



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, 2017
and 2016**

Prepared by:

**Little Rock Water Reclamation Authority
Finance Department**

LITTLE ROCK WATER RECLAMATION AUTHORITY
Little Rock, Arkansas
A Component Unit of the City of Little Rock

Comprehensive Annual Financial Report
For the Years Ended December 31, 2017 and 2016

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INTRODUCTORY SECTION



LITTLE ROCK

**Water Reclamation
Authority**

ONE WATER.
ONE FUTURE.

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May 10, 2018

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) is proud to present the Comprehensive Annual Financial Report (CAFR) for the fiscal years ended December 31, 2017 and 2016. 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, 2017. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with LRWRA. This CAFR was prepared by the Finance Department of 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, 2017 and 2016. 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 2.8% over the past 10 years while non-domestic users have increased by .26% over the same period. The overall growth of total customer accounts for the 10-year period is 2.64%, an increase of 0.3% from the 2016.

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, 2017. 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 ten-year plan contained in the 2018 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 \$173 million. Note 8, Litigation, of the audit discusses the Settlement Agreement in more detail.

Total capital expenditures of \$43.0 million are planned for 2018. Of this amount, \$32.8 million relates to carryover projects and \$10.2 million is proposed for new capital projects.

The Utility estimates that capital improvements required over the next ten years, both to comply with the Settlement Agreement and the CAO and for routine capital improvements, will cost \$332.8 million and will include the following:

Collection System Rehabilitation Capacity Assurance Projects

Various rehabilitation projects are forecast to require expenditures totaling \$145.2 million over the next ten years through 2027. The total cost of work scheduled during 2018 is \$12.7 million and will be funded with system revenues and sewer revenue bonds issued in 2016. The balance of the cost will be funded with System revenues and sewer revenue bonds to be issued in 2018, 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 2018, \$2.5 million is forecasted for trenchless rehabilitation work. The Utility is projecting that \$22.5 million will be needed in total for years 2019 to 2027. This project is being funded with System revenues and sewer revenue bonds from 2016, 2018, 2020, and 2024.

Large Diameter Pipe Inspection and Rehabilitation

A large diameter pipe inspection and rehabilitation program is planned to begin in 2018 to address the renewal of structurally deteriorated line segments. The initial inspection is forecasted to begin in 2018 and is estimated at \$2.6 million. The identified line segments will be prioritized and placed on a rehabilitation schedule. The rehabilitation is estimated at \$3.0 million annually starting in 2020 with a total cost of \$18.0 million through 2026 and will be funded by System revenues and revenue bonds to be issued in 2018, 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. In conjunction with prior year costs of \$9.9 million, estimated expenditures for 2018 are \$8.9 million.

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 as additional treatment facilities that will be operated in parallel with the existing activated sludge facilities. The preliminary engineering report and the design are expected to be complete in 2018, and project construction to be completed by 2020. The total capital cost for this project is estimated at \$30.6 million with the construction beginning in 2018 and completed by 2020. 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 is scheduled was completed in 2017 to develop the progress reports. The project design and construction for the selected treatment option is forecasted to begin in 2017 and complete in 2022. The total project cost is estimated at \$30.2 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 2027 are \$5.9 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 begin in 2018 and be completed by the end of 2019. The total cost is estimated at \$9.3 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 costs is \$2.3 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 2021. Estimated total costs 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. Estimated capitalized interest over the next ten-year period is \$11.9 million.

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 #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; (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. Monies deposited in the Sewer Revenue Fund shall first be used to pay all Operation and Maintenance Expenses. 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 Revolving Loan Fund 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 Director of Finance, and submitted for approval to both the Director of Engineering & 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 Operation and Maintenance (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, 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 Director to Finance. 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 to take all other 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.

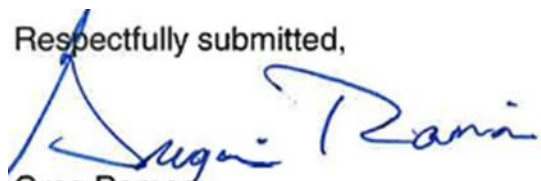
Debt Service Policy

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, 2016. This was the thirteenth 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,

Greg Ramon
Chief Executive Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Little Rock Wastewater
Arkansas**

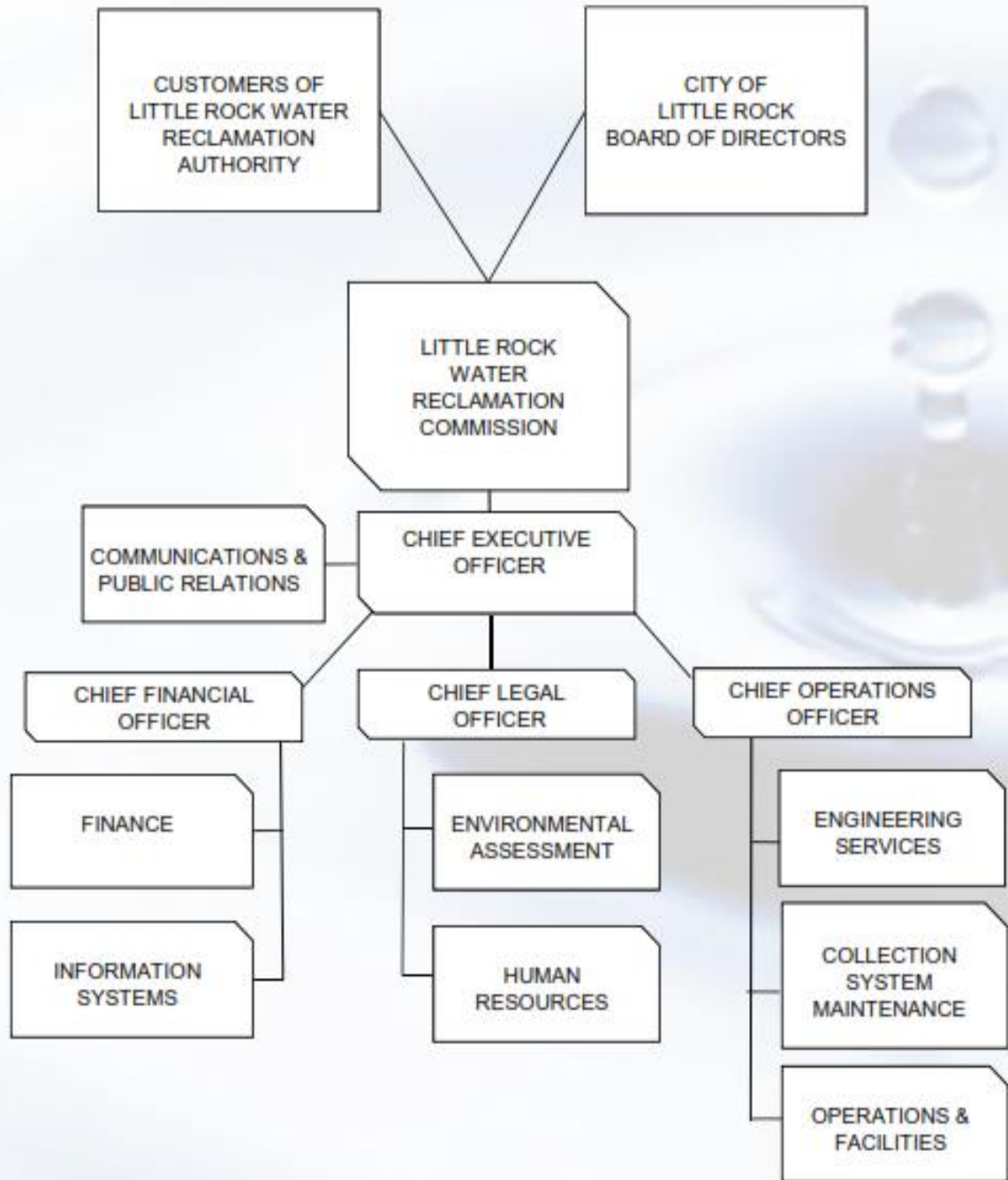
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morill

Executive Director/CEO

LITTLE ROCK WATER RECLAMATION AUTHORITY ORGANIZATIONAL CHART



2017 LITTLE ROCK WATER RECLAMATION COMMISSION

**Marilyn Perryman
Secretary**



**Richard Mays
Jr.
Chair**



**Pete Hornibrook
Vice Chair**



**Bill Flowers
Commissioner**

**Ganelle Blake
Commissioner**



**Chris Marsh
Commissioner**



**Debbie Shock
Commissioner**

EXECUTIVE STAFF

Greg Ramon – Chief Executive Officer
Beckie Hunnicutt – Executive Assistant
Debbie Williams – Chief Financial Officer
Jean Block – Chief Legal Officer
Howell Anderson, P.E. – Chief Operating Officer
John Holloway, P.E. – Engineering
Stanley Suel – Environmental Assessment
Walter Collins, P.E. – Operations

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 aggregate remaining fiduciary fund information of Little Rock Water Reclamation Authority (the Utility), a component unit of the City of Little Rock, Arkansas, as of and for the years ended December 31, 2017 and 2016, 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 aggregate remaining fiduciary fund information of Little Rock Water Reclamation Authority as of December 31, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, in 2017 the Utility adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and GASB Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise 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, schedule of bonded indebtedness and the statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule, schedule of operating expenses by department 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 audits 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 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
May 11, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

