** 90% of eligible future retirees are assumed to elect plan benefits.

**Benefit Provisions:** LRWRA employees are eligible for retiree medical benefits if eligible for retirement plan benefits under the provisions of APERS.

Effective January 1, 2008, when a retiree or spouse reaches age 65, medical coverage will no longer be available. Dental and/or vision insurance may be continued, but are totally paid for by employee.

In this valuation, it was assumed that spousal medical insurance coverage was elected for all future retirees based on current marital status. It has assumed a three-year spouse difference, with female spouses assumed to be three years younger than males.

### Note 12: Payments to Central Arkansas Water

The Utility pays Central Arkansas Water for billing and collection services provided by that entity. Such payments amount to exactly \$798,531 and \$778,713 for the years ended December 31, 2018 and 2017, respectively, and are included as operating expenses in the accompanying statements of revenues, expenses and changes in net position.

### Note 13: Risk Management

The Utility has purchased commercial insurance policies for various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; and natural disasters. Payments and premiums for these policies are recorded as expenses of the Utility. Insurance settlements have not exceeded insurance coverage in any of the past three years.

### Note 14: Prior Year Defeasance of Debt

The trust account assets and the liability for the previously defeased bonds are not included in the government's financial statements. At December 31, 2018, \$5,410,000 of defeased bonds remains outstanding.

# **Little Rock Water Reclamation Authority**

## **Notes to Financial Statements**

**December 31, 2018 and 2017**

### **Note 15: Subsequent Events**

During 2019, the Utility issued \$18,000,000 in revolving loan funds that will be used for construction activities.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**



LITTLE ROCK  
**Water Reclamation  
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**Little Rock Water Reclamation Authority**  
**Schedule of Funding Progress**  
**Other Postemployment Benefits (GASB 45)**  
**Year Ended December 31, 2018**

Actuarial valuation date	Years Ended December 31,		
	2018	2017	2016
Actuarial accrued liability (AAL)	\$ 4,549,351	\$ 3,934,942	\$ 6,655,494
Less actuarial value of plan assets	<u>1,272,683</u>	<u>1,263,786</u>	<u>1,279,297</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 3,276,668</u>	<u>\$ 2,671,156</u>	<u>\$ 5,376,197</u>
Funded ratio (actuarial value of plan assets/AAL)	27.98%	32.12%	19.22%
Covered payroll	\$ 13,606,281	\$ 13,212,297	\$ 12,548,644
Unfunded actuarial accrued liability as a percentage of covered payroll	24.08%	20.22%	42.84%

**Little Rock Water Reclamation Authority**  
**Schedule of Changes in Utility's Net Other Postemployment Benefits**  
**Liability and Related Ratios (GASB 74 and GASB 75)**  
**Years Ended December 31, 2018, 2017 and 2016**

	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Total OPEB Liability</b>			
Service costs	\$ 153,267	\$ 145,382	\$ 141,691
Interest on total OPEB liabilities	203,573	189,015	177,331
Difference between expected and actual experience	(362,437)	280,979	(57,544)
Change in assumptions	1,641,979	-	-
Benefit payments	<u>(137,515)</u>	<u>(97,466)</u>	<u>(88,394)</u>
Net changes in total OPEB liability	1,498,867	517,910	173,084
Total OPEB liability – beginning	<u>5,178,902</u>	<u>4,660,992</u>	<u>4,487,908</u>
Total OPEB liability – ending	<u>6,677,769</u>	<u>5,178,902</u>	<u>4,660,992</u>
<b>Plan Fiduciary Net Position</b>			
Contributions – employer	137,515	97,466	88,394
Net investment income	20,317	13,346	(11,061)
Benefit payments	(137,515)	(97,466)	(88,394)
Administrative expenses	<u>(4,449)</u>	<u>(4,449)</u>	<u>(4,450)</u>
Net changes in plan fiduciary net position	15,868	8,897	(15,511)
Plan fiduciary net position – beginning	<u>1,272,683</u>	<u>1,263,786</u>	<u>1,279,297</u>
Plan fiduciary net position – ending	<u>1,288,551</u>	<u>1,272,683</u>	<u>1,263,786</u>
Net OPEB liability	<u>\$ 5,389,218</u>	<u>\$ 3,906,219</u>	<u>\$ 3,397,206</u>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	19.3%	24.6%	27.1%
<b>Covered Employee Payroll</b>	\$ 13,867,243	\$ 13,606,281	\$ 13,312,297
<b>Net OPEB Liability as a Percentage of Covered Payroll</b>	38.9%	28.7%	25.5%

**Note:** A full 10-year schedule will be completed as information is available.

**Changes in Assumption:** For the December 31, 2018, actuarial valuation, all new employees have to pay 100% of the premiums at retirement. Additionally, the assumed utilization rate changed from 90% to 85% of eligible future early retirees to better reflect actual and expected experience.

**Little Rock Water Reclamation Authority**  
**Schedule of Contributions**  
**Other Postemployment Benefits (GASB 74 and GASB 75)**  
**Year Ended December 31, 2018**

Year Ended December 31,	Actuarially Determined Contributions	Actual Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Actual Contribution as a % of Covered Payroll
2016	\$ 155,000	\$ 88,394	\$ 66,606	\$ 13,312,297	0.66%
2017	155,000	97,466	57,534	13,606,281	0.72%
2018	138,000	137,515	485	13,867,243	0.99%

Note: A full 10-year schedule will be completed as information is available.

**Key Assumptions for Actuarially Determined Contribution**

Cost Method:	Entry Age Normal
Discount Rate:	4.0%
Inflation:	2.5%
Investment Rate of Return:	4.0%
Mortality:	RP-2014 Mortality Table with Improvement Scale MP-2018
Assumed Utilization:	90% of future retirees are assumed to elect plan benefits
Participation:	Active members will elect the same retiree medical coverage as they elected while active
Retirement Rates:	Mirror rates provided for the Arkansas Public Employees Retirement System pension valuation

**Little Rock Water Reclamation Authority**  
**Schedule of Investment Returns**  
**Other Postemployment Benefits (GASB 74 and GASB 75)**  
**Year Ended December 31, 2018**

**LRWRA Post Retiree Healthcare – OPEB Trust Fund**

<b>Fiscal Year Ended</b>	<b>Money-Weighted Rate of Return</b>
12/31/2016	-1.21%
12/31/2017	0.70%
12/31/2018	1.23%

**Note:** A full 10-year schedule will be completed as information is available.

**Little Rock Water Reclamation Authority**  
**Schedule of Contributions**  
**Arkansas Public Employees Retirement System**  
**Year Ended December 31, 2018**

	2018	2017	2016	2015	2014
Contractually required contributions	\$ 1,920,103	\$ 1,870,073	\$ 1,838,797	\$ 1,720,285	\$ 1,790,896
Contributions in relation to the contractually required contributions	<u>1,917,096</u>	<u>1,869,906</u>	<u>1,838,797</u>	<u>1,759,530</u>	<u>1,703,752</u>
Contribution deficiency (excess)	<u>\$ (3,007)</u>	<u>\$ (167)</u>	<u>\$ -</u>	<u>\$ (39,245)</u>	<u>\$ 87,144</u>
LRWRA's covered payroll	\$ 12,981,831	\$ 12,955,527	\$ 12,674,419	\$ 12,115,376	\$ 11,658,706
Contributions as a percentage of covered payroll	14.8%	14.4%	14.5%	14.5%	14.6%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Utility will present information for only years which information is available. Information has been determined as of LRWRA's most recent fiscal year-end (December 31).

**Methods and Assumptions Used to Determine Contribution Rates**

Actuarial cost method	Entry age normal
Amortized method	Level percentage of payroll, closed
Remaining valuation method	25 years
Asset valuation method	4-Year smoothed market, 25% corridor
Inflation	3.25% wage inflation; 2.50% price inflation
Salary increases	3.25%–9.85% including inflation
Investment rate of return	7.15%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	Based on RP-2000 combined healthy mortality table, projected to 2020 using projection scale BB, set-forward 2 years for males and 1 year for females.
Average service life of all members	4.1233

**Note:** Investment rate of return was 7.50% and salary increases started at 3.95% through the June 30, 2016, measurement date.

**Little Rock Water Reclamation Authority**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**Arkansas Public Employees Retirement System**  
**Year Ended December 31, 2018**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
LRWRA's proportion of the net pension liability	0.69388988%	0.71552208%	0.68334170%	0.67188745%
LRWRA's proportionate share of the net pension liability	\$ 15,306,760	\$ 18,490,096	\$ 16,341,079	\$ 12,374,375
LRWRA's covered payroll	\$ 13,661,710	\$ 13,352,218	\$ 12,321,987	\$ 11,905,159
LRWRA's proportionate share of the net pension liability as a percentage of its covered payroll	112.04%	138.48%	132.62%	103.94%
Plan fiduciary net position as a percentage of the total pension liability	79.59%	75.65%	75.50%	80.39%
APERS discount rate	7.15%	7.15%	7.50%	7.50%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Utility will present information for only years which information is available. Information has been determined as of the measurement date used to determine the net pension liability (June 30).