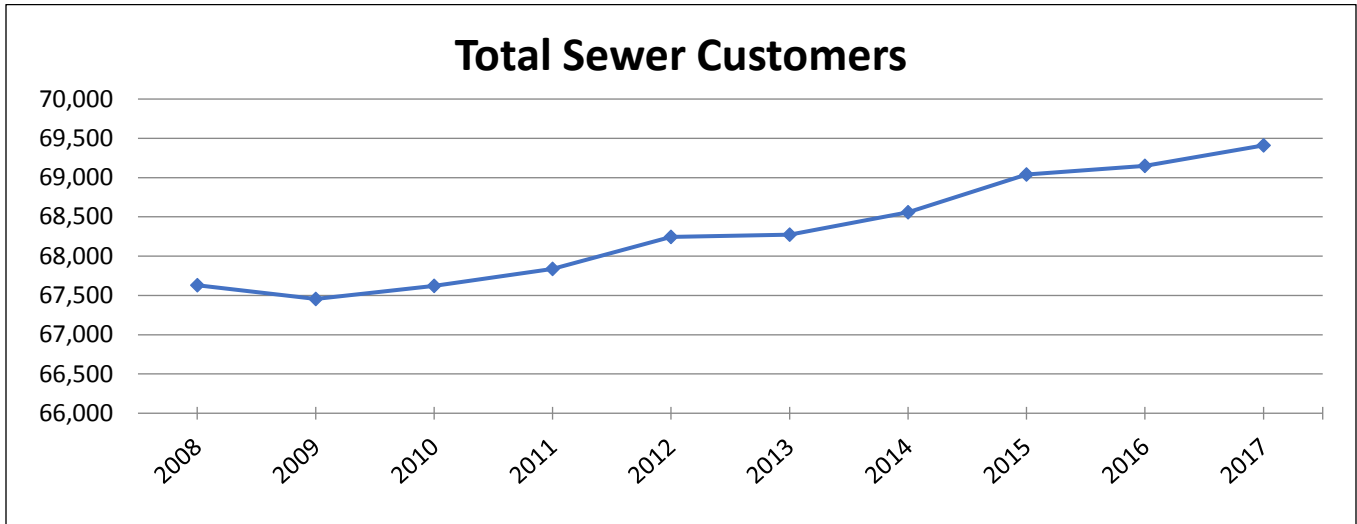
As management of Little Rock Water Reclamation Authority (LRWRA), we offer readers of LRWRA's financial statements this narrative overview and analysis of the financial activities of LRWRA for the fiscal year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with additional information that is provided in our letter of transmittal, which can be found on pages 3 through 11 of this report. The comprehensive annual financial report is made available via the internet (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 year-end 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 and an increase of 6.0% from 2015. A bond was issued in 2017 for Construction and Improvements in the amount of \$10.8 million.
- Operating Revenue showed an increase of 3.4% compared to 2016 which is a \$1.8 million increase. This was an increase of 8.0% or \$4.1 million from 2015. The major increases reflect LRWRA's implemented rate changes of 4.75% in January 2016 and January 2017.
- Operating Expenses, before Depreciation, increased by \$1.3 million or 5.1%, compared to fiscal year 2016 and an increase of \$3.2 million from 2015. The largest change is \$1.0 million and \$2.7 million in Salaries and Benefits from 2016 and 2015, respectively. Operating Expenses, including Depreciation, increased by \$2.5 million from fiscal year 2016.
- Debt Service Coverage was 2.25, 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 October 2017, LRWRA completed a 30-year Water Reclamation System Bond in the amount of \$10.8 million with the issue proceeds identified for new construction projects.
- 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 and future debt issues in 2018, 2019, and 2020.
- Adoption of Governmental Accounting Standards Board Statements No. 74, *Financial Reporting for Postemployment Benefits Plans other than Pension Plans* and No. 84, *Fiduciary Activities*. This also incorporates the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position into the basic financial statements.

General Trends

LRWRA’s customer accounts increased from 2016 by 261 or 0.3%. Over a 10-year period, the customer growth rate was 2.64%. As you can see from the chart below, customer growth has slow steady upward movement starting in 2009 to present.



Water Reclamation Authority Customers	2017	2016	2015
Beginning Customer Accounts	69,149	69,039	68,558
Additional Accounts (net)	261	110	481
Ending Customer Accounts	69,410	69,149	69,039

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.

Domestic Bill	2017	2016	2015
	\$34.66	\$32.04	\$31.71

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 1,386 miles of sewer lines. The National Association of Clean Water Agencies (NACWA) awarded LRWRA three Gold Peak Performance Awards for the third year in a row in 2015. LRWRA's three treatment facilities, FCWRF, AFWRF and LMWRF were recognized for consistently meeting all National Pollutant Discharge Elimination System (NPDES) permit limits with no violations.

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; and 5) Statement of Changes in Fiduciary Net Position.

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 reflect 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 2015 LRWRA financials was the implementation (and initial adjusting entries for change in accounting principle) of The Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)* ("GASB 68") GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability, including their proportionate share of the collective net pension liability of cost-sharing multiple-employer plans and to more comprehensively and comparably measure the annual costs of pension benefits. Only the net position at the beginning of fiscal year 2015 was restated because of the implementation.

Fiscal Year 2015-2017 Financial Information

Statement of Net Position

Total Assets increased by \$29.9 million in 2017 and increased \$8.5 million in 2016. This change was primarily due to the increase in Net Capital Assets which increased \$12.9 million in 2017 and \$11.6 million in 2016. Note 4 on page 46 provides a breakdown between classes of additions and retirements. Also, current assets increased \$6.1 million in 2017 but had a decrease of \$975 thousand in 2016. The increase of noncurrent unrestricted & restricted assets reflects proceeds from a \$10.3 million dollar bond issue for capital improvements.

With the advance refunding of the 2008 and 2009B Revenue Bonds in 2016, a deferred outflow of resources occurred based on carrying value of the old debt and new price. In 2015, 2005, 2007A and 2007C Revenue Bonds were advance refunded. The balance of \$1.6 million from 2016 and \$8.2 million from 2015 will be amortized over the remaining life, Nov 2038 for the 2016 bond and May 2025 for the 2015 bond, of the refunding debt. A new item to the Deferred Outflows in 2015 was the pension funding related to the implementation of GASB Statement

#68. Note 10(B)-Pension Benefits (APERS) and Note 14-Advanced Refunding provide greater detail on these Deferred Outflows of Resources.

Current Liabilities showed an increase of 8.0% or \$1.4 million in 2017 and 12.7% or \$2.0 million in 2016. The biggest contributing line items are Bond/Note Payable current increasing \$493 thousand in 2017 and \$1.8 Million in 2016. Construction Payable increased \$729 thousand in 2017 and \$162 thousand in 2016. Noncurrent Liabilities showed an increase of 8.1% or \$23.3 million for 2017 due to \$2.1 million increase in net pension liability and an increase in bond payable of \$22 million. Additional information for GASB statement #68 Pension liability can be found on pages 79 and 80. LRWRA's bond information can be found in Note 6 starting on page 47. Total Liabilities increased by \$24.7 million from 2016.

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.

	2017	Percent Change	2016	Percent Change	2015
<u>ASSETS</u>					
Current Assets	\$ 33,107,687	22.71%	\$ 26,980,444	-3.49%	\$ 27,955,399
Noncurrent Unrestricted & Restricted Assets	19,476,487	126.68%	8,592,042	-20.29%	10,778,723
Capital Assets (Net)	461,636,852	2.88%	448,700,337	2.66%	437,077,029
Total Assets	514,221,026	6.18%	484,272,823	1.78%	475,811,151
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Bond Refunding	9,980,769	-8.12%	10,862,627	11.58%	9,735,252
Pension Funding	5,787,553	6.14%	5,452,853	100.00%	3,053,329
Total Deferred Outflows of Resources	15,768,322	-3.35%	16,315,480	27.58%	12,788,581
Total Assets and Deferred Outflows Of Resources	\$ 529,989,348	5.87%	\$ 500,588,303	2.45%	\$ 488,599,732
<u>LIABILITIES</u>					
Current Liabilities	19,487,165	7.96%	18,051,043	12.69%	16,019,023
Noncurrent Liabilities	311,205,177	8.09%	287,921,872	1.59%	283,426,074
Total Liabilities	330,692,342	8.08%	305,972,915	2.18%	299,445,097
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Pension Funding	369,306	-37.84%	594,142	100.00%	1,425,199
<u>NET POSITION</u>					
Net Investment in Capital Assets	175,449,301	0.30%	174,925,069	4.77%	166,962,094
Restricted	8,509,516	10.49%	7,701,740	-38.56%	12,534,544
Unrestricted	14,968,883	31.37%	11,394,435	38.40%	8,232,798
Total Net Position	198,927,700	2.53%	194,021,244	3.35%	187,729,436
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 529,989,348	5.87%	\$ 500,588,301	2.45%	\$ 488,599,732

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.

The Total Revenue increased from 2016 to 2017 by \$2.0 million or 3.7%. LRWRA had a 4.75% rate increase in January 2017 for the future debt repayment on the 2016 RLF principal and interest. The Assessments Levied, Industrial Surcharges and Other Fees and Income all show increases over 2016. The Nonoperating Revenue showed an increase of \$162 thousand in which \$96 thousand was a gain on disposal of assets in 2017.

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 \$1.3 million or 5% in 2017. Although Operating Expenses are over budget by .9%, the increase is primarily due to an increase in pension expense for net pension liability change of \$1.6 million from 2016, filling of vacant positions, associated benefits and normal business activities.

Nonoperating Expense had an increase of \$250k in 2017 compared to 2016. The main line item that changed between the years was due to an increase in interest expense on funded debt in 2017.

Change in Net Position 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 and 2016.

Additional information can be found on the Statement of Revenues, Expenses and Changes in Net Position on Page 32 and Budgetary Comparison Schedule on Page 81.

	2017	Percent Change	2016	Percent Change	2015
REVENUES:					
Operating Revenues:					
Assessments Levied	\$ 53,324,852	3.08%	\$ 51,733,703	4.27%	\$ 49,616,847
Industrial Surcharges	1,162,912	16.05%	1,002,058	5.12%	953,219
Other Fees and Income	798,629	8.68%	734,824	21.30%	605,803
Nonoperating Revenues	461,133	53.93%	299,581	55.00%	193,278
Total Revenues:	55,747,526	3.68%	53,770,166	4.67%	51,369,147
EXPENSES:					
Operating Expense	27,196,677	5.09%	25,879,136	8.02%	23,956,665
Depreciation Expense	15,190,118	8.24%	14,033,870	2.27%	13,722,622
Nonoperating Expense	9,496,381	2.72%	9,245,117	-24.59%	12,259,637
Total Expense:	51,883,176	5.54%	49,158,123	-1.56%	49,938,924
Income Before Contributions	3,864,350	-16.21%	4,612,044	222.47%	1,430,223
Capital Contributions	1,042,104	-37.96%	1,679,766	-7.67%	1,819,214
Change in Net Position	4,906,454	-22.02%	6,291,810	93.63%	3,249,437
Change in Accounting Principle	-	0.00%	-	0.00%	(10,969,147)
Total Net Position – Beginning	194,021,246	3.35%	187,729,436	-3.95%	195,449,146
Total Net Position – Ending	\$ 198,927,700	2.53%	\$ 194,021,246	3.35%	\$ 187,729,436

Capital Assets and Debt Administration

The additions to LRWRA's wastewater system capital improvements were \$28.3 million in fiscal year 2017. The largest major construction dollars were spent on collection projects in the amount of \$12.5 million, pumping/treatment for \$1.1 million, transportation for \$1.9 million, mains/development at \$1.4 million, Scott Hamilton facility \$8.5 million and all other \$2.9 million. Additional information can be found on Note 4 of this report.

The City of Little Rock Board of Directors passed a 2017 Sewer Revenue Bond in the amount of \$10,835,000. This new issue was for new construction. Note 6 will provide a more detailed dollar figure. The total long-term debt (less bond payable within one year) increased by \$21.9 million in 2017.

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

Long-Term Debt	2017	2016	2015
2007B Sewer Revenue	\$ 11,951,610	\$ 12,781,873	\$ 13,589,763
2008 Sewer Revenue	-	-	14,015,000
2009A Sewer Revenue	6,107,145	6,466,887	6,819,541
2009B Sewer Revenue	-	-	5,860,000
2011 Sewer Revenue	10,695,000	12,340,000	13,950,000
2012 Sewer Revenue	25,265,000	25,915,000	26,550,000
2013 Sewer Revenue	34,556,715	31,033,439	20,383,597
2014 Sewer Revenue	8,290,000	9,535,000	10,765,000
2015 Sewer Revenue	149,050,000	153,525,000	157,910,000
2016A Sewer Revenue	19,524,178	1,632,139	-
2016B Sewer Revenue	17,965,000	18,585,000	-
2017 Sewer Revenue	10,835,000		
Less Debt Payable, due within one year	\$ (11,761,167)	\$ (11,268,291)	\$ (9,495,548)
Total Long-Term Debt	\$ 282,478,481	\$ 260,546,047	\$ 260,347,353

Additional information on LRWRA's long-term debt can be found in Note 6 on Page 47 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 2018 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 ten-year capital improvement plan set forth in the 2018 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 2018 budget primarily relate to wastewater collection, transmission and treatment improvements. Total capital expenditures of \$43.0 million are planned for 2018. Of this amount, \$32.8 million relates to carryover projects and \$10.2 million is proposed for new capital projects.

The Utility estimates the capital improvements required over the next ten years, both to comply with the Settlement Agreement and the CAO and for routine capital improvements, will cost \$332,834,816. In August of 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 Jan 1, 2017, 4.75% on Jan 1, 2018, 4.75% on Jan 1, 2019, 4.75% on Jan 1, 2020, and 4.75% on Jan 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, AR 72204.

LITTLE ROCK WATER RECLAMATION AUTHORITY
STATEMENTS OF NET POSITION
DECEMBER 31, 2017 AND 2016

ASSETS	2017	2016
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 20,489,838	\$ 14,876,687
Accounts Receivable (Net of Allowance for Doubtful Accounts of \$433,783 in 2017, and \$317,998 in 2016)	3,675,494	3,536,334
Inventories	1,468,585	1,457,908
Prepaid Items	72,119	120,759
Construction Receivable	143,576	228,154
Restricted Current Assets		
Bond Requirements		
Cash and Cash Equivalents	6,513,092	6,122,110
Accrued Interest Receivable	16,133	15,731
Prepaid Items	<u>728,850</u>	<u>622,761</u>
Total Current Assets	<u>33,107,687</u>	<u>26,980,444</u>
<u>NONCURRENT ASSETS</u>		
Unrestricted Noncurrent Assets		
Workers' Compensation Fund Investments	<u>592,074</u>	<u>596,069</u>
Total Unrestricted Noncurrent Assets	<u>592,074</u>	<u>596,069</u>
Restricted Noncurrent Assets		
Prepaid Other Postemployment Benefits	1,640,581	1,571,149
Bond Requirements		
Investments	6,423,877	6,424,824
Construction and Improvements		
Cash and Cash Equivalents	<u>10,819,955</u>	<u>-</u>
Total Restricted Noncurrent Assets	<u>18,884,413</u>	<u>7,995,973</u>
Capital Assets (Net of Accumulated Depreciation)	<u>461,636,852</u>	<u>448,700,337</u>
Total Noncurrent Assets	<u>481,113,339</u>	<u>457,292,379</u>
Total Assets	<u>514,221,026</u>	<u>484,272,823</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts on Bond Refunding	9,980,769	10,862,627
Deferred Amounts on Pension Funding	<u>5,787,553</u>	<u>5,452,853</u>
Total Deferred Outflows of Resources	<u>15,768,322</u>	<u>16,315,480</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 529,989,348</u>	<u>\$ 500,588,303</u>

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

LITTLE ROCK WATER RECLAMATION AUTHORITY
STATEMENTS OF NET POSITION (CONTINUED)
DECEMBER 31, 2017 AND 2016

LIABILITIES	2017	2016
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 459,352	\$ 349,044
Franchise Fee Collections Due to City of Little Rock	445,221	439,903
Sewer Line Replacement Fee	282,870	183,645
Accrued Wages Payable and Related Liabilities	640,907	638,009
Accrued Expenses and Other	29,913	24,587
Compensated Absences	893,029	934,737
Construction Contracts Payable	2,593,387	1,864,602
Accrued Bond/Note Interest Payable	2,381,319	2,348,225
Bond/Note Payable - Current	<u>11,761,167</u>	<u>11,268,291</u>
Total Current Liabilities	<u>19,487,165</u>	<u>18,051,043</u>
 <u>NONCURRENT LIABILITIES</u>		
Bonds/Note Payable (net of unamortized premiums)	292,648,766	271,505,003
Compensated Absences	66,315	75,790
Net Pension Liability	<u>18,490,096</u>	<u>16,341,079</u>
Total Noncurrent Liabilities	<u>311,205,177</u>	<u>287,921,872</u>
Total Liabilities	<u>330,692,342</u>	<u>305,972,915</u>
 DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts on Pension Funding	<u>369,306</u>	<u>594,142</u>
 NET POSITION		
Net Investment in Capital Assets	175,449,301	174,925,069
Restricted		
Debt Service	6,868,935	6,130,591
Other Postemployment Benefits	<u>1,640,581</u>	<u>1,571,149</u>
Total Restricted	8,509,516	7,701,740
Unrestricted	<u>14,968,883</u>	<u>11,394,435</u>
Total Net Position	<u>198,927,700</u>	<u>194,021,244</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	 <u>\$ 529,989,348</u>	 <u>\$ 500,588,301</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
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
<u>OPERATING REVENUES</u>		
Sewer Charges	\$ 53,324,852	\$ 51,733,703
Industrial Surcharges	1,162,912	1,002,058
Other	<u>798,629</u>	<u>734,824</u>
Total Operating Revenues	<u>55,286,393</u>	<u>53,470,585</u>
<u>OPERATING EXPENSES</u>		
Salaries and Benefits	18,374,739	17,357,749
Supplies	2,536,833	2,309,329
Contract Services	3,579,063	3,171,189
Vehicle Expenses	322,542	310,460
Utilities	1,568,833	1,703,030
Administrative	<u>814,667</u>	<u>1,027,379</u>
Total Operating Expenses	<u>27,196,677</u>	<u>25,879,136</u>
<u>PROVISION FOR DEPRECIATION</u>		
Building and Improvements	4,141,042	3,769,383
Infrastructure - Collections, Pumping & Treatments	7,700,757	7,454,811
Equipment	<u>3,348,319</u>	<u>2,809,676</u>
Total Provision for Depreciation	<u>15,190,118</u>	<u>14,033,870</u>
OPERATING INCOME	<u>12,899,598</u>	<u>13,557,579</u>
<u>NONOPERATING INCOME (EXPENSE)</u>		
Interest Income	295,084	149,846
Interest Expense	(9,197,384)	(8,945,303)
Current Year Bond Issuance Costs	(297,558)	(250,674)
Gain on Disposal of Capital Assets	96,011	62,262
Loss on Investments	(4,942)	(47,473)
Other	<u>73,541</u>	<u>85,807</u>
Net Nonoperating Expense	<u>(9,035,248)</u>	<u>(8,945,535)</u>
INCREASE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	3,864,350	4,612,044
CAPITAL CONTRIBUTIONS	<u>1,042,104</u>	<u>1,679,766</u>
CHANGE IN NET POSITION	4,906,454	6,291,810
NET POSITION, BEGINNING OF YEAR	<u>194,021,246</u>	<u>187,729,436</u>
NET POSITION, END OF YEAR	<u>\$198,927,700</u>	<u>\$ 194,021,246</u>

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

LITTLE ROCK WATER RECLAMATION AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash Received from Customers	\$ 54,447,827	\$ 52,668,294
Cash Received City of Little Rock Franchise Fees	5,428,204	5,213,643
Other Receipts	798,629	734,824
Payments to Employees	(16,923,738)	(16,899,394)
Payments to Suppliers	(2,437,202)	(2,360,395)
Payments for Contractual Services	(3,579,063)	(3,171,189)
Payments for Utilities	(1,568,833)	(1,703,030)
Payments to City of Little Rock Franchise Fees	(5,422,885)	(5,191,474)
Other Payments	(1,088,569)	(1,406,511)
Net Cash Provided by Operating Activities	29,654,370	27,884,768
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Bond Issuance Costs	(297,558)	(250,674)
Acquisition and Construction of Capital Assets	(26,192,280)	(24,458,355)
Proceeds from Disposal of Property and Equipment	94,805	105,781
Principal Paid on Indebtedness	(11,278,440)	(10,603,159)
Interest Paid on Indebtedness	(9,244,289)	(9,049,024)
Proceeds from Issuance of Indebtedness	33,796,937	12,281,981
Net Cash Used in Capital and Related Financing Activities	(13,120,825)	(31,973,450)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest on Investments	295,486	150,289
Proceeds from Sale of Investments	4,929	1,627,261
Purchase of Investments	(9,872)	(3,023)
Net Cash Provided by Investing Activities	290,543	1,774,527
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 16,824,088	\$ (2,314,155)

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

LITTLE ROCK WATER RECLAMATION AUTHORITY
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
<u>CASH AND CASH EQUIVALENTS</u>		
Beginning of Year	\$ 20,998,797	\$ 23,312,952
Net Increase (Decrease) in Cash and Cash Equivalents	16,824,088	(2,314,155)
End of Year	\$ 37,822,885	\$ 20,998,797
 <u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating Income	\$ 12,899,598	\$ 13,557,579
Adjustments:		
Depreciation	15,190,118	14,033,870
Change in Operating Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(139,161)	(109,190)
(Increase) Decrease in Inventories	(10,677)	(61,948)
(Increase) Decrease in Prepaid Items and Other Assets	(126,881)	(475,714)
Increase (Decrease) in Accounts Payable	110,308	10,882
Increase (Decrease) in Accrued Expenses	136,266	170,997
Increase (Decrease) in City of Little Rock Franchise Fees	5,318	22,169
Increase(Decrease) in Net Pension Liability and Related Accounts	1,589,481	736,123
Net Cash Provided by Operating Activities	\$ 29,654,370	\$ 27,884,768
 <u>RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS</u>		
Current Assets - Cash and Cash Equivalents	\$ 20,489,838	\$ 14,876,687
Restricted for Bond Requirements	6,513,092	6,122,110
Restricted for Construction and Improvement	10,819,955	-
Total Cash and Cash Equivalents	\$ 37,822,885	\$ 20,998,797

During 2017 and 2016, the Utility received donated sewer lines capitalized in the amount of \$1,042,104 and \$1,679,766, respectively. During 2016, the Utility issued \$15,585,000 in sewer revenue bonds to advance refund \$19,545,080 in outstanding sewer revenue bonds.