# SUPPLEMENTARY INFORMATION



LITTLE ROCK

**Water Reclamation  
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**Little Rock Water Reclamation Authority**  
**Budgetary Comparison Schedule**  
**Year Ended December 31, 2018**

	Original and Final Budget	Actual	Variance Over (Under)
<b>Operating Revenue</b>			
Sewer charges	\$ 56,178,345	\$ 58,836,838	\$ 2,658,493
Industrial surcharges	1,115,688	1,337,871	222,183
Other	635,080	712,655	77,575
	<u>57,929,113</u>	<u>60,887,364</u>	<u>2,958,251</u>
<b>Operating Expenses Excluding Depreciation</b>			
Water reclamation committee	47,440	57,089	9,649
Utility management	1,404,734	1,405,962	1,228
Finance and administration	2,639,045	2,604,388	(34,657)
Engineering	2,439,267	2,592,973	153,706
Information systems	2,176,423	2,088,679	(87,744)
Collection system maintenance	7,680,206	8,371,290	691,084
Operations	5,395,511	5,112,524	(282,987)
Environmental assessment	1,721,731	1,693,811	(27,920)
Facilities/maintenance	3,829,105	3,672,620	(156,485)
Legal/HR	791,415	733,186	(58,229)
	<u>28,124,877</u>	<u>28,332,522</u>	<u>207,645</u>
	<u>29,804,236</u>	<u>32,554,842</u>	<u>2,750,606</u>
<b>Operating Income Before Depreciation</b>			
Provision for depreciation			
Building and improvements	4,315,510	4,149,796	(165,714)
Infrastructure – collections, pumping and treatments	8,025,200	8,249,157	223,957
Equipment	3,489,388	3,700,470	211,082
	<u>15,830,098</u>	<u>16,099,423</u>	<u>269,325</u>
	<u>13,974,138</u>	<u>16,455,419</u>	<u>2,481,281</u>
<b>Operating Income</b>			
<b>Nonoperating Income (Expense)</b>			
Interest income	165,000	739,314	574,314
Interest expense	(9,531,429)	(9,087,059)	444,370
Gain (loss) on disposal of capital assets	65,000	(803,812)	(868,812)
Gain on investments	-	40,402	40,402
Other	50,000	177,843	127,843
	<u>(9,251,429)</u>	<u>(8,933,312)</u>	<u>318,117</u>
	<u>\$ 4,722,709</u>	<u>\$ 7,522,107</u>	<u>\$ 2,799,398</u>
<b>Increase in Net Position Before Capital Contributions</b>			

**Little Rock Water Reclamation Authority**  
**Schedule of Operating Expenses by Department**  
**Excluding Depreciation**  
**Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Water Reclamation Commission</b>		
Commission expense reimbursement	\$ 1,599	\$ 29,990
Insurance	2,979	13,017
Other	52,511	1,717
Total	<u>57,089</u>	<u>44,724</u>
<b>Utility Management</b>		
Salaries	570,382	612,003
Employee benefits	334,898	319,075
Supplies	12,764	31,054
Contract services	174,059	239,153
Vehicle maintenance	17,025	15,271
Utilities	7,794	7,694
Insurance	2,310	5,357
Training and administration	286,730	216,258
Total	<u>1,405,962</u>	<u>1,445,865</u>
<b>Finance and Administration</b>		
Salaries	951,000	825,600
Employee benefits	475,881	430,155
Supplies	41,043	24,638
Contract services	999,895	914,214
Vehicle maintenance	7,749	7,144
Utilities	5,588	4,843
Insurance	9,850	10,702
Training and administration	113,382	71,819
Total	<u>2,604,388</u>	<u>2,289,115</u>
<b>Engineering</b>		
Salaries	1,182,615	1,021,093
Employee benefits	477,980	463,631
Supplies	60,252	53,003
Contract services	539,562	390,685
Vehicle maintenance	31,792	24,503
Utilities	13,698	11,975
Insurance	14,372	10,768
Training and administration	272,702	25,812
Total	<u>2,592,973</u>	<u>2,001,470</u>

**Little Rock Water Reclamation Authority**  
**Schedule of Operating Expenses by Department**  
**Excluding Depreciation (Continued)**  
**Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Collection System Maintenance:</b>		
Salaries	\$ 4,308,355	\$ 4,194,332
Employee benefits	2,259,003	2,466,339
Supplies	709,171	648,905
Contract services	794,980	662,626
Vehicle maintenance	166,431	172,144
Utilities	35,537	36,851
Insurance	61,807	56,649
Training and administration	36,006	26,292
Total	<u>8,371,290</u>	<u>8,264,138</u>
<b>Operations – Adams, Fourche, Maumelle and Industrial Monitoring</b>		
Salaries	1,757,005	1,676,349
Employee benefits	896,442	902,343
Supplies	457,043	389,228
Contract services	576,514	497,846
Vehicle maintenance	12,313	10,319
Utilities	1,264,084	1,215,959
Insurance	62,690	83,408
Training and administration	86,433	85,979
Total	<u>5,112,524</u>	<u>4,861,431</u>
<b>Information Systems</b>		
Salaries	803,891	761,418
Employee benefits	391,942	427,077
Supplies	250,103	192,520
Contract services	439,392	446,570
Vehicle maintenance	5,732	5,716
Utilities	162,634	172,561
Insurance	3,801	2,039
Training and administration	31,184	30,550
Total	<u>2,088,679</u>	<u>2,038,451</u>
<b>Environmental Assessment</b>		
Salaries	966,250	1,039,064
Employee benefits	496,101	583,152
Supplies	128,424	128,528
Contract services	57,939	46,654
Vehicle maintenance	20,003	20,318
Utilities	4,902	6,879
Insurance	6,522	6,277
Training and administration	13,670	12,347
Total	<u>1,693,811</u>	<u>1,843,219</u>

**Little Rock Water Reclamation Authority**  
**Schedule of Operating Expenses by Department**  
**Excluding Depreciation (Continued)**  
**Years Ended December 31, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Facilities/Maintenance</b>		
Salaries	\$ 1,346,458	\$ 1,349,185
Benefits	722,144	776,362
Supplies	987,721	1,061,379
Contract services	349,213	345,122
Vehicle expenses	74,406	59,927
Utilities	134,023	111,245
Insurance	49,671	82,948
Other	8,984	8,831
	<u>3,672,620</u>	<u>3,794,999</u>
<b>Legal/HR</b>		
Salaries	443,152	372,832
Benefits	185,911	154,731
Supplies	8,124	7,578
Contract services	43,819	36,192
Vehicle expenses	7,200	7,200
Utilities	1,293	826
Insurance	1,150	2,111
Other	42,537	31,795
	<u>733,186</u>	<u>613,265</u>
Total operating expenses	<u>\$ 28,332,522</u>	<u>\$ 27,196,677</u>

**Little Rock Water Reclamation Authority**  
**Schedule of Bonded Indebtedness**  
**December 31, 2018**

**Sewer Revenue Bonds (Series 2007B)**

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		April 15,	October 15,	April 15,	October 15,	
2019	2.75%	\$ 435,445	\$ 441,433	\$ 152,603	\$ 146,615	\$ 1,176,096
2020	2.75%	447,503	453,656	140,545	134,392	1,176,096
2021	2.75%	459,893	466,217	128,155	121,831	1,176,096
2022	2.75%	472,628	479,126	115,420	108,922	1,176,096
2023	2.75%	485,715	492,393	102,333	95,655	1,176,096
2024	2.75%	499,163	506,027	88,885	82,021	1,176,096
2025	2.75%	512,984	520,038	75,064	68,010	1,176,096
2026	2.75%	527,188	534,437	60,860	53,611	1,176,096
2027	2.75%	541,786	549,235	46,262	38,813	1,176,096
2028	2.75%	556,788	564,444	31,260	23,604	1,176,096
2029	2.75%	572,210	580,049	15,843	7,974	1,176,076
		<u>\$ 5,511,303</u>	<u>\$ 5,587,055</u>	<u>\$ 957,230</u>	<u>\$ 881,448</u>	<u>\$ 12,937,036</u>

**Little Rock Water Reclamation Authority**  
**Schedule of Bonded Indebtedness (Continued)**  
**December 31, 2018**

**Sewer Revenue Bonds (Series 2009A)**

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		April 15,	October 15,	April 15,	October 15,	
2019	2.00%	\$ 186,243	\$ 188,105	\$ 57,402	\$ 55,540	\$ 487,290
2020	2.00%	189,987	191,887	53,658	51,758	487,290
2021	2.00%	193,805	195,743	49,840	47,902	487,290
2022	2.00%	197,701	199,677	45,944	43,968	487,290
2023	2.00%	201,675	203,691	41,970	39,954	487,290
2024	2.00%	205,729	207,785	37,916	35,860	487,290
2025	2.00%	209,863	211,963	33,782	31,682	487,290
2026	2.00%	214,081	216,223	29,564	27,422	487,290
2027	2.00%	218,385	220,569	25,260	23,076	487,290
2028	2.00%	222,775	225,003	20,870	18,642	487,290
2029	2.00%	227,253	229,525	16,392	14,120	487,290
2030	2.00%	231,819	234,139	11,826	9,506	487,290
2031	2.00%	236,479	238,845	7,166	4,800	487,290
2032	2.00%	241,223	-	2,412	-	243,635
		<u>\$ 2,977,018</u>	<u>\$ 2,763,155</u>	<u>\$ 434,002</u>	<u>\$ 404,230</u>	<u>\$ 6,578,405</u>

**Little Rock Water Reclamation Authority**  
**Schedule of Bonded Indebtedness (Continued)**  
**December 31, 2018**

**Sewer Revenue Bonds (Series 2011)**

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		February 1,	August 1,	February 1,	August 1,	
2019	3.25%	\$ 975,000	\$ 990,000	\$ 168,913	\$ 154,288	\$ 2,288,201
2020	5.00%	1,110,000	1,140,000	136,963	109,213	2,496,176
2021	3.25%	1,160,000	1,190,000	80,712	61,863	2,492,575
2022	3.50%	1,205,000	1,225,000	42,525	21,438	2,493,963
		<u>\$ 4,450,000</u>	<u>\$ 4,545,000</u>	<u>\$ 429,113</u>	<u>\$ 346,802</u>	<u>\$ 9,770,915</u>