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

LITTLE ROCK WATER RECLAMATION AUTHORITY
STATEMENTS OF FIDUCIARY NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016 (as restated)
<u>ASSETS:</u>		
Cash and Cash Equivalents	\$ 25,682	\$ 15,523
Investments-at fair value	1,247,001	1,246,170
Accrued Interest Income		2,093
Total Assets	1,272,683	1,263,786
<u>LIABILITIES:</u>		
Benefits Payable and Accrued Expenses	0	0
Total Liability	0	0
NET POSITION RESTRICTED FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS	\$ 1,272,683	\$ 1,263,786

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

LITTLE ROCK WATER RECLAMATION AUTHORITY
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016 (as restated)
<u>ADDITIONS:</u>		
Employer Contributions	\$ 97,446	\$ 88,394
Investment Income:		
Investment Income (Loss)	13,346	(11,061)
Less Trustee Fee	(4,449)	(4,450)
Net Investment Income	8,897	(15,511)
Total Additions	106,343	72,883
<u>DEDUCTIONS:</u>		
Benefit Payments	97,446	88,394
Total Deductions	97,446	88,394
NET INCREASE (DECREASE) IN NET POSITION	8,897	(15,511)
NET POSITION RESTRICTED FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS		
Beginning of Year	1,263,786	1,279,297
End of Year	\$ 1,272,683	\$ 1,263,786

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

LITTLE ROCK WATER RECLAMATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. **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 69,410 and 69,149 customers at December 31, 2017 and 2016, 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.

B. **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 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.

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

LITTLE ROCK WATER RECLAMATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (Continued)

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.

As a component unit of the City of Little Rock, LRWRA applies the provisions of Governmental Accounting Standards Board 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 funds consist of the LRWRA Post Retiree Healthcare plan (OPEB). 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.

C. 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.

LITTLE ROCK WATER RECLAMATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. **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.

E. **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

E. **Accounts Receivable (Continued)**

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, 2017 and 2016, are more fully explained in *Note 3*.

F. **Inventory**

Materials, supplies and fuel inventories are valued at the lower of average cost or market value.

G. **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.

H. **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, 5 to 25 years for machinery and equipment, and 50 years for collection systems (primarily sewer lines).

LITTLE ROCK WATER RECLAMATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. **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 twelve months is 18 days, one through five years accrue 20 days, six through fifteen years accrue 25 days, sixteen through twenty-five years accrue 30 days, and twenty-five years and up accrue 35 days. Net changes in the liability for compensated absences are summarized in *Note 7*.

J. **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.

K. **Adoption of Governmental Accounting Standards Board Statement No. 74**

Effective for the year beginning January 1, 2017, the Utility implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. As a result of the adoption, the fiduciary fund financial statements were modified (presentation changes only), and added disclosures (were included in the footnote) and Required Supplementary Information. These Statement was applied retroactively by restating LRWRA’s 2016 financial statements.

L. **Adoption of Governmental Accounting Standards Board Statement No. 84**

Effective for the year beginning January 1, 2017, the Utility early implemented GASB Statement No. 84, *Fiduciary Activities*. As a result of the adoption, fiduciary statement’s related to the Utility’s OPEB trust are now included in the accompanying financial statements. These Statement was applied retroactively by restating LRWRA’s 2016 financial statements.

LITTLE ROCK WATER RECLAMATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Reclassifications

Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 presentation. The reclassifications had no effect on the change in net position.

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

A summary of cash, cash equivalents, and investments per the Statement of Net Position and Statement of Fiduciary Net Position as of December 31, 2017 and 2016 respectively, follows:

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
Total	\$ 20,489,838	\$ 17,358,729	\$ 37,848,567	\$ 8,262,952
December 31, 2016				
	Cash			
	Cash	Equivalents	Total	Investments
Unrestricted Assets	\$ 14,876,687	\$ -	\$ 14,876,687	\$ 596,069
Restricted Assets				
Bond Requirements	-	6,122,110	6,122,110	6,424,824
Construction and Improvements	-	-	-	-
OPEB Trust	-	15,523	15,523	1,248,263
Total Restricted Assets	-	6,137,633	6,137,633	7,673,087
Total	\$ 14,876,687	\$ 6,137,633	\$ 21,014,320	\$ 8,269,156

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

LITTLE ROCK WATER RECLAMATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

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 \$22,036,728 at December 31, 2017 and \$16,191,142 at December 31, 2016. The Utility had deposits on books of \$20,489,838 at December 31, 2017 and \$14,876,687 at December 31, 2016. 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. As of December 31, 2017 and December 31, 2016, 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, 2017, were subject to custodial credit risk.

Cash equivalents and investments at December 31, 2017 and 2016, 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 \$25,621,681 and \$14,406,789, 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, 2017 and 2016, was \$1,272,683 and \$1,263,786, respectively. Net unrealized gain (loss) for each of the years ended December 31, 2017 and 2016, was \$(4,942) and \$(47,473), respectively.

LITTLE ROCK WATER RECLAMATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

December 31, 2017					
Investment Type	Fair Value	Less than 1 year	1-5 years	6-10 years	Credit Rating
Cash Equivalents and Investments					
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
AR St Dev Fin Auth Economic	311,444	-	311,444	-	AA+/Aaa
	8,262,952	-	8,262,952	-	
	<u>\$ 25,621,681</u>	<u>\$ 17,358,729</u>	<u>\$ 8,262,952</u>	<u>\$ -</u>	

December 31, 2016					
Investment Type	Fair Value	Less than 1 year	1-5 years	6-10 years	Credit Rating
Cash Equivalents and Investments					
Cash Equivalents:					
Federated Treasury Obligation	\$ 6,137,633	\$ 6,137,633	\$ -	\$ -	AA+/Aaa
Investments:					
Federal Farm Credit Bank	1,273,433	-	1,273,433	-	AA+/Aaa
Federal Home Loan Dist	6,683,996	-	6,683,996	-	AA+/Aaa
AR St Dev Fin Auth Economic	311,727	-	311,727	-	AA+/Aaa
	8,269,156	-	8,269,156	-	
	<u>\$ 14,406,789</u>	<u>\$ 6,137,633</u>	<u>\$ 8,269,156</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.

LITTLE ROCK WATER RECLAMATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

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, 2017 and 2016, 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, 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).
- AR State Dev. Finance Authority Economic Bonds of \$ 0.3 million are valued using a matrix pricing model (Level 2 inputs).

LRWRA had the following recurring fair value measurements as of December 31, 2016:

- Federated Treasury Obligations of \$6.1 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).
- AR State Dev. 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
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2017 and 2016, consisted of the following:

	<u>2017</u>	<u>2016</u>
Trade Receivables, Current	\$3,675,494	\$3,536,334
Trade Receivables, Past Due	<u>433,783</u>	<u>317,998</u>
Total	<u>4,109,277</u>	<u>3,856,348</u>
Allowance for Uncollectibles, Beginning of Year	(317,998)	(398,891)
Writeoff of Uncollectibles	351,584	391,609
Provision for Bad Debt Expense	<u>(467,369)</u>	<u>(310,716)</u>
Allowance for Uncollectibles, End of Year	<u>(433,783)</u>	<u>(317,998)</u>
Accounts Receivables, Net of Allowance for Uncollectibles	<u>3,675,494</u>	<u>3,538,350</u>
Current Accounts Receivable	<u>\$3,675,494</u>	<u>\$3,538,350</u>

LITTLE ROCK WATER RECLAMATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 4: CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2017 and 2016, was as follows:

2017	Balance 12/31/16	Additions & Transfers In	Retirements & 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	<u>50,396,325</u>	<u>28,128,071</u>	<u>12,562,529</u>	<u>65,961,867</u>
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 & Treatment	344,637,737	10,135,763	-	354,773,500
Equipment	<u>76,649,717</u>	<u>1,671,654</u>	<u>654,172</u>	<u>77,667,199</u>
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 & Treatment	95,631,609	7,700,757	-	103,332,366
Equipment	<u>34,060,661</u>	<u>3,348,320</u>	<u>652,734</u>	<u>36,756,247</u>
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>
2016	Balance 12/31/15	Additions & Transfers In	Retirements & Transfers Out	Balance 12/31/16
Capital assets not being depreciated:				
Land and Right-of-Way	\$ 5,377,335	\$ 56,805	\$ -	\$ 5,434,140
Construction in Progress	<u>53,977,825</u>	<u>25,703,633</u>	<u>29,285,133</u>	<u>50,396,325</u>
Total capital assets not being depreciated	<u>59,355,160</u>	<u>25,760,438</u>	<u>29,285,133</u>	<u>55,830,465</u>
Capital assets being depreciated:				
Building and Improvements	127,933,294	7,470,071	65,437	135,337,928
Infrastructure-Collection & Treatment	331,089,674	13,548,063	-	344,637,737
Equipment	<u>69,310,923</u>	<u>8,212,879</u>	<u>874,085</u>	<u>76,649,717</u>
Total capital assets being depreciated	<u>528,333,891</u>	<u>29,231,013</u>	<u>939,522</u>	<u>556,625,382</u>
Less accumulated depreciation for:				
Buildings and Improvements	30,321,584	3,769,383	27,727	34,063,240
Infrastructure-Collections & Treatment	88,176,798	7,454,811	-	95,631,609
Equipment	<u>32,113,640</u>	<u>2,809,676</u>	<u>862,655</u>	<u>34,060,661</u>
Total accumulated depreciation	<u>150,612,022</u>	<u>14,033,870</u>	<u>890,382</u>	<u>163,755,510</u>
Capital Assets, Net	<u>\$ 437,077,029</u>	<u>\$ 40,957,581</u>	<u>\$ 29,334,273</u>	<u>\$ 448,700,337</u>

LITTLE ROCK WATER RECLAMATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 4: CAPITAL ASSETS (CONTINUED)

Construction in Progress at December 31, 2017 and 2016, included capitalized construction period interest of \$191,627 and \$733,389 that was incurred in each respective year.

Depreciation expense was \$15,190,118 and \$14,033,870 for the years ended December 31, 2017 and 2016, respectively.

NOTE 5: CONTRIBUTIONS IN AID OF CONSTRUCTION

Contributions in aid of construction, because of acceptance of sewer lines from private contractors and individuals, were \$1,042,104 and \$1,679,766 for the years ended December 31, 2017 and 2016, respectively.

NOTE 6: LONG-TERM DEBT

Long-term debt consists of Sewer Revenue Bonds for which the changes in the years ended December 31, 2017 and 2016, are as follows:

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>10,958,956</u>	<u>162,020</u>	<u>950,691</u>	<u>10,170,285</u>	<u>-</u>
	<u>\$ 282,773,294</u>	<u>\$ 33,872,804</u>	<u>\$ 12,236,165</u>	<u>\$ 304,409,933</u>	<u>\$ 11,761,167</u>

December 31, 2016					
	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within One Year
Sewer Revenue Bonds	\$ 269,842,901	\$ 31,960,027	\$ 29,988,590	\$ 271,814,338	\$ 11,268,291
Unamortized Bond Premium	<u>10,631,206</u>	<u>1,092,963</u>	<u>765,213</u>	<u>10,958,956</u>	<u>-</u>
	<u>\$ 280,474,107</u>	<u>\$ 33,052,990</u>	<u>\$ 30,753,803</u>	<u>\$ 282,773,294</u>	<u>\$ 11,268,291</u>

LITTLE ROCK WATER RECLAMATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 6: LONG-TERM DEBT (CONTINUED)

Sewer revenue bonds payable consist of the following:

<u>Series</u>	<u>Interest Rate</u>	<u>Year of Maturity</u>	<u>Amount Due</u>	
			<u>December 31, 2017</u>	<u>Within One Year</u>
2007B	2.75%	2029	\$ 11,951,610	\$ 853,253
2009A	2.00%	2032	\$ 6,107,145	\$ 366,972
2011	3.00% to 5.00%	2022	\$ 10,695,000	\$ 1,700,000
2012	2.00% to 4.00%	2042	\$ 25,265,000	\$ 665,000
2013	2.25%	2036	\$ 34,556,715	\$ 1,475,942
2014	2.00% to 4.00%	2025	\$ 8,290,000	\$ 1,275,000
2015	2.50% to 5.00%	2037	\$ 149,050,000	\$ 4,610,000
2016A	2.72%	2050	\$ 19,524,178	\$ -
2016B	1.00% to 4.00%	2038	\$ 17,965,000	\$ 630,000
2017	1.15% to 4.00%	2047	\$ 10,835,000	\$ 185,000
Total			<u>\$ 294,239,648</u>	<u>\$ 11,761,167</u>

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
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NOTE 6: LONG-TERM DEBT (CONTINUED)

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. 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.

LITTLE ROCK WATER RECLAMATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 6: LONG-TERM DEBT (CONTINUED)

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.

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. Draws totaled \$19,524,178 as of December 31, 2017. 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. 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.

LITTLE ROCK WATER RECLAMATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 6: LONG-TERM DEBT (CONTINUED)

In addition to the \$294,239,648 balance of Sewer Revenue Bonds outstanding at December 31, 2017, an additional \$41,475,822 will, as previously described, be drawn in fulfillment of current bond issues 2016A for a total Sewer Revenue Bond indebtedness of \$335,715,470.

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

The annual requirements to amortize sewer revenue bond indebtedness outstanding, and scheduled, including interest, as of December 31, 2017, are as follows

Year Ending December 31,	Principal	Interest	Total
2018	\$ 11,761,167	\$ 9,531,429	\$ 21,292,596
2019	\$ 12,085,562	\$ 9,245,753	\$ 21,331,315
2020	\$ 12,710,417	\$ 9,167,700	\$ 21,878,117
2021	\$ 13,393,096	\$ 9,025,587	\$ 22,418,683
2022	\$ 13,822,594	\$ 8,598,407	\$ 22,421,001
2023 to 2027	\$ 60,240,600	\$ 36,820,184	\$ 97,060,784
2028 to 2032	\$ 72,095,103	\$ 25,277,232	\$ 97,372,335
2033 to 2037	\$ 78,455,774	\$ 10,876,013	\$ 89,331,787
2038 to 2042	\$ 13,075,081	\$ 2,307,885	\$ 15,382,966
2043 to 2047	\$ 5,195,414	\$ 659,655	\$ 5,855,069
2048 to 2050	<u>\$ 1,404,840</u>	<u>\$ 57,849</u>	<u>\$ 1,462,689</u>
Total	<u>\$ 294,239,648</u>	<u>\$ 121,567,694</u>	<u>\$ 415,807,342</u>

NOTE 7: COMPENSATED ABSENCES

Net changes in the liability for compensated absences for the years ended December 31, 2017 and 2016, are as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due Within One Year
2017	<u>\$ 1,010,527</u>	<u>\$ 46,748</u>	<u>\$ 97,931</u>	<u>\$ 959,344</u>	<u>\$ 893,029</u>
2016	<u>\$ 959,413</u>	<u>\$ 78,199</u>	<u>\$ 27,085</u>	<u>\$ 1,010,527</u>	<u>\$ 934,737</u>

LITTLE ROCK WATER RECLAMATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 8: LITIGATION

A. 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 plaintiffs in this litigation; accordingly, LRWRA's financial statements as of December 31, 2016 and 2015, respectively, 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 eleven (11) 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).

LITTLE ROCK WATER RECLAMATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 8: LITIGATION

A. **Sierra Club (Continued)**

Management completed annual reports for 2017, as required by both the Consent Administrative Order (CAO) and the settlement agreement each year, which detailed compliance actions taken during the year 2017. The Sierra Club compliance report was presented by staff to the LRWRC at its monthly meeting February 21, 2018, 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 23, 2018. Prior such reports, starting in 2002, were all accepted by LRWRC.

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.

B. **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, 2018. Prior such reports, starting in 2006, were all reported to the LRWRC.

LITTLE ROCK WATER RECLAMATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 8: LITIGATION (CONTINUED)

B. ADEQ (Continued)

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>.

C: 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 and projected revolving loan funds in the amount of \$61.6 million in 2018, \$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 ten-year capital improvement plan set forth in the 2018 budget was designed with the intent of completing the settlement agreement and the CAO by December 31,

LITTLE ROCK WATER RECLAMATION AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 8: LITIGATION (CONTINUED)

C. **Funding (Continued)**

2023. Unfinished capital projects represented in the 2018 budget primarily relate to wastewater collection, transmission and treatment improvements. Total capital expenditures of \$44.5 million are planned for 2018. Of this amount, \$32.8 million relates to carryover projects and \$11.7 million is proposed for new capital projects. LRWRA estimates that capital improvements and associated costs required over the next ten years, both to comply with the settlement agreement and the CAO and for routine capital improvements, will cost \$350,000,000.

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

The Utility had commitments totaling approximately \$8.7 million at December 31, 2017, for the expansion of plant capacity and collection system improvements.

NOTE 10: PENSION BENEFITS

A. **Defined Contribution Plan**

LRWRA offers a voluntary 401(a) qualified Pension Plan to all its employees. New hires must wait two years before they are eligible to participate in the 401(a). 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.

<u>Years of Service</u>	<u>LRWRA</u>	<u>Employee</u>	<u>Vesting</u>
More than 2 years, but 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 \$295,593 and \$293,695 in 2017 and 2016, respectively.

Currently, LRWRA staff works with two entities, ICMA-RC and Security Benefits Group, in administering the 401(a) plan. The plan was established with a resolution passed by then Little Rock Sanitary Sewer Committee. Any changes recommended by LRWRA staff to amending contribution requirements would need approval from the Little Rock Water Reclamation Commission.

LITTLE ROCK WATER RECLAMATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
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NOTE 10: PENSION BENEFITS (CONTINUED)

B. 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.

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 3-year average compensation times the member's years of service. The percentage used is based upon whether a member is contributory or non-contributory as follows:

LITTLE ROCK WATER RECLAMATION AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
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NOTE 10: PENSION BENEFITS (CONTINUED)

B. Arkansas Public Employees Retirement System (APERS) (Continued)

Contributory, prior to 7/1/2005	2.07%
Contributory, on or after 7/1/2005 but prior to 7/1/2007	2.03%
Contributory on or after 7/1/2007	2.00%
Non-Contributory	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 5 years of actual service at age 55 or at any age with 25 years of service.

Members are eligible for disability benefits with 5 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 5 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.

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 2017 and 2016, employers contributed 14.50% and 14.50% of compensation. Contributions to the pension plan from LRWRA were \$1,869,906 and \$1,838,797 for the years ended December 31, 2017 and 2016, respectively.

LITTLE ROCK WATER RECLAMATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 10: PENSION BENEFITS (CONTINUED)

B. Arkansas Public Employees Retirement System (APERS) (Continued)

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

At December 31, 2017 and 2016, LRWRA reported a liability of \$18,490,096 and \$16,341,079, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, 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, 2017 LRWRA's proportion was 0.71552208%, which was an increase of 0.03218038% from its proportion measured as of June 30, 2016 of 0.68334170%.

For the years ended December 31, 2017 and 2016, LRWRA recognized pension expense of \$3,483,540 and \$2,574,602, respectively. At December 31, 2017 and 2016, LRWRA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	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	\$0
Net difference between projected and actual earnings on pension plan investments	\$774,791	\$0
Contributions subsequent to the measurement date	\$947,566	\$0
Total	\$5,787,553	\$369,306

LITTLE ROCK WATER RECLAMATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 10: PENSION BENEFITS (CONTINUED)

B. Arkansas Public Employees Retirement System (APERS) (Continued)

	2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$15,429	\$586,189
Changes of assumptions	\$1,252,242	\$0
Changes in proportion and differences between employer contributions and proportionate share	\$408,744	\$7,953
Net difference between projected and actual earnings on pension plan investments	\$2,853,024	\$0
Contributions subsequent to the measurement date	\$923,414	\$0
Total	\$5,452,853	\$594,142

The \$947,566 reported as deferred outflows of resources at December 31, 2017 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, 2018. 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:
2018	\$1,268,066
2019	\$2,014,971
2020	\$1,294,798
2021	(\$107,154)
	\$4,470,681

LITTLE ROCK WATER RECLAMATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 10: PENSION BENEFITS (CONTINUED)

B. Arkansas Public Employees Retirement System (APERS) (Continued)

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	3.25 – 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

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%	

LITTLE ROCK WATER RECLAMATION AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 10: PENSION BENEFITS (CONTINUED)

B. Arkansas Public Employees Retirement System (APERS) (Continued)

Total Real Rate of Return	4.82%
Plus: Price Inflation-Actuary Assumption	<u>2.50%</u>
Net Expected Return	<u>7.32%</u>

Discount Rate: A single discount rate of 7.15% (7.50% in prior year) 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:

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

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>.