**Little Rock Water Reclamation Authority**  
**Schedule of Bonded Indebtedness (Continued)**  
**December 31, 2018**

**Sewer Revenue Bonds (Series 2012)**

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		February 1,	August 1,	February 1,	August 1,	
2019	3.000%	\$ -	\$ 685,000	\$ 450,662	\$ 450,662	\$ 1,586,324
2020	3.000%	-	705,000	440,388	440,388	1,585,776
2021	3.000%	-	725,000	429,812	429,812	1,584,624
2022	3.000%	-	745,000	418,938	418,938	1,582,876
2023	3.000%	-	770,000	407,762	407,762	1,585,524
2024	3.000%	-	790,000	396,213	396,213	1,582,426
2025	3.000%	-	815,000	384,362	384,362	1,583,724
2026	3.125%	-	840,000	372,137	372,137	1,584,274
2027	3.250%	-	865,000	359,013	359,013	1,583,026
2028	3.250%	-	895,000	344,956	344,956	1,584,912
2029	3.750%	-	925,000	330,413	330,413	1,585,826
2030	3.750%	-	960,000	313,069	313,069	1,586,138
2031	3.750%	-	995,000	295,069	295,069	1,585,138
2032	3.750%	-	1,030,000	276,412	276,412	1,582,825
2033	3.750%	-	1,070,000	257,100	257,100	1,584,200
2034	4.000%	-	1,115,000	235,700	235,700	1,586,400
2035	4.000%	-	1,160,000	213,400	213,400	1,586,800
2036	4.000%	-	1,205,000	190,200	190,200	1,585,400
2037	4.000%	-	1,250,000	166,100	166,100	1,582,200
2038	4.000%	-	1,300,000	141,100	141,100	1,582,200
2039	4.000%	-	1,355,000	115,100	115,100	1,585,200
2040	4.000%	-	1,410,000	88,000	88,000	1,586,000
2041	4.000%	-	1,465,000	59,800	59,800	1,584,600
2042	4.000%	-	1,525,000	30,500	30,500	1,586,000
		<u>\$ -</u>	<u>\$ 24,600,000</u>	<u>\$ 6,716,206</u>	<u>\$ 6,716,207</u>	<u>\$ 38,032,413</u>



**Little Rock Water Reclamation Authority**  
**Schedule of Bonded Indebtedness (Continued)**  
**December 31, 2018**

**Sewer Revenue Bonds (Series 2013)**

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		April 15,	October 15,	April 15,	October 15,	
2019	2.250%	\$ 750,447	\$ 758,889	\$ 372,159	\$ 363,716	\$ 2,245,211
2020	2.250%	767,428	776,061	355,179	346,545	2,245,213
2021	2.250%	784,791	793,620	337,814	328,985	2,245,210
2022	2.250%	802,548	811,577	320,057	311,029	2,245,211
2023	2.250%	820,708	829,940	301,898	292,665	2,245,211
2024	2.250%	839,277	848,720	283,329	173,887	2,145,213
2025	2.250%	858,267	867,922	264,339	254,683	2,245,211
2026	2.250%	877,687	887,561	244,919	235,045	2,245,212
2027	2.250%	897,546	907,643	225,060	214,962	2,245,211
2028	2.250%	917,854	928,181	204,752	194,426	2,245,213
2029	2.250%	938,622	949,182	183,984	173,424	2,245,212
2030	2.250%	959,860	970,659	162,746	151,947	2,245,212
2031	2.250%	981,578	992,621	141,027	129,985	2,245,211
2032	2.250%	1,003,788	1,015,081	118,818	107,525	2,245,212
2033	2.250%	1,026,500	1,038,049	96,106	84,557	2,245,212
2034	2.250%	1,049,726	1,061,536	72,879	61,070	2,245,211
2035	2.250%	1,073,478	1,085,555	49,127	37,081	2,245,241
2036	2.250%	1,097,768	1,110,103	24,839	12,489	2,245,199
		<u>\$ 16,447,873</u>	<u>\$ 16,632,900</u>	<u>\$ 3,759,032</u>	<u>\$ 3,474,021</u>	<u>\$ 40,313,826</u>

**Little Rock Water Reclamation Authority**  
**Schedule of Bonded Indebtedness (Continued)**  
**December 31, 2018**

**Sewer Revenue Bonds (Series 2014)**

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		May 1,	November 1,	May 1,	November 1,	
2019	2.000%	\$ 650,000	\$ 650,000	\$ 103,788	\$ 97,287	\$ 1,501,075
2020	3.000%	650,000	670,000	90,788	81,037	1,491,825
2021	3.000%	675,000	685,000	74,338	65,900	1,500,238
2022	3.500%	695,000	705,000	55,625	43,463	1,499,088
2023	4.000%	315,000	320,000	31,124	26,400	692,524
2024	4.000%	325,000	335,000	20,000	13,500	693,500
2025	4.000%	340,000	-	6,800	-	346,800
		<u>\$ 3,650,000</u>	<u>\$ 3,365,000</u>	<u>\$ 382,463</u>	<u>\$ 327,587</u>	<u>\$ 7,725,050</u>

**Little Rock Water Reclamation Authority**  
**Schedule of Bonded Indebtedness (Continued)**  
**December 31, 2018**

**Sewer Revenue Bonds (Series 2015)**

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		April 1,	October 1,	April 1,	October 1,	
2019	3.000%	\$ 2,345,000	\$ 2,180,000	\$ 2,860,921	\$ 2,825,746	\$ 10,211,667
2020	3.000%	2,215,000	2,245,000	2,793,046	2,759,821	10,012,867
2021	4.000%	2,285,000	2,325,000	2,726,146	2,680,446	10,016,592
2022	3.500%	2,375,000	2,405,000	2,633,946	2,598,321	10,012,267
2023	4.000%	2,460,000	2,495,000	2,550,221	2,513,321	10,018,542
2024	4.000%	2,775,000	2,820,000	2,450,946	2,409,321	10,455,267
2025	4.000%	2,890,000	2,935,000	2,338,821	2,295,471	10,459,292
2026	4.375%	3,355,000	3,430,000	2,222,096	2,148,705	11,155,801
2027	4.500%	3,880,000	3,210,000	2,073,674	1,986,374	11,150,048
2028	4.700%	3,660,000	3,745,000	1,914,149	1,828,139	11,147,288
2029	3.125%	3,830,000	3,890,000	1,740,131	1,680,288	11,140,419
2030	3.250%	4,510,000	4,585,000	1,619,506	1,546,219	12,260,725
2031	3.250%	4,665,000	4,735,000	1,471,713	1,395,906	12,267,619
2032	5.000%	4,810,000	4,930,000	1,318,963	1,198,713	12,257,676
2033	5.000%	5,055,000	5,185,000	1,075,463	949,088	12,264,551
2034	5.000%	5,315,000	5,445,000	819,463	686,588	12,266,051
2035	3.500%	5,585,000	5,685,000	550,463	452,725	12,273,188
2036	3.500%	5,785,000	5,885,000	353,238	252,000	12,275,238
2037	3.500%	4,220,000	4,295,000	149,013	75,163	8,739,176
		<u>\$ 72,015,000</u>	<u>\$ 72,425,000</u>	<u>\$ 33,661,919</u>	<u>\$ 32,282,355</u>	<u>\$ 210,384,274</u>

**Little Rock Water Reclamation Authority**  
**Schedule of Bonded Indebtedness (Continued)**  
**December 31, 2018**

**Sewer Revenue Bonds (Series 2016A)<sup>a</sup>**

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		April 15,	October 15,	April 15,	October 15,	
2020	2.720%	\$ -	\$ 464,607	\$ -	\$ 454,794	\$ 919,401
2021	2.720%	473,481	477,579	445,920	441,824	1,838,804
2022	2.720%	486,560	490,909	432,842	428,493	1,838,804
2023	2.720%	500,001	504,592	419,419	414,792	1,838,804
2024	2.720%	511,587	518,661	407,815	400,741	1,838,804
2025	2.720%	527,982	533,133	391,419	386,270	1,838,804
2026	2.720%	542,574	548,006	376,828	371,396	1,838,804
2027	2.720%	557,571	563,292	361,831	356,110	1,838,804
2028	2.720%	571,080	578,977	348,322	340,425	1,838,804
2029	2.720%	588,798	595,125	330,602	324,279	1,838,804
2030	2.720%	605,079	611,718	314,323	307,684	1,838,804
2031	2.720%	621,811	628,773	297,591	290,629	1,838,804
2032	2.720%	637,467	646,281	281,935	273,121	1,838,804
2033	2.720%	656,661	664,296	262,741	255,105	1,838,803
2034	2.720%	674,825	682,812	244,577	236,590	1,838,804
2035	2.720%	693,494	701,842	225,907	217,560	1,838,803
2036	2.720%	711,546	721,384	207,856	198,018	1,838,804
2037	2.720%	732,386	741,485	187,016	177,917	1,838,804
2038	2.720%	752,654	762,144	166,748	157,258	1,838,804
2039	2.720%	773,474	783,377	145,928	136,025	1,838,804
2040	2.720%	794,208	361,247	125,194	114,212	1,394,861
2041	2.720%	366,821	371,296	108,621	104,146	950,884
2042	2.720%	376,971	381,642	98,471	93,800	950,884
2043	2.720%	387,402	392,275	88,039	83,167	950,883
2044	2.720%	397,699	403,198	77,743	72,244	950,884
2045	2.720%	409,137	414,430	66,305	61,012	950,884
2046	2.720%	420,462	425,974	54,980	49,468	950,884
2047	2.720%	432,101	437,839	43,340	37,604	950,884
2048	2.720%	443,892	450,029	31,550	25,413	950,884
2049	2.720%	456,356	462,562	19,085	12,880	950,883
2050	2.720%	468,993	-	6,449	-	475,442
		<u>\$ 16,573,073</u>	<u>\$ 16,319,485</u>	<u>\$ 6,569,397</u>	<u>\$ 6,822,977</u>	<u>\$ 46,284,932</u>

<sup>a</sup> The available proceeds of Series 2016A is \$61,000,000 and includes 20- and 30-year blended rates.

**Little Rock Water Reclamation Authority**  
**Schedule of Bonded Indebtedness (Continued)**  
**December 31, 2018**

**Sewer Revenue Bonds (Series 2016A) – Fully Amortized<sup>a</sup>**

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		April 15,	October 15,	April 15,	October 15,	
2020	2.720%	\$ -	\$ 983,854	\$ -	\$ 829,918	\$ 1,813,772
2021	2.720%	997,239	1,010,807	816,533	802,965	3,627,544
2022	2.720%	1,024,559	1,038,498	789,213	775,274	3,627,544
2023	2.720%	1,052,628	1,066,949	761,144	746,823	3,627,544
2024	2.720%	1,081,465	1,096,179	732,307	717,593	3,627,544
2025	2.720%	1,111,092	1,126,209	702,680	687,563	3,627,544
2026	2.720%	1,141,531	1,157,062	672,241	656,710	3,627,544
2027	2.720%	1,172,804	1,188,760	640,968	625,012	3,627,544
2028	2.720%	1,204,934	1,221,327	608,838	592,445	3,627,544
2029	2.720%	1,237,943	1,254,786	575,829	558,986	3,627,544
2030	2.720%	1,271,858	1,289,161	541,914	524,611	3,627,544
2031	2.720%	1,306,701	1,324,479	507,071	489,293	3,627,544
2032	2.720%	1,342,499	1,360,764	471,273	453,008	3,627,544
2033	2.720%	1,379,277	1,398,043	434,495	415,729	3,627,544
2034	2.720%	1,417,063	1,436,342	396,709	377,430	3,627,544
2035	2.720%	1,455,884	1,475,691	357,888	338,081	3,627,544
2036	2.720%	1,495,769	1,516,120	318,003	297,652	3,627,544
2037	2.720%	1,536,746	1,557,654	277,026	256,118	3,627,544
2038	2.720%	1,578,846	1,600,327	234,926	213,445	3,627,544
2039	2.720%	1,622,099	1,644,169	191,673	169,603	3,627,544
2040	2.720%	1,666,538	401,409	147,234	124,561	2,339,742
2041	2.720%	406,871	412,407	119,099	113,563	1,051,940
2042	2.720%	418,018	423,705	107,952	102,265	1,051,940
2043	2.720%	429,469	435,312	96,501	90,658	1,051,940
2044	2.720%	441,234	447,237	84,736	78,733	1,051,940
2045	2.720%	453,323	459,490	72,647	66,480	1,051,940
2046	2.720%	465,742	472,078	60,228	53,892	1,051,940
2047	2.720%	478,501	485,011	47,469	40,959	1,051,940
2048	2.720%	491,609	498,298	34,361	27,672	1,051,940
2049	2.720%	505,078	511,949	20,892	14,021	1,051,940
2050	2.720%	518,603	-	7,056	-	525,659
		<u>\$ 30,705,923</u>	<u>\$ 30,294,077</u>	<u>\$ 10,828,906</u>	<u>\$ 11,241,063</u>	<u>\$ 83,069,969</u>

<sup>a</sup> The available proceeds of Series 2016A is \$61,000,000.

**Little Rock Water Reclamation Authority**  
**Schedule of Bonded Indebtedness (Continued)**  
**December 31, 2018**

**Sewer Revenue Bonds (Series 2016B)**

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		June 1,	December 1,	June 1,	December 1,	
2019	2.000%	\$ -	\$ 635,000	\$ 307,722	\$ 307,722	\$ 1,250,444
2020	3.000%	-	655,000	301,372	301,372	1,257,744
2021	3.000%	-	670,000	291,547	291,547	1,253,094
2022	4.000%	-	695,000	281,497	281,497	1,257,994
2023	4.000%	-	725,000	267,597	267,597	1,260,194
2024	4.000%	-	755,000	253,097	253,097	1,261,194
2025	4.000%	-	780,000	237,997	237,997	1,255,994
2026	4.000%	-	815,000	222,397	222,397	1,259,794
2027	4.000%	-	850,000	206,097	206,097	1,262,194
2028	4.000%	-	880,000	189,097	189,097	1,258,194
2029	4.000%	-	910,000	171,497	171,497	1,252,994
2030	4.000%	-	950,000	153,297	153,297	1,256,594
2031	3.000%	-	990,000	134,297	134,297	1,258,594
2032	3.000%	-	1,020,000	119,447	119,447	1,258,894
2033	4.000%	-	1,045,000	104,147	104,147	1,253,294
2034	4.000%	-	1,090,000	83,247	83,247	1,256,494
2035	3.125%	-	1,135,000	61,447	61,447	1,257,894
2036	3.125%	-	1,170,000	43,713	43,713	1,257,426
2037	3.250%	-	1,205,000	25,431	25,431	1,255,862
2038	3.250%	-	360,000	5,850	5,850	371,700
		<u>\$ -</u>	<u>\$ 17,335,000</u>	<u>\$ 3,460,793</u>	<u>\$ 3,460,793</u>	<u>\$ 24,256,586</u>

**Little Rock Water Reclamation Authority**  
**Schedule of Bonded Indebtedness (Continued)**  
**December 31, 2018**

**Sewer Revenue Bonds (Series 2017)**

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		April 1,	October 1,	April 1,	October 1,	
2019	2.000%	\$ -	\$ 215,000	\$ 185,004	\$ 185,004	\$ 585,008
2020	3.000%	-	220,000	182,854	182,854	585,708
2021	3.000%	-	225,000	179,553	179,553	584,106
2022	4.000%	-	235,000	176,178	176,178	587,356
2023	4.000%	-	245,000	171,478	171,478	587,956
2024	4.000%	-	250,000	166,578	166,578	583,156
2025	4.000%	-	265,000	161,578	161,578	588,156
2026	4.000%	-	275,000	156,278	156,278	587,556
2027	4.000%	-	285,000	150,778	150,778	586,556
2028	4.000%	-	295,000	145,078	145,078	585,156
2029	4.000%	-	305,000	139,178	139,178	583,356
2030	4.000%	-	320,000	133,078	133,078	586,156
2031	4.000%	-	330,000	126,678	126,678	583,356
2032	4.000%	-	345,000	120,078	120,078	585,156
2033	4.000%	-	360,000	113,178	113,178	586,356
2034	3.125%	-	375,000	105,978	105,978	586,956
2035	3.125%	-	385,000	100,119	100,119	585,238
2036	3.125%	-	400,000	94,103	94,103	588,206
2037	3.125%	-	410,000	87,853	87,853	585,706
2038	3.250%	-	425,000	81,447	81,447	587,894
2039	3.250%	-	435,000	74,541	74,541	584,082
2040	3.250%	-	450,000	67,472	67,472	584,944
2041	3.250%	-	465,000	60,159	60,159	585,318
2042	3.250%	-	480,000	52,603	52,603	585,206
2043	3.375%	-	495,000	44,803	44,803	584,606
2044	3.375%	-	515,000	36,450	36,450	587,900
2045	3.375%	-	530,000	27,759	27,759	585,518
2046	3.375%	-	550,000	18,816	18,816	587,632
2047	3.375%	-	565,000	9,534	9,534	584,068
		<u>\$ -</u>	<u>\$ 10,650,000</u>	<u>\$ 3,169,184</u>	<u>\$ 3,169,184</u>	<u>\$ 16,988,368</u>

**Little Rock Water Reclamation Authority**  
**Schedule of Bonded Indebtedness (Continued)**  
**December 31, 2018**

**Sewer Revenue Bonds (Series 2018)<sup>a</sup>**

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		April 15,	October 15,	April 15,	October 15,	
2021	2.000%	\$ -	\$ 91,910	\$ -	\$ 76,807	\$ 168,717
2022	2.000%	93,259	93,793	75,455	74,921	337,428
2023	2.000%	95,151	95,714	73,563	73,000	337,428
2024	2.000%	96,687	97,670	72,027	71,044	337,428
2025	2.000%	99,046	99,670	69,668	69,044	337,428
2026	2.000%	101,055	101,711	67,659	67,003	337,428
2027	2.000%	103,105	103,793	65,609	64,921	337,428
2028	2.000%	104,848	105,914	63,866	62,800	337,428
2029	2.000%	107,328	108,082	61,386	60,632	337,428
2030	2.000%	109,506	110,294	59,208	58,420	337,428
2031	2.000%	111,729	112,551	57,029	56,163	337,472
2032	2.000%	113,696	114,852	55,018	53,862	337,428
2033	2.000%	116,307	117,202	52,407	51,512	337,428
2034	2.000%	118,668	119,600	50,046	49,114	337,428
2035	2.000%	121,070	122,047	47,637	46,667	337,421
2036	2.000%	123,287	124,541	45,427	44,173	337,428
2037	2.000%	126,041	127,088	42,673	41,526	337,328
2038	2.000%	128,601	129,688	40,113	39,026	337,428
2039	2.000%	131,212	132,340	37,502	36,374	337,428
2040	2.000%	133,686	135,045	35,028	33,669	337,428
2041	2.000%	136,594	137,807	32,170	30,907	337,478
2042	2.000%	139,369	140,625	29,345	28,089	337,428
2043	2.000%	142,200	143,500	26,514	25,214	337,428
2044	2.000%	144,959	146,433	23,755	22,281	337,428
2045	2.000%	148,035	149,426	20,679	19,288	337,428
2046	2.000%	151,043	152,481	17,671	16,233	337,428
2047	2.000%	154,112	155,598	14,602	13,116	337,428
2048	2.000%	157,180	158,778	11,534	9,936	337,428
2049	2.000%	160,438	162,032	8,276	6,691	337,437
2050	2.000%	163,698	165,330	5,016	3,379	337,423
2051	2.000%	167,025	-	1,689	-	168,714
		<u>\$ 3,798,935</u>	<u>\$ 3,755,515</u>	<u>\$ 1,262,572</u>	<u>\$ 1,305,812</u>	<u>\$ 10,122,834</u>