LITTLE ROCK WATER RECLAMATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 10: PENSION BENEFITS (CONTINUED)

B. Arkansas Public Employees Retirement System (APERS) (Continued)

Actuarial Assumptions: The total pension liability, net pension liability, and certain sensitivity information was determined by an actuarial valuation as of June 30, 2016. 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	7.50%, net of investment administrative expenses
Discount Rate	7.50%
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

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, 2016, these best estimates are summarized in the following:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	38%	6.82%
International Equity	24%	6.88%
Real Assets	16%	3.07%
Absolute Return	5%	3.35%
Domestic Fixed	17%	0.83%
Total	<u>100%</u>	

LITTLE ROCK WATER RECLAMATION AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 10: PENSION BENEFITS (CONTINUED)

B. Arkansas Public Employees Retirement System (APERS) (Continued)

Total Real Rate of Return	5.00%
Plus: Price Inflation-Actuary Assumption	<u>2.50%</u>
Net Expected Return	<u>7.50%</u>

Discount Rate: A single discount rate of 7.50% (7.50% in prior year) 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 7.50%. 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 7.50%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

Sensitivity of Discount Rate

1% Lower 6.50%	Discount Rate 7.50%	1% Higher 8.50%
\$24,736,302	\$16,341,079	\$9,354,235

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>.

LITTLE ROCK WATER RECLAMATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. Plan Description

Little Rock Water Reclamation Authority'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 the Arkansas Public Employees Retirement System. 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 cost of retiree health care benefits is recognized as an expense as liabilities are incurred. At year-end for 2017, there were 25 retirees plus 15 dependents on the LRWRAHP. Retiree premiums are set yearly with 2017 ranging from \$209 to \$826, depending on which health care plan selected, and which are paid directly to LRWRA. LRWRA funded approximately 50% of the postretirement healthcare benefit costs, which totaled \$97,446 for the fiscal year ended December 31, 2017.

The Little Rock Water Reclamation Commission assigns authority to the CEO for any changes to the benefit provisions of the plan based on recommendations by the LRWRAHP. This postemployment healthcare 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, AR 72204.

The contribution requirements are based on the most current actuarial valuations (December 2017) of the plan. Little Rock Water Reclamation Authority makes every effort to contribute monthly toward the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45.

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or

LITTLE ROCK WATER RECLAMATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

A. Plan Description (Continued)

funding excess) over a period not exceeding thirty years, except that the effect of changes made to benefit provisions of the plan in 2007 over a closed ten-year period and then modified again in 2013 with a change in assumption with a change to the 10-year period.

B. 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 Little Rock Water Reclamation Commission. 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 plans are adjusted accordingly.

C. Annual OPEB Cost and Net OPEB Obligation (Asset)

For 2017, 2016 and 2015, LRWRA's annual OPEB cost was \$28,014, \$26,918 and \$24,784, respectively, and the ARC was \$0, \$0, and \$0, respectively. 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):

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

LITTLE ROCK WATER RECLAMATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

	2017	2016	2015
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)

D. Funded Status and Funding Progress

With the most recent 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%

E. 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 healthcare cost trends. Amounts determined regarding the funded status of the plan

LITTLE ROCK WATER RECLAMATION AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

E. **Actuarial Methods and Assumptions**

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	12/31/2017
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

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.

LITTLE ROCK WATER RECLAMATION AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

E. Actuarial Methods and Assumptions (Continued)

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

F. LRWRA Post Retiree Healthcare Plan (GASB Statement No. 74)

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

The 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 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, 2017 and 2016, 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.

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:

Total OPEB liability (TOL)	\$	5,178,902
Plan fiduciary net position		<u>1,272,683</u>
Net OPEB Liability (NOL)	\$	<u>3,906,219</u>
Net Position as a percentage of the total OPEB liability		24.6%

LITTLE ROCK WATER RECLAMATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

F. LRWRA Post Retiree Healthcare Plan (GASB Statement No. 74)-(Continued)

The components of the December 31, 2016 net OPEB liability of LRWRA as determined by an actuarial valuation as of that date were as follows:

Total OPEB liability (TOL)	\$	4,660,972
Plan fiduciary net position		<u>1,263,786</u>
Net OPEB Liability (NOL)	\$	<u><u>3,397,186</u></u>

Net Position as a percentage of the total OPEB liability 27.1%

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%:

at 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>

Sensitivity of the net OPEB liability to changes in the healthcare 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 healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

at 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>

Actuarial Assumptions at December 31, 2017:

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.

LITTLE ROCK WATER RECLAMATION AUTHORITY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

F. LRWRA Post Retiree Healthcare Plan (GASB Statement No. 74)-(Continued)

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 & Later	4.5%

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).

<u>Status</u>	<u>Number</u>	<u>Average Age</u>	<u>Average Years of Service</u>
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 healthcare benefit costs.

Actuarial Assumptions at December 31, 2016:

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-2016.

LITTLE ROCK WATER RECLAMATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

F. LRWRA Post Retiree Healthcare Plan (GASB Statement No. 74)-(Continued)

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>
2017	7.0%
2018	6.5%
2019	6.0%
2020	5.5%
2021	5.0%
2022 & Later	4.5%

Membership Data: The membership data used in the calculation is based on data as of December 31, 2016. The information is summarized for primary members (not dependents).

<u>Status</u>	<u>Number</u>	<u>Average Age</u>	<u>Average Years of Service</u>
Active Members (with medical benefits)	194	44.6	12.2
Retired Members Under Age 65 (Elected Benefits)	23	58.7	N/A

Employer-Paid Medical Premiums: The retiree medical plan is currently fully insured. Employer-paid monthly premiums are set yearly with 2016 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 healthcare benefit costs.

LITTLE ROCK WATER RECLAMATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

F. LRWRA Post Retiree Healthcare Plan (GASB Statement No. 74)-(Continued)

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, 2017 and 2016, the annual money-weighted rate of return for the investments, net of investment expense, was 0.70% and (1.21)%, respectfully.

Assuming that the plan sponsor continues to contribute in similar levels as in recent years (years on the average of all years since 2009), the plan should be sufficiently funded to pay benefits due for several years. The Expected Fund Value would be projected to be at \$0.00 by the end of 2031 if the funds were used for its designated retiree benefits.

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 \$778,713 and \$762,355 for the years ended December 31, 2017 and 2016, 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.

The Utility maintains a self-funded workers' compensation plan. All employees are covered by the plan. It is self-funded to a maximum of \$400,000 per occurrence per employee. Coverage amounts in excess of this limit, have been obtained by means of a stop loss reinsurance policy. The Utility records an estimated liability based on claims made against the Utility. Claims liabilities are based on estimates of the cost

LITTLE ROCK WATER RECLAMATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 13: RISK MANAGEMENT (CONTINUED)

of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not yet reported based on historical experience. Settlements have not exceeded coverage in each of the past four years.

The following represents the changes in approximate aggregate liabilities of the workers' compensation plan for the Utility for January 1, 2016, to December 31, 2017:

Liability balance, January 1, 2016	\$ 32,149
Claims and changes in estimates	11,333
Claims payments	<u>(30,896)</u>
Liability balance, December 31, 2016	12,586
Claims and changes in estimates	16,886
Claims payments	<u>(22,020)</u>
Liability balance, December 31, 2017	<u><u>\$ 7,452</u></u>

NOTE 14: ADVANCE REFUNDINGS

In 2016, the government issued \$18,585,000 in sewer revenue bonds with interest rates ranging from 1.00% to 4.00% (including a reoffering premium of \$1,092,963). At a cost of \$220,677 for the issuance of the new bond, designated proceeds were used to advance refund \$13,685,000 and \$5,860,080 of the outstanding 2008 and 2009B Sewer Revenue Bonds which had interest rates ranging from 2% to 5.75%. The 2008 and 2009B Sewer Revenue Bond Series are considered defeased and the liability for those bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount by \$1,759,173. This deferred loss is being amortized over the remaining life of the refunded debt. The government advance refunded the 2008 and 2009B Sewer Revenue Bond Series to reduce its total debt service payments by approximately \$242,000 per year and to obtain an economic gain Net Present Value savings of approximately \$3,800,000.

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, 2017, \$19,929,234 defeased bonds remain outstanding.

LITTLE ROCK WATER RECLAMATION AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 15: SUBSEQUENT EVENTS

Little Rock Water Reclamation Authority did not have any recognized or unrecognized subsequent events occurring after December 31, 2017, the date of the statement of net position.

Schedules of Required Supplementary Information
LITTLE ROCK WATER RECLAMATION AUTHORITY
SCHEDULE OF FUNDING PROGRESS
Other Postemployment Benefits
For the Current and Previous Two OPEB Reports

Actuarial Valuation Date	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>
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 NET OTHER POSTEMPLOYMENT BENEFITS
LIABILITY AND RELATED RATIOS
Years Ended December 31, 2017 and 2016

Total OPEB Liability	2017	2016
Service Costs	\$ 145,382	\$ 141,691
Interest on TOL	189,015	177,331
Difference between Expected and Actual Experience	280,979	(57,544)
Benefit Payments	<u>(97,466)</u>	<u>(88,394)</u>
Net Changes in Total OPEB Liability	\$ 517,910	\$ 173,084
 Total OPEB Liability - Beginning	 \$ 4,660,992	 \$ 4,487,908
Total OPEB Liability - Ending	<u>\$ 5,178,902</u>	<u>\$ 4,660,992</u>
 Plan Fiduciary Net Position		
Contributions - Employer	\$ 97,466	\$ 88,394
Net Investment Income	13,346	(11,061)
Benefit Payments	(97,466)	(88,394)
Administrative Expenses	<u>(4,449)</u>	<u>(4,450)</u>
Net Changes in Plan Fiduciary Net Position	\$ 8,897	\$ (15,511)
 Plan Fiduciary Net Position - Beginning	 \$ 1,263,786	 \$ 1,279,297
Plan Fiduciary Net Position - Ending	<u>\$ 1,272,683</u>	<u>\$ 1,263,786</u>
 Net OPEB Liability	 <u>\$ 3,906,219</u>	 <u>\$ 3,397,206</u>
 Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	 24.6%	 27.1%
 Covered Employee Payroll	 \$ 13,606,281	 \$ 13,312,297
 Net OPEB Liability as a Percentage of Covered Payroll	 28.7%	 25.5%

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

Schedules of Required Supplementary Information

LITTLE ROCK WATER RECLAMATION AUTHORITY
 SCHEDULE OF CONTRIBUTIONS
 Other Postemployment Benefits

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%

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-2017
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

Schedules of Required Supplementary Information
LITTLE ROCK WATER RECLAMATION AUTHORITY
SCHEDULE OF INVESTMENT RETURNS
Other Postemployment Benefits
Year Ended December 31, 2017

LRWRA Post Retiree Healthcare-OPEB Trust Fund

<u>Fiscal Year</u> <u>Ending</u>	<u>Money-Weighted</u> <u>Rate of Return</u>
12/31/2016	-1.21%
12/31/2017	0.70%

LITTLE ROCK WATER RECLAMATION AUTHORITY
SCHEDULE OF CONTRIBUTIONS
Arkansas Public Employees Retirement System

	2017	2016	2015	2014
Contractually required contributions	\$ 1,870,073	\$ 1,838,797	\$ 1,720,285	\$ 1,790,896
Contributions in relation to the contractually required contributions	<u>1,869,906</u>	<u>1,838,797</u>	<u>1,759,530</u>	<u>1,703,752</u>
Contribution deficiency (excess)	<u>\$ (167)</u>	<u>\$ -</u>	<u>\$ (39,245)</u>	<u>\$ 87,144</u>
LRWRA's covered payroll	\$ 12,955,527	\$ 12,674,419	\$ 12,115,376	\$ 11,658,706
Contributions as a percentage of covered payroll	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	4.3774

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

Schedules of Required Supplementary Information

LITTLE ROCK WATER RECLAMATION AUTHORITY
SCHEDULE OF PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
Arkansas Public Employees Retirement System

	2017	2016	2015	2014
LRWRA's proportion of the net pension liability	0.71552208%	0.68334170%	0.67188745%	0.64761626%
LRWRA's proportionate share of the net pension liability	\$ 18,490,096	\$ 16,341,079	\$ 12,374,375	\$ 9,189,106
LRWRA's covered payroll	\$ 13,352,218	\$ 12,321,987	\$ 11,905,159	\$ 11,527,750
LRWRA's proportionate share of the net pension liability as a percentage of its covered payroll	138.48%	132.62%	103.94%	79.71%
Plan fiduciary net position as a percentage of the total pension liability	75.65%	75.50%	80.39%	84.15%
APERS Discount Rate	7.15%	7.50%	7.50%	7.75%

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).