<sup>a</sup> The available proceeds of Series 2018 is \$61,600,000



**Little Rock Water Reclamation Authority**  
**Schedule of Bonded Indebtedness (Continued)**  
**December 31, 2018**

**Sewer Revenue Bonds (Series 2018) – Fully Amortized<sup>a</sup>**

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		April 15,	October 15,	April 15,	October 15,	
2021	3.000%	\$ -	\$ 633,653	\$ -	\$ 939,400	\$ 1,573,053
2022	3.000%	648,397	653,204	924,656	919,849	3,146,106
2023	3.000%	668,138	673,355	904,915	899,698	3,146,106
2024	3.000%	683,623	694,049	889,430	879,004	3,146,106
2025	3.000%	709,378	715,451	863,675	857,602	3,146,106
2026	3.000%	730,988	737,509	842,065	835,544	3,146,106
2027	3.000%	753,260	760,243	819,793	812,810	3,146,106
2028	3.000%	771,837	783,608	801,216	789,445	3,146,106
2029	3.000%	799,806	807,755	773,247	765,298	3,146,106
2030	3.000%	824,188	832,642	748,865	740,411	3,146,106
2031	3.000%	849,316	858,292	723,737	714,761	3,146,106
2032	3.000%	871,381	884,669	701,672	688,384	3,146,106
2033	3.000%	901,848	911,913	671,205	661,140	3,146,106
2034	3.000%	929,357	939,993	643,696	633,060	3,146,106
2035	3.000%	957,709	968,933	615,344	604,120	3,146,106
2036	3.000%	983,709	998,711	589,344	574,342	3,146,106
2037	3.000%	1,016,996	1,029,450	556,057	543,603	3,146,106
2038	3.000%	1,048,034	1,061,132	525,019	511,921	3,146,106
2039	3.000%	1,080,023	1,093,784	493,030	479,269	3,146,106
2040	3.000%	1,110,465	1,127,399	462,588	445,654	3,146,106
2041	3.000%	1,146,933	1,162,083	426,120	410,970	3,146,106
2042	3.000%	1,181,953	1,197,829	391,100	375,224	3,146,106
2043	3.000%	1,218,047	1,234,671	355,006	338,382	3,146,106
2044	3.000%	1,253,500	1,272,616	319,553	300,437	3,146,106
2045	3.000%	1,293,559	1,311,750	279,494	261,303	3,146,106
2046	3.000%	1,333,073	1,352,084	239,980	220,969	3,146,106
2047	3.000%	1,373,798	1,393,653	199,255	179,400	3,146,106
2048	3.000%	1,414,907	1,436,484	158,146	136,569	3,146,106
2049	3.000%	1,459,017	1,480,640	114,036	92,413	3,146,106
2050	3.000%	1,495,952	1,533,741	77,101	39,312	3,146,106
2051	3.000%	1,549,512	-	23,540	-	1,573,052
		<u>\$ 31,058,704</u>	<u>\$ 30,541,296</u>	<u>\$ 16,132,885</u>	<u>\$ 16,650,294</u>	<u>\$ 94,383,179</u>

<sup>a</sup> The available proceeds of Series 2018 is \$61,600,000.

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# STATISTICAL DATA



LITTLE ROCK  
**Water Reclamation  
Authority** ONE WATER.  
ONE FUTURE.



## Statistical Section – Contents and Explanations (Unaudited)

This part of Little Rock Water Reclamation Authority’s comprehensive annual financial report presents summary information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about Little Rock Water Reclamation Authority’s overall financial health.

### A – Financial Trends Information

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

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### D – Demographic and Economic Information

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

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These schedules contain information about LRWRA’s operational activities.

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**Little Rock Water Reclamation Authority**  
**Net Position by Component**  
**Schedule 1**  
**Last Ten Fiscal Years**

	Fiscal Year				
	2014	2015 <sup>a</sup>	2016	2017	2018 <sup>b</sup>
<b>Primary Government</b>					
Net investment in capital assets	\$ 163,269,445	\$ 166,962,094	\$ 174,925,069	\$ 175,449,301	\$ 178,984,742
Restricted					
Debt service	11,841,110	12,534,544	6,130,592	6,868,935	7,147,197
Postemployment benefits	-	-	1,571,149	1,640,581	-
Total restricted	<u>11,841,110</u>	<u>12,534,544</u>	<u>7,701,741</u>	<u>8,509,516</u>	<u>7,147,197</u>
<b>Unrestricted</b>	<u>20,338,501</u>	<u>8,232,798</u>	<u>11,394,435</u>	<u>14,968,883</u>	<u>17,557,370</u>
Total primary governmental net position	<u>\$ 195,449,056</u>	<u>\$ 187,729,436</u>	<u>\$ 194,021,245</u>	<u>\$ 198,927,700</u>	<u>\$ 203,689,309</u>
	Fiscal Year				
	2009	2010	2011	2012	2013
<b>Primary Government</b>					
Net investment in capital assets	\$ 145,587,716	\$ 145,335,731	\$ 139,771,009	\$ 153,882,712	\$ 160,379,889
Restricted					
Debt service	9,032,548	8,717,901	8,201,722	9,941,067	11,937,387
Postemployment benefits	-	-	-	-	-
Total restricted	<u>9,032,548</u>	<u>8,717,901</u>	<u>8,201,722</u>	<u>9,941,067</u>	<u>11,937,387</u>
<b>Unrestricted</b>	<u>1,264,895</u>	<u>3,668,629</u>	<u>15,072,179</u>	<u>15,273,085</u>	<u>13,122,816</u>
Total primary governmental net position	<u>\$ 155,885,159</u>	<u>\$ 157,722,261</u>	<u>\$ 163,044,910</u>	<u>\$ 179,096,864</u>	<u>\$ 185,440,092</u>

<sup>a</sup> Includes the effect of the adoption of GASB 68.

<sup>b</sup> Includes the effect of the adoption of GASB 75.

**Little Rock Water Reclamation Authority**  
**Changes in Net Position**  
**Schedule 2**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Operating Revenue</b>	<b>Operating Expense</b>	<b>Depreciation Expense</b>	<b>Total Nonoperating Revenues (Expenses)</b>	<b>Income (Loss) Before Capital Contributions</b>	<b>Capital Contributions</b>	<b>Change in Net Position</b>
2009	\$ 39,769,048	\$ (23,437,163)	\$ (6,895,912)	\$ (9,868,281)	\$ (432,308)	\$ 1,422,898	\$ 990,590
2010	42,014,840	(23,310,477)	(7,737,659)	(10,449,831)	516,873	1,320,229	1,837,102
2011	41,343,263	(21,375,526)	(7,778,436)	(8,464,927)	3,724,374	1,598,275	5,322,649
2012	43,547,696	(20,845,059)	(7,805,859)	(10,985,650)	3,911,128	1,906,970	5,818,098
2013	48,141,512	(22,102,353)	(10,141,151)	(13,273,368)	2,624,640	1,053,061	3,677,701
2014	51,214,190	(23,313,891)	(10,280,104)	(9,502,882)	8,117,313	1,891,741	10,009,054
2015	51,175,869	(23,956,665)	(13,722,622)	(12,066,359)	1,430,223	1,819,214	3,249,437
2016	53,470,585	(25,879,136)	(14,033,870)	(8,945,535)	4,612,044	1,679,766	6,291,810
2017	55,286,393	(27,196,677)	(15,190,118)	(9,035,248)	3,864,350	1,042,104	4,906,454
2018	60,887,364	(28,332,522)	(16,099,423)	(8,933,312)	7,522,107	2,786,302	10,308,409



**Little Rock Water Reclamation Authority**  
**Operating Revenues by Source**  
**Schedule 3**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Sewer Charges</b>	<b>Industrial Surcharges<sup>a</sup></b>	<b>Connection Fees</b>	<b>Other Income<sup>b</sup></b>	<b>Total</b>
2009	\$ 38,199,675	\$ 894,224	\$ 35,330	\$ 639,819	\$ 39,769,048
2010	39,788,224	1,702,263	30,011	494,342	42,014,840
2011	39,685,509	1,159,226	33,597	464,931	41,343,263
2012	42,049,133	1,080,731	36,385	381,447	43,547,696
2013	46,515,532	1,072,928	24,986	528,066	48,141,512
2014	49,699,493	886,815	28,280	599,602	51,214,190
2015	49,616,847	953,219	31,421	574,382	51,175,869
2016	51,733,703	1,002,058	27,130	707,694	53,470,585
2017	53,324,852	1,162,912	39,483	759,146	55,286,393
2018	58,836,838	1,337,871	31,993	680,662	60,887,364

<sup>a</sup> Fees based on wastewaters having excessive Biochemical Oxygen Demand (BOD) or Total Suspended Solids (TSS), or Oil & Grease (O&G), or Chemical Oxygen Demand (COD) or PH discharge.

<sup>b</sup> Includes permit fees, sewer dump permits and co-generation revenue.

**Little Rock Water Reclamation Authority**  
**Operating Expenses**  
**Schedule 4**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Employment Costs</b>	<b>Supplies</b>	<b>Contract Services</b>	<b>Vehicle Maintenance</b>	<b>Utilities</b>	<b>Administrative Costs<sup>a</sup></b>	<b>Subtotal Expense Before Depreciation</b>	<b>Depreciation</b>	<b>Total Operating Expense</b>
2009	\$ 15,349,826	\$ 1,864,600	\$ 3,030,364	\$ 327,481	\$ 1,839,095	\$ 1,025,797	\$ 23,437,163	\$ 6,895,913	\$ 30,333,076
2010	15,992,624	1,662,988	2,524,181	652,114	1,551,441	927,129	23,310,477	7,737,659	31,048,136
2011	13,997,893	2,220,871	2,390,989	443,134	1,470,380	852,259	21,375,526	7,778,436	29,153,962
2012	13,436,496	2,029,640	2,736,347	474,662	1,363,224	804,690	20,845,059	7,805,859	28,650,918
2013	14,315,370	2,193,620	2,622,055	573,276	1,456,322	941,710	22,102,353	10,141,151	32,243,504
2014	15,097,683	2,218,406	2,725,022	495,932	1,623,697	1,153,151	23,313,891	10,280,104	33,593,995
2015	15,654,261	2,207,314	2,870,359	341,969	1,818,133	1,064,629	23,956,665	13,722,622	37,679,287
2016	17,357,749	2,309,329	3,171,189	310,460	1,703,030	1,027,379	25,879,136	14,033,870	39,913,006
2017	18,374,739	2,536,833	3,579,063	322,542	1,568,833	814,667	27,196,677	15,190,118	42,386,795
2018	18,569,410	2,655,047	3,975,373	342,651	1,629,151	1,160,890	28,332,522	16,099,423	44,431,945

<sup>a</sup> Includes committee and insurance, and other (training and development, travel, and bank service charges) expenses

**Little Rock Water Reclamation Authority**  
**Nonoperating Revenues and Expenses**  
**Schedule 5**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Interest Expense</b>	<b>Interest Income</b>	<b>Bond Issuance Costs</b>	<b>Gain (Loss) on Disposal Capital Assets</b>	<b>Unrealized Gain (Loss) on Investments</b>	<b>Other Gain (Loss)</b>	<b>Total Nonoperating Revenue (Expense)</b>
2009	\$ (10,367,039)	\$ 1,659,793	\$ -	\$ (102,683)	\$ (650,102)	\$ 29,122	\$ (9,430,909)
2010	(10,981,462)	147,124	-	(30,932)	353,193	62,246	(10,449,831)
2011	(10,990,449)	151,072	-	(60,727)	266,225	2,168,952	(8,464,927)
2012	(11,035,424)	338,699	-	(885,759)	(102,535)	699,369	(10,985,650)
2013 <sup>a</sup>	(13,337,916)	52,567	-	111,517	(131,603)	32,067	(13,273,368)
2014	(9,691,040)	172,864	(179,941)	(18,413)	148,019	65,629	(9,502,882)
2015	(8,363,483)	154,003	(1,528,933)	(2,331,935)	(20,707)	24,696	(12,066,359)
2016	(8,945,303)	149,846	(250,674)	62,262	(47,473)	85,807	(8,945,535)
2017	(9,197,384)	295,084	(297,558)	96,011	(4,942)	73,541	(9,035,248)
2018	(9,087,059)	739,314	-	(803,812)	40,402	177,843	(8,933,312)

<sup>a</sup> With the adoption of GASB Statement No. 65, LRWRA recognized outstanding amortization expense at year-end.

**Little Rock Water Reclamation Authority**  
**New Construction/Inspections Completed**  
**Schedule 6**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Residential</b>	<b>Commercial</b>	<b>Total New Construction Permits/ Inspections Completed</b>
2009	423	118	541
2010	385	69	454
2011	371	124	495
2012	529	128	657
2013	335	109	444
2014	362	81	443
2015	357	100	457
2016	341	63	404
2017	509	85	594
2018	398	96	494

**Little Rock Water Reclamation Authority**  
**Number of Sewer Customers by Type**  
**Schedule 7**  
**Last Ten Fiscal Years**

Fiscal Year <sup>a</sup>	Non-Domestic				Total
	Domestic	Commercial	Industrial	Other <sup>b</sup>	
2009	60,646	6,302	82	425	67,455
2010	60,862	6,262	74	424	67,622
2011	61,030	6,304	74	429	67,837
2012	61,394	6,381	72	399	68,246
2013	61,505	6,284	72	411	68,272
2014	61,748	6,342	73	395	68,558
2015	62,239	6,335	73	392	69,039
2016	62,303	6,381	72	393	69,149
2017	62,537	6,407	70	396	69,410
2018	62,565	6,546	69	400	69,580

<sup>a</sup> Billed account totals from December

<sup>b</sup> Includes public utilities, governmental (U.S., state, county, city) and public schools

**Little Rock Water Reclamation Authority**  
**Domestic Sewer Rates (Inside City)**  
**Schedule 8A**  
**Last Ten Fiscal Years**

Base Rate <sup>a</sup> (Meter Size)	Fiscal Year Ended				
	2014 <sup>d</sup>	2015	2016 <sup>d</sup>	2017 <sup>e</sup>	2018 <sup>e</sup>
5/8"	\$ 10.29	\$ 10.29	\$ 10.29	\$ 10.78	\$ 11.29
3/4"	13.25	13.25	13.25	13.88	14.54
1"	20.04	20.04	20.04	20.99	21.99
Volumetric rate <sup>b</sup>					
Operations volumetric rate <sup>b</sup>	1.76	1.76	1.76	1.84	1.93
Debt repayment rate <sup>b</sup>	1.81	1.81	2.04	2.14	2.24

Base Rate <sup>a</sup> (Meter Size)	Fiscal Year Ended				
	2009 <sup>c</sup>	2010 <sup>c</sup>	2011	2012 <sup>d</sup>	2013 <sup>d</sup>
5/8"	\$ 14.63	\$ 15.37	\$ 15.37	\$ 9.24	\$ 9.89
3/4"	17.15	18.02	18.02	11.91	12.74
1"	22.95	24.10	24.10	18.01	19.27
1.5"	37.58	39.46	39.46		
2"	55.08	57.83	57.83		
3"	95.79	100.58	100.58		
4"	161.84	161.84	161.84		
6" or larger	299.88	314.87	314.87		
Volumetric rate <sup>b</sup>	2.94	3.09	3.09		
Operations volumetric rate <sup>b</sup>				1.58	1.69
Debt repayment rate <sup>b</sup>				1.81	1.81

<sup>a</sup> Rate charge from 2009 to June 2012 included 200 cubic feet; Changed in July 2012 with zero water consumed.

<sup>b</sup> Per 100 cubic feet

<sup>c</sup> In November 2006, the City of Little Rock Board of Directors approved a five-step rate increase that affected rates from 2007. Steps one and two occurred in 2007; 15% on January 1 and 8% on July 1. The third step occurred in 2008 for 3% on January 1. The fourth step occurred in 2009 for 4% on January 1. The fifth and final step occurred in 2010 for 5% on January 1.

<sup>d</sup> In June 2012, the City of Little Rock Board of Directors approved a four-step rate increase that affected rates from 2012 to 2016. The rate ordinance split the volumetric rate into operations and debt repayment rates. Step one occurred in 2012 for 12.75% on June 12. Step two occurred in 2013 for 8.0% on January 1. Step three occurred in 2014 for 7.0% on January 1. The final step occurred in 2016 for 4.75% on January 1 for Debt Repayment only.

<sup>e</sup> In August 2015, City of Little Rock Board of Directors approved a five-step rate increase that will affect rates from 2017 to 2021. Step one occurred in 2017 for 4.75% on January 1. Step two occurred in 2018 for 4.75% on January 1.

**Note:** No rate increase in 2011 or 2015. Increases in sewer rates must be approved by the City of Little Rock Board of Directors.

**Little Rock Water Reclamation Authority**  
**Domestic Sewer Rates (Outside City)**  
**Schedule 8B**  
**Last Ten Fiscal Years**

Base Rate <sup>a</sup> (Meter Size)	Fiscal Year Ended				
	2014 <sup>d</sup>	2015	2016 <sup>d</sup>	2017 <sup>e</sup>	2018 <sup>e</sup>
5/8"	\$ 15.44	\$ 15.44	\$ 15.44	\$ 16.17	\$ 16.94
3/4"	19.88	19.88	19.88	20.82	21.81
1"	30.03	30.03	30.03	31.49	32.98
Volumetric Rate <sup>b</sup>					
Operations Volumetric Rate <sup>b</sup>	2.64	2.64	2.64	2.77	2.90
Debt Repayment Rate <sup>b</sup>	2.72	2.72	3.07	3.22	3.37

Base Rate <sup>a</sup> (Meter Size)	Fiscal Year Ended				
	2009 <sup>c</sup>	2010 <sup>c</sup>	2011	2012 <sup>d</sup>	2013 <sup>d</sup>
5/8"	\$ 21.95	\$ 23.05	\$ 23.05	\$ 13.86	\$ 14.84
3/4"	25.81	27.10	27.10	17.87	19.11
1"	34.39	36.11	36.11	27.02	28.91
1.5"	56.41	59.23	59.23		
2"	84.28	88.50	88.50		
3"	143.69	150.87	150.87		
4"	231.23	242.79	242.79		
6" or larger	449.82	472.31	472.31		
Volumetric rate <sup>b</sup>	4.41	4.63	4.63		
Operations volumetric rate <sup>b</sup>				2.37	2.54
Debt repayment rate <sup>b</sup>				2.72	2.72

<sup>a</sup> Rate charge from 2009 to June 2012 included 200 cubic feet; Changed in July 2012 with zero water consumed.