LITTLE ROCK WATER RECLAMATION AUTHORITY
 BUDGETARY COMPARISON SCHEDULE
 YEAR ENDED DECEMBER 31, 2017

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Over(Under)</u>
<u>OPERATING REVENUE</u>			
Sewer Charges	\$ 53,714,717	\$ 53,324,852	\$ (389,865)
Industrial Surcharges	958,817	1,162,912	204,095
Other	<u>638,961</u>	<u>798,629</u>	<u>159,668</u>
Total Operating Revenue	<u>55,312,495</u>	<u>55,286,393</u>	<u>(26,102)</u>
<u>OPERATING EXPENSES EXCLUDING DEPRECIATION</u>			
Committee	47,440	44,724	(2,716)
Management	1,562,226	1,445,865	(116,361)
Finance and Administration	2,210,630	2,289,115	78,485
Engineering	2,125,905	2,001,470	(124,435)
Information Systems	2,079,754	2,038,451	(41,303)
Maintenance	7,459,321	8,264,138	804,817
Operations	5,492,493	4,861,431	(631,062)
Environmental Assessment	1,782,740	1,843,219	60,479
Facilities and Equipment	3,612,359	3,794,999	182,640
Legal	<u>574,500</u>	<u>613,265</u>	<u>38,765</u>
Total Operating Expenses, Excluding Depreciation	<u>26,947,368</u>	<u>27,196,677</u>	<u>210,544</u>
Operating Income Before Depreciation	<u>28,365,127</u>	<u>28,089,716</u>	<u>(236,646)</u>
<u>PROVISION FOR DEPRECIATION</u>			
Building and Improvements	4,153,986	4,141,042	(12,944)
Infrastructure - Collections, Pumping & Treatments	7,725,245	7,700,757	(24,488)
Equipment	<u>3,358,381</u>	<u>3,348,319</u>	<u>(10,062)</u>
Total Provision for Depreciation	<u>15,237,612</u>	<u>15,190,118</u>	<u>(47,494)</u>
OPERATING INCOME (LOSS)	<u>13,127,515</u>	<u>12,899,598</u>	<u>(189,152)</u>
<u>NONOPERATING INCOME (EXPENSE)</u>			
Interest Income	75,000	295,084	220,084
Interest Expense	(9,566,990)	(9,197,384)	369,606
Bond Issuance/Amortization Expense	(190,000)	(297,558)	(107,558)
Gain (Loss) on Disposal of Capital Assets	60,000	96,011	36,011
Gain (Loss) on Investments	-	(4,942)	(4,942)
Other	<u>50,000</u>	<u>73,541</u>	<u>23,541</u>
Net Nonoperating Income (Expense)	<u>(9,571,990)</u>	<u>(9,035,248)</u>	<u>536,742</u>
INCREASE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	<u>\$ 3,555,525</u>	<u>\$ 3,864,350</u>	<u>\$ 308,825</u>

LITTLE ROCK WATER RECLAMATION AUTHORITY
SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT
EXCLUDING DEPRECIATION
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
<u>Water Reclamation Commission:</u>		
Commission Expense Reimbursement	\$ 29,990	\$ 27,020
Insurance	13,017	14,216
Other	1,717	1,345
Total	44,724	42,581
 <u>Utility Management:</u>		
Salaries	612,003	976,846
Employee Benefits	319,075	444,232
Supplies	31,054	64,466
Contract Services	239,153	106,643
Vehicle Maintenance	15,271	20,295
Utilities	7,694	8,635
Insurance	5,357	5,264
Training and Administration	216,258	198,964
Total	1,445,865	1,825,345
 <u>Finance:</u>		
Salaries	825,600	811,145
Employee Benefits	430,155	390,605
Supplies	24,638	34,198
Contract Services	914,214	875,177
Vehicle Maintenance	7,144	7,124
Utilities	4,843	6,116
Insurance	10,702	8,591
Delinquent Accounts	-	310,717
Training and Administration	71,819	60,551
Total	2,289,115	2,504,224
 <u>Engineering:</u>		
Salaries	1,021,093	897,923
Employee Benefits	463,631	315,314
Supplies	53,003	38,451
Contract Services	390,685	232,480
Vehicle Maintenance	24,503	22,155
Utilities	11,975	12,171
Insurance	10,768	9,216
Training and Administration	25,812	21,846
Total	2,001,470	1,549,556

LITTLE ROCK WATER RECLAMATION AUTHORITY
SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT
EXCLUDING DEPRECIATION (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
<u>Collection System Maintenance:</u>		
Salaries	\$ 4,194,332	\$ 3,993,863
Employee Benefits	2,466,339	2,072,976
Supplies	648,905	574,609
Contract Services	662,626	604,352
Vehicle Maintenance	172,144	140,761
Utilities	36,851	36,127
Insurance	56,649	43,820
Training and Administration	26,292	29,081
Total	8,264,138	7,495,589
 <u>Operations - Adams, Fourche, Maumelle and Industrial Monitoring:</u>		
Salaries	1,676,349	1,685,284
Employee Benefits	902,343	824,305
Supplies	389,228	416,976
Contract Services	497,846	464,313
Vehicle Maintenance	10,319	13,479
Utilities	1,215,959	1,384,471
Insurance	83,408	62,550
Training and Administration	85,979	78,714
Total	4,861,431	4,930,092
 <u>Technical Services:</u>		
Salaries	761,418	822,360
Employee Benefits	427,077	385,049
Supplies	192,520	207,667
Contract Services	446,570	335,307
Vehicle Maintenance	5,716	6,490
Utilities	172,561	136,196
Insurance	2,039	1,376
Training and Administration	30,550	48,561
Total	2,038,451	1,943,006
 <u>Environmental Assessment Department:</u>		
Salaries	1,039,064	1,130,114
Employee Benefits	583,152	580,485
Supplies	128,528	102,453
Contract Services	46,654	240,384
Vehicle Maintenance	20,318	21,992
Utilities	6,879	9,594
Insurance	6,277	4,420
Training and Administration	12,347	17,129
Total	1,843,219	2,106,571

LITTLE ROCK WATER RECLAMATION AUTHORITY
SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT
EXCLUDING DEPRECIATION (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>Facilities/Maintenance:</u>		
Salaries	1,349,185	1,331,746
Benefits	776,362	695,501
Supplies	1,061,379	870,508
Contract Services	345,122	312,532
Vehicle Expenses	59,927	78,165
Utilities	111,245	109,720
Insurance	82,948	77,019
Other	8,831	6,981
Total	<u>3,794,999</u>	<u>3,482,172</u>
 <u>Legal/HR</u>		
Salaries	372,832	-
Benefits	154,731	-
Supplies	7,578	-
Contract Services	36,192	-
Vehicle Expenses	7,200	-
Utilities	826	-
Insurance	2,111	-
Other	31,795	-
Total	<u>613,265</u>	<u>-</u>
 Total Operating Expenses	 <u>\$ 27,196,677</u>	 <u>\$ 25,879,136</u>

LITTLE ROCK WATER RECLAMATION AUTHORITY
SCHEDULE OF BONDED INDEBTEDNESS
DECEMBER 31, 2017

Sewer Revenue Bonds (Series 2007B)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		4/15	10/15	4/15	10/15	
2018	2.75%	423,713	429,540	164,335	158,508	1,176,096
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	580,048	15,843	7,975	1,176,076
		<u>\$5,935,016</u>	<u>\$6,016,594</u>	<u>\$1,121,565</u>	<u>\$1,039,957</u>	<u>\$14,113,132</u>

LITTLE ROCK WATER RECLAMATION AUTHORITY
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)
DECEMBER 31, 2017

Sewer Revenue Bonds (Series 2009A)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		4/15	10/15	4/15	10/15	
2018	2.00%	182,573	184,399	61,072	59,246	487,290
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>\$3,159,591</u>	<u>\$2,947,554</u>	<u>\$495,074</u>	<u>\$463,476</u>	<u>\$ 7,065,695</u>

LITTLE ROCK WATER RECLAMATION AUTHORITY
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)
DECEMBER 31, 2017

Sewer Revenue Bonds (Series 2011)

<u>Year of Maturity</u>	<u>Interest Rate</u>	<u>Principal Payable</u>		<u>Interest Payable</u>		<u>Total Annual Requirement</u>
		<u>2/1</u>	<u>8/1</u>	<u>2/1</u>	<u>8/1</u>	
2018	3.00%	845,000	855,000	194,413	181,738	2,076,151
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>\$5,295,000</u>	<u>\$5,400,000</u>	<u>\$ 623,526</u>	<u>\$ 528,538</u>	<u>\$ 11,847,064</u>

LITTLE ROCK WATER RECLAMATION AUTHORITY
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)
DECEMBER 31, 2017

Sewer Revenue Bonds (Series 2012)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		2/01	8/01	2/01	8/01	
2018	3.000%	-	665,000	460,638	460,638	1,586,276
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	276,413	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>\$ 25,265,000</u>	<u>\$ 7,176,844</u>	<u>\$ 7,176,845</u>	<u>\$ 39,618,689</u>