<sup>b</sup> Per 100 cubic feet

<sup>c</sup> In November 2006, the City of Little Rock Board of Directors approved a five-step rate increase that affected rates from 2007 to 2010. Steps one and two occurred in 2007; 15% on January 1 and 8% on July 1. The third step occurred in 2008 for 3% on January 1. The fourth step occurred in 2009 for 4% on January 1. The fifth and final step occurred in 2010 for 5% on January 1.

<sup>d</sup> In June 2012, the City of Little Rock Board of Directors approved a four-step rate increase that affected rates from 2012 to 2016. The rate ordinance split the Volumetric Rate into Operations and Debt Repayment Rates. Step one occurred in 2012 for 12.75% on June 12. Step two occurred in 2013 for 8.0% on January 1. Step three occurred in 2014 for 7.0% on January 1. The final step occurred in 2016 for 4.75% on January 1 for Debt Repayment only.

<sup>e</sup> In August 2015, the City of Little Rock Board of Directors approved a five-step rate increase that will affect rates from 2017 to 2021. Step one occurred in 2017 for 4.75% on January 1. Step two occurred in 2018 for 4.75% on

**Note:** No rate increase in 2011 or 2015. Increases in sewer rates must be approved by the City of Little Rock Board of Directors.

**Little Rock Water Reclamation Authority**  
**Non-Domestic Sewer Rates (Inside City)**  
**Schedule 9A**  
**Last Ten Fiscal Years**

Base Rate <sup>a</sup> (Meter Size)	Fiscal Year Ended				
	2014 <sup>d</sup>	2015	2016 <sup>d</sup>	2017 <sup>e</sup>	2018 <sup>e</sup>
5/8"	\$ 10.29	\$ 10.29	\$ 10.29	\$ 10.78	\$ 11.29
3/4"	13.25	13.25	13.25	13.88	14.54
1"	20.04	20.04	20.04	20.99	21.99
1.5"	35.38	35.38	35.38	37.06	38.82
2"	54.90	54.90	54.90	57.51	60.24
3"	100.34	100.34	100.34	105.11	110.10
4"	165.44	165.44	165.44	173.30	181.53
6" or larger	328.12	328.12	328.12	343.71	360.03
Volumetric rate <sup>b</sup>					
Operations volumetric rate <sup>b</sup>	2.75	2.75	2.75	2.88	3.02
Debt repayment rate <sup>b</sup>	2.12	2.12	2.40	2.51	3.63

Base Rate <sup>a</sup> (Meter Size)	Fiscal Year Ended				
	2009 <sup>c</sup>	2010 <sup>c</sup>	2011	2012 <sup>d</sup>	2013 <sup>d</sup>
5/8"	\$ 14.63	\$ 15.37	\$ 15.37	\$ 9.24	\$ 9.89
3/4"	17.15	18.02	18.02	11.91	12.74
1"	22.95	24.10	24.10	18.01	19.27
1.5"	37.58	39.46	39.46	31.79	34.02
2"	55.08	57.83	57.83	49.34	52.79
3"	95.79	100.58	100.58	90.17	96.48
4"	161.84	161.84	161.84	148.67	159.08
6" or larger	299.88	314.87	314.87	294.86	315.50
Volumetric rate <sup>b</sup>	2.94	3.09	3.09		
Operations volumetric rate <sup>b</sup>				1.85	2.59
Debt repayment rate <sup>b</sup>				2.12	2.12

<sup>a</sup> Rate charge from 2009 to June 2012 included 200 cubic feet; Changed in July 2012 with zero water consumed.

<sup>b</sup> Per 100 cubic feet

<sup>c</sup> In November 2006, the City of Little Rock Board of Directors approved a five-step rate increase that affected rates from 2007 to 2010. Steps one and two occurred in 2007; 15% on January 1 and 8% on July 1. The third step occurred in 2008 for 3% on January 1. The fourth step occurred in 2009 for 4% on January 1. The fifth and final step occurred in 2010 for 5% on January 1.

<sup>d</sup> In June 2012, the City of Little Rock Board of Directors approved a four-step rate increase that affected rates from 2012 to 2016. The rate ordinance split the Volumetric Rate into Operations and Debt Repayment Rates. Step one for 12.75% on June 12. Step two occurred in 2013 for 8.0% on January 1. Step three occurred in 2014 for 7.0% on January 1. The final step occurred in 2016 for 4.75% on January 1 for Debt Repayment only.

<sup>e</sup> In August 2015, the City of Little Rock Board of Directors approved a five step rate increase that will affect rates from 2017 to 2021. Step one occurred in 2017 for 4.75% on January 1. Step two occurred in 2018 for 4.75% on January 1.

**Note:** No rate increase in 2011 or 2015. Increases in sewer rates must be approved by the City of Little Rock Board of Directors.



**Little Rock Water Reclamation Authority**  
**Non-Domestic Sewer Rates (Outside City)**  
**Schedule 9B**  
**Last Ten Fiscal Years**

Base Rate <sup>a</sup> (Meter Size)	Fiscal Year Ended				
	2014 <sup>d</sup>	2015	2016 <sup>d</sup>	2017 <sup>e</sup>	2018 <sup>e</sup>
5/8"	\$ 15.44	\$ 15.44	\$ 15.44	\$ 16.17	\$ 16.94
3/4"	19.88	19.88	19.88	20.82	21.81
1"	30.06	30.06	30.06	31.49	32.98
1.5"	53.07	53.07	53.07	55.59	58.23
2"	82.35	82.35	82.35	86.26	90.36
3"	150.51	150.51	150.51	157.66	165.15
4"	248.16	248.16	248.16	259.95	272.30
6" or larger	492.18	492.18	492.18	515.56	540.05
Volumetric rate <sup>b</sup>					
Operations volumetric rate <sup>b</sup>	4.13	4.13	4.13	4.33	4.53
Debt repayment rate <sup>b</sup>	3.19	3.19	3.61	3.78	3.96

Base Rate <sup>a</sup> (Meter Size)	Fiscal Year Ended				
	2009 <sup>c</sup>	2010 <sup>c</sup>	2011	2012 <sup>d</sup>	2013 <sup>d</sup>
5/8"	\$ 21.95	\$ 23.05	\$ 23.05	\$ 13.86	\$ 14.84
3/4"	25.81	27.10	27.10	17.87	19.11
1"	34.39	36.11	36.11	27.02	28.91
1.5"	56.41	59.23	59.23	47.69	51.03
2"	84.28	88.50	88.50	74.01	79.19
3"	143.69	150.87	150.87	135.26	144.72
4"	231.23	242.79	242.79	223.01	238.62
6" or larger	449.82	472.31	472.31	442.29	473.25
Volumetric rate <sup>b</sup>	4.41	4.63	4.63		
Operations volumetric rate <sup>b</sup>				2.78	3.44
Debt repayment rate <sup>b</sup>				3.19	3.19

<sup>a</sup> Rate charge from 2009 to June 2012 included 200 cubic feet; Changed in July 2012 with zero water consumed.

<sup>b</sup> Per 100 cubic feet

<sup>c</sup> In November 2006, the City of Little Rock Board of Directors approved a five-step rate increase that affected rates from 2007 to 2010. Steps one and two occurred in 2007; 15% on January 1 and 8% on July 1. The third step occurred 3% on January 1. The fourth step occurred in 2009 for 4% on January 1. The fifth and final step occurred in 2010 for 5% on January 1.

<sup>d</sup> In June 2012, the City of Little Rock Board of Directors approved a four-step rate increase that affected rates from 2012 to 2016. The rate ordinance split the Volumetric Rate into Operations and Debt Repayment Rates. Step one occurred in 2012 for 12.75% on June 12. Step two occurred in 2013 for 8.0% on January 1. Step three occurred in 2014 for 7.0% on January 1. The final step occurred in 2016 for 4.75% on January 1 for Debt Repayment only.

<sup>e</sup> In August 2015, the City of Little Rock Board of Directors approved a five-step rate increase that will affect rates from 2017 to 2021. Step one occurred in 2017 for 4.75% on January 1. Step 2 occurred in 2018 for 4.75% on January 1.

**Note:** No rate increase in 2011 or 2015. Increases in sewer rates must be approved by the City of Little Rock Board of Directors.

**Little Rock Water Reclamation Authority**  
**Ratios of Outstanding Debt by Type**  
**Schedule 10**  
**Last Ten Fiscal Years**

Fiscal Year	Principal Only			Amount	Total	
	Revenue Bonds	Revolving Fund Loans <sup>a</sup>	Unamortized Bond Premium		Per Capita	As a Share of Personal Income
2009	\$ 181,995,000	\$ 88,471,455	\$ 630,972	\$ 271,097,427	\$ 1,480	4.01%
2010	179,640,000	81,817,242	626,808	262,084,050	1,354	3.67%
2011	176,720,000	79,397,360	891,488	257,008,848	1,328	3.44%
2012	202,543,537	75,086,015	688,405	278,317,957	1,438	3.54%
2013	199,230,470	70,204,709	2,737,344	272,172,523	1,406	3.53%
2014	200,860,080	69,081,782	2,963,187	272,905,049	1,410	3.45%
2015	229,050,000	40,792,901	10,770,336	280,613,237	1,450	3.53%
2016	213,148,761	58,665,577	10,958,956	282,773,294	1,461	3.54%
2017	221,100,000	72,139,648	10,170,284	303,409,932	1,568	3.68%
2018	229,873,531	73,527,781	9,254,983	312,656,295	1,616	3.81%

**Notes:** LRWRA's bond covenants stipulate that it may issue debt as long as certain conditions are met. The major criterion is that the net earnings of the system must be at least 1.2 times the year's average combined debt service requirement.

See *Notes to Financial Statements Section #6 – Long-Term Debt* for more information.

<sup>a</sup>The yearly total amount includes only that portion of debt that has been borrowed up to year-end and not total loan amount on any non-completed project for which the loan is associated with.

**Little Rock Water Reclamation Authority**  
**Pledge-Revenue Coverage**  
**Schedule 11**  
**Last Ten Fiscal Years**

Fiscal Year	Gross Revenue <sup>a</sup>	Direct Operating Expense <sup>b</sup>	Net Revenue Available for Debt Service	At December 31, Fiscal Year			Coverage
				Total Outstanding Debt <sup>c</sup>	# of Years of Outstanding Debt	Avg. Yearly Outstanding Debt	
2009 <sup>f</sup>	\$ 43,416,841	\$ (23,467,164)	\$ 19,949,677	\$ 460,867,355	30	\$ 15,362,245	1.30
2010 <sup>d</sup>	42,161,964	(23,310,477)	18,851,487	441,050,765	29	15,208,647	1.24
2011	41,494,335	(21,375,526)	20,118,809	422,421,951	28	15,086,498	1.33
2012	43,886,395	(20,845,059)	23,041,336	438,506,442	30	14,616,881	1.58
2013	48,194,079	(22,102,353)	26,091,726	477,572,007	29	16,468,000	1.58
2014	51,387,054	(23,313,891)	28,073,163	456,384,959	28	16,299,463	1.72
2015	51,329,872	(23,956,665)	27,373,207	397,723,835	27	14,730,512	1.86
2016	53,620,431	(25,879,136)	27,741,295	387,240,934	26	14,893,882	1.86
2017	55,581,477	(27,196,677)	28,384,800	415,807,342	33	12,600,222	2.25
2018	61,626,678	(28,332,522)	33,294,156	423,394,639	33	12,830,141	2.59

As part of each bond ordinance, LRWRA may treat any increase in rates for the System enacted subsequent to the first day of such preceding fiscal year as having been in effect during or throughout such fiscal year and may include in Gross Revenues for such fiscal year the amount that would have been received. In order to issue new debt, coverage shall not be less than 1.20 of the average annual principal and interest requirements on all outstanding System Bonds and the additional bonds proposed. The ordinance also states that in order to reduce rates, the average annual principal and interest requirement must meet a 1.30 coverage.

See Notes to the Financial Statements Section #6 – *Long-Term Debt* for more information.

<sup>a</sup> Includes interest on investment income.

<sup>b</sup> See Schedule 4.

<sup>c</sup> Amount contains construction draws only for 2016A and 2018 Revolving Loan Funds (RLF) at December 31.

<sup>d</sup> Includes an estimated look-forward rate increase of \$1.090 million, \$1.498 million and \$1.947 million in Gross Revenues based on approved January 1, 2008, 2009 and 2010, respectively rate increases.

<sup>f</sup> Includes an estimated look-forward rate increases of \$1.988 million in Gross Revenues based on approved January 1, 2010, rate increase.

**Little Rock Water Reclamation Authority**  
**Demographic and Economic Statistics**  
**Schedule 12**  
**Last Ten Calendar Years**

<b>Calendar Year</b>	<b>Population<sup>a</sup></b>	<b>Personal Income<sup>b</sup></b>	<b>Per Capita Personal Income</b>	<b>Unemployment Percentage Rate</b>
2009	183,133	\$ 6,759,805,296	\$ 36,912	7.2%
2010	193,524	7,140,261,504	36,896	8.2%
2011	193,524	7,470,413,448	38,602	7.1%
2012	193,524	7,860,751,356	40,619	6.7%
2013	193,524	7,717,737,120	39,880	6.0%
2014	193,524	7,919,969,700	40,925	4.9%
2015	193,524	7,946,482,488	41,062	4.0%
2016	193,524	7,982,865,000	41,250	3.3%
2017	193,524	8,240,638,968	42,582	3.4%
2018	193,524	8,215,480,848	42,452	3.4%

<sup>a</sup> Population of Little Rock, Arkansas, using 2000 Census and 2010 Census

<sup>b</sup> Personal income is a calculation of per capita income multiplied by the population.

Source: Federal Reserve St. Louis, Metroplan – Council of Local Governments, DiscoverArkansas.net and Greater Little Rock Chamber of Commerce

# Little Rock Water Reclamation Authority

## Ten Largest Sewer Customers

### Schedule 13

#### Current Year and Nine Years Ago

Customer	<b>Fiscal Year 2018</b>	
	<b>Amount</b>	<b>Percent</b>
1. University of Arkansas for Medical Sciences	\$ 618,993	1.05 %
2. Little Rock Quick Rice Foods	519,059	0.88
3. Central Arkansas Water	477,012	0.81
4. Baptist Medical Center	410,415	0.70
5. Veterans Administration Hospital	347,805	0.59
6. CHI St. Vincent	346,660	0.59
7. Hiland Dairy	286,876	0.49
8. Welspun Tubular	271,715	0.46
9. Arkansas Children's Hospital	264,892	0.45
10. Statehouse Convention Center	198,307	0.34
Subtotal	3,741,734	6.36
Balance from other customers	55,095,104	93.64
Grand totals <sup>a</sup>	\$ 58,836,838	100.00 %

Customer	<b>Fiscal Year 2009</b>	
	<b>Amount</b>	<b>Percent</b>
1. Odom Sausage	\$ 404,870	1.06 %
2. Baptist Medical Center	292,826	0.77
3. CHI St. Vincent Infirmary	254,582	0.67
4. Central Arkansas Water	219,259	0.57
5. V.A. Hospital	199,051	0.52
6. Coleman Dairy	150,265	0.39
7. Arkansas Children's Hospital	128,151	0.34
8. Coca-Cola Bottling	98,443	0.26
9. Sage V Foods	91,960	0.24
10. Certain Teed	49,818	0.13
Subtotal	1,889,225	4.95
Balance from other customers	36,310,450	95.05
Grand total <sup>a</sup>	\$ 38,199,675	100.00 %

<sup>a</sup> Grand totals are based on sewer charges from Schedule 3.

**Little Rock Water Reclamation Authority**  
**Principal Employers**  
**Schedule 14**  
**Current Year and Nine Years Ago**

Employer	2018			2009		
	Employees	Percentage of Total	Rank	Employees	Percentage of Total	Rank
State of Arkansas (within the MSA)	35,200	9.89%	1	32,900	9.59%	1
Local Government (within the MSA)	26,500	7.45%	2	28,800	8.39%	2
Federal Government (within the MSA)	10,200	2.87%	3	9,500	2.77%	3
University of Arkansas for Medical Sciences	9,702	2.73%	4	8,500	2.48%	4
Baptist Health	7,336	2.06%	5	6,160	1.79%	6
Little Rock Air Force Base	4,500	1.26%	6	4,500	1.31%	7
Arkansas Children's Hospital	4,372	1.23%	7	2,830	0.82%	10
Central Arkansas Veterans Health Care	4,000	1.12%	8			
Little Rock School District	3,968	1.11%	9	3,500	1.02%	9
Entergy Arkansas	2,582	0.73%	10			
Axiom				4,380	1.28%	8
Public School Districts				7,400	2.16%	5
<b>Total</b>	<b>108,360</b>	<b>30%</b>		<b>108,470</b>	<b>32%</b>	

Sources: Greater Little Rock Chamber of Commerce and State of Arkansas ([www.arkansaseconomicregions.org](http://www.arkansaseconomicregions.org))

Little Rock/North Little Rock MSA	355,900	343,200
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**Little Rock Water Reclamation Authority**  
**Number of Employees by Identifiable Activity**  
**Schedule 15**  
**Last Ten Fiscal Years**

	<b>Full-Time-Equivalent Employees as of December 31</b>									
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Administration:										
Executive Administrator	1	1	1	1	1	1	1	1	1	1
Safety & Communications	4	4	4	3	3	4	4	5	4	5
Human Resources	2	2	2	2	2	2	2	2	3	3
Finance/Accounting	12	12	10	8	9	12	12	12	11	12
Information Services	13	13	10	9	10	11	11	12	13	11
Legal	1	0	0	0	0	0	0	1	1	1
Clerical	11	10	9	7	7	7	7	5	4	5
Engineering	30	29	27	20	23	20	20	23	22	23
Sewer Plant Maintenance	23	21	21	22	23	24	24	25	19	24
Sewer Systems Maintenance	106	94	90	81	87	82	82	81	88	88
Sewer Plant Operations	21	20	20	21	18	22	22	22	22	24
Environmental Assessment	17	16	16	17	23	24	24	23	22	17
<b>Total Employees</b>	<b>241</b>	<b>222</b>	<b>210</b>	<b>191</b>	<b>206</b>	<b>209</b>	<b>209</b>	<b>212</b>	<b>210</b>	<b>214</b>

**Little Rock Water Reclamation Authority**  
**Operating and Capital Indicators**  
**Schedule 16**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2009	2010	2011 <sup>a</sup>	2012	2013	2014	2015	2016	2017	2018
Wastewater treatment										
Miles of sewer	1,312	1,320	1,346	1,353	1,359	1,368	1,375	1,384	1,386	1,393
Number of treatment plants	2	2	3	3	3	3	3	3	3	3
Treatment capacity (MGD)										
Biological treatment	52.0	52.0	56.0	56.0	56.0	56.0	56.0	56.0	56.0	56.0
Hydraulic peak capacity	130.0	130.0	144.0	144.0	144.0	144.0	144.0	144.0	144.0	144.0
Daily engineering maximum plant capacity (MGD)	40.63	40.58	35.55	31.04	33.91	34.17	37.04	32.40	29.34	35.83
Unused capacity (MGD)	11.37	11.42	20.45	24.96	22.09	21.83	18.96	23.60	26.66	20.17
Percent of capacity utilized	78%	78%	63%	55%	61%	61%	66%	58%	52%	64%

Note: MGD = millions of gallons per day.

<sup>a</sup> Little Maumelle Treatment Facility became operational on August 8, 2011.