LITTLE ROCK WATER RECLAMATION AUTHORITY
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)
DECEMBER 31, 2017

Sewer Revenue Bonds (Series 2013)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		<u>4/15</u>	<u>10/15</u>	<u>4/15</u>	<u>10/15</u>	
2018	2.250%	733,843	742,099	388,763	380,507	2,245,212
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	273,887	2,245,213
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>\$ 17,181,716</u>	<u>\$ 17,374,999</u>	<u>\$ 4,147,795</u>	<u>\$ 3,954,528</u>	<u>\$ 42,659,038</u>

LITTLE ROCK WATER RECLAMATION AUTHORITY
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)
DECEMBER 31, 2017

Sewer Revenue Bonds (Series 2014)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		05/01	11/01	05/01	11/01	
2018	2.000%	635,000	640,000	116,538	110,187	1,501,725
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>\$4,285,000</u>	<u>\$4,005,000</u>	<u>\$ 499,001</u>	<u>\$ 437,774</u>	<u>\$ 9,226,775</u>

LITTLE ROCK WATER RECLAMATION AUTHORITY
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)
DECEMBER 31, 2017

Sewer Revenue Bonds (Series 2015)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		04/01	10/01	04/01	10/01	
2018	3.000%	2,285,000	2,325,000	2,930,071	2,895,796	10,435,867
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>\$ 74,300,000</u>	<u>\$ 74,750,000</u>	<u>\$ 36,591,990</u>	<u>\$ 35,178,151</u>	<u>\$ 220,820,141</u>

LITTLE ROCK WATER RECLAMATION AUTHORITY
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)
DECEMBER 31, 2017

Sewer Revenue Bonds (Series 2016A)^a

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		4/15	10/15	4/15	10/15	
2020	2.720%		273,895	-	265,528	539,423
2021	2.720%	277,626	281,401	261,803	258,028	1,078,858
2022	2.720%	285,229	289,108	254,201	250,322	1,078,860
2023	2.720%	293,040	297,025	246,390	242,405	1,078,860
2024	2.720%	301,065	305,159	238,365	234,270	1,078,859
2025	2.720%	309,309	313,516	230,121	225,914	1,078,860
2026	2.720%	317,779	322,102	221,650	217,329	1,078,860
2027	2.720%	326,482	330,922	212,947	208,508	1,078,859
2028	2.720%	335,423	339,984	204,007	199,445	1,078,859
2029	2.720%	344,608	349,295	194,822	190,135	1,078,860
2030	2.720%	354,045	358,860	185,384	180,569	1,078,858
2031	2.720%	363,741	368,688	175,689	170,742	1,078,860
2032	2.720%	373,702	378,785	165,727	160,646	1,078,860
2033	2.720%	383,936	389,158	155,494	150,273	1,078,861
2034	2.720%	394,450	399,814	144,980	139,615	1,078,859
2035	2.720%	405,252	410,763	134,178	128,667	1,078,860
2036	2.720%	416,350	422,012	123,080	117,418	1,078,860
2037	2.720%	427,751	433,569	111,678	105,861	1,078,859
2038	2.720%	439,465	445,442	99,965	93,988	1,078,860
2039	2.720%	451,500	457,640	87,929	81,789	1,078,858
2040	2.720%	463,864	223,278	75,566	69,257	831,965
2041	2.720%	226,314	229,392	66,220	63,143	585,069
2042	2.720%	232,512	235,674	60,023	56,861	585,070
2043	2.720%	238,879	242,128	53,655	50,407	585,069
2044	2.720%	245,421	248,758	47,114	43,776	585,069
2045	2.720%	252,142	255,571	40,393	36,964	585,070
2046	2.720%	259,046	262,569	33,488	29,965	585,068
2047	2.720%	266,140	269,760	26,394	22,775	585,069
2048	2.720%	273,429	277,147	19,106	15,387	585,069
2049	2.720%	280,917	284,737	11,618	7,798	585,070
2050	2.720%	288,609	-	3,925	-	292,534
		<u>\$ 9,828,026</u>	<u>\$ 9,696,152</u>	<u>\$ 3,885,912</u>	<u>\$ 4,017,785</u>	<u>\$ 27,427,875</u>

^aThe available proceeds of Series 2016A is \$61,000,000. Includes 20 and 30 year blended rate.

LITTLE ROCK WATER RECLAMATION AUTHORITY
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)
DECEMBER 31, 2017

Sewer Revenue Bonds (Series 2016B)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		06/01	12/01	06/01/	12/01	
2018	1.150%	-	630,000	311,344	311,344	1,252,689
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	1,257,425
2037	3.250%	-	1,205,000	25,431	25,431	1,255,863
2038	3.250%	-	360,000	5,850	5,850	371,700
		<u>\$</u>	<u>\$ 17,965,000</u>	<u>\$ 3,772,135</u>	<u>\$ 3,772,135</u>	<u>\$ 25,509,270</u>

LITTLE ROCK WATER RECLAMATION AUTHORITY
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)
DECEMBER 31, 2017

Sewer Revenue Bonds (Series 2017)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		04/01	10/01	04/01	10/01	
2018	1.150%	-	185,000	160,225	186,067	531,292
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>\$ 10,835,000</u>	<u>\$ 3,329,409</u>	<u>\$ 3,355,251</u>	<u>\$ 17,519,660</u>

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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Schedule 1

LITTLE ROCK WATER RECLAMATION AUTHORITY

Net Position by Component

Last Ten Fiscal Years

	Fiscal Year				
	2013	2014	2015 ^a	2016	2017
Primary Government					
Net Investment in Capital Assets	\$ 160,379,889	\$ 163,269,445	\$ 166,962,094	\$ 174,925,069	\$ 175,449,301
Restricted					
Debt Service	\$ 11,937,387	\$ 11,841,110	\$ 12,534,544	\$ 6,130,592	\$ 6,868,935
PostEmployment Benefits	\$ -	\$ -	\$ -	\$ 1,571,149	\$ 1,640,581
Total Restricted	<u>11,937,387</u>	<u>11,841,110</u>	<u>12,534,544</u>	<u>7,701,741</u>	<u>8,509,516</u>
Unrestricted	<u>13,122,816</u>	<u>20,338,501</u>	<u>8,232,798</u>	<u>11,394,435</u>	<u>14,968,883</u>
Total primary governmental net position	<u>\$ 185,440,092</u>	<u>\$ 195,449,056</u>	<u>\$ 187,729,436</u>	<u>\$ 194,021,245</u>	<u>\$ 198,927,700</u>

	Fiscal Year				
	2008	2009	2010	2011	2012
Primary Government					
Net Investment in Capital Assets	\$ 136,506,878	\$ 145,587,716	\$ 145,335,731	\$ 139,771,009	\$ 153,882,712
Restricted					
Debt Service	\$ 8,140,653	\$ 9,032,548	\$ 8,717,901	\$ 8,201,722	\$ 9,941,067
Total Restricted	<u>8,140,653</u>	<u>9,032,548</u>	<u>8,717,901</u>	<u>8,799,064</u>	<u>9,941,067</u>
Unrestricted	<u>10,247,038</u>	<u>1,264,895</u>	<u>3,668,629</u>	<u>15,072,179</u>	<u>15,273,085</u>
Total primary governmental net position	<u>\$ 154,894,569</u>	<u>\$ 155,885,159</u>	<u>\$ 157,722,261</u>	<u>\$ 163,642,252</u>	<u>\$ 179,096,864</u>

a. Includes the effect of the adoption of GASB 68.

Schedule 2

LITTLE ROCK WATER RECLAMATION AUTHORITY

Changes in Net Position

Last Ten Fiscal Years

Fiscal Year	Operating Revenue	Operating Expense	Depreciation Expense	Total Nonoperating Revenues/ (Expenses)	Income/(Loss) before Capital Contributions	Capital Contributions	Change in Net Assets
2008	\$38,883,908	(\$23,731,107)	(\$6,378,990)	(\$4,645,173)	\$4,128,638	\$3,358,865	\$7,487,503
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

Schedule 3

LITTLE ROCK WATER RECLAMATION AUTHORITY

Operating Revenues by Source

Last Ten Fiscal Years

Fiscal Year	Sewer Charges	Industrial Surcharges ^a	Connection Fees	Other Income ^b	Total
2008	\$37,658,159	\$691,625	\$148,913	\$385,211	\$38,883,908
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

^a 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.

^b Includes permit fees, sewer dump permits, and co-generation revenue.

Schedule 4

LITTLE ROCK WATER RECLAMATION AUTHORITY

Operating Expenses

Last Ten Fiscal Years

Fiscal Year	Employment Costs	Supplies	Contract Services	Vehicle Maintenance	Utilities	Administrative Costs ^a	Subtotal, Expense		Total Operating Expense
							before Depreciation	Depreciation	
2008	\$15,499,294	\$2,196,815	\$2,662,092	\$ 571,792	\$1,683,068	\$ 1,118,046	\$ 23,731,107	\$ 6,378,990	\$ 30,110,097
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

^a Includes committee, insurance, other (training & development, travel, & bank service charges) expenses

Schedule 5

LITTLE ROCK WATER RECLAMATION AUTHORITY

Nonoperating Revenues and Expenses

Last Ten Fiscal Years

Fiscal Year	Interest Expense	Interest Income	Bond Amortization Expense	Bond Issuance Costs	Gain/Loss on Disposal Capital Assets	Unrealized Gain/Loss on Investments	Other Gain/Loss	Total Nonoperating Revenue/Expense
2008	\$ (9,340,837)	\$ 5,421,585	\$ (206,391)	\$ -	\$ (155,504)	\$ (382,174)	\$ 18,148	\$ (4,645,173)
2009	\$(10,585,725)	\$ 1,659,793	\$ (218,686)	\$ -	\$ (102,683)	\$ (650,102)	\$ 29,122	\$ (9,868,281)
2010	\$(10,770,853)	\$ 147,124	\$ (210,609)	\$ -	\$ (30,932)	\$ 353,193	\$ 62,246	\$ (10,449,831)
2011	\$(10,673,854)	\$ 151,072	\$ (316,595)	\$ -	\$ (60,727)	\$ 266,225	\$ 2,168,952	\$ (8,464,927)
2012	\$(10,808,696)	\$ 338,699	\$ (226,728)	\$ -	\$ (885,759)	\$ (102,535)	\$ 699,369	\$ (10,985,650)
2013	\$(10,989,879)	\$ 52,567	\$(2,348,037)	\$ -	\$ 111,517	\$ (131,603)	\$ 32,067	\$ (13,273,368)
2014	\$ (9,656,926)	\$ 172,864	\$ (34,114)	\$ (179,941)	\$ (18,413)	\$ 148,019	\$ 65,629	\$ (9,502,882)
2015	\$ (8,279,406)	\$ 154,003	\$ (84,077)	\$(1,528,933)	\$(2,331,935)	\$ (20,707)	\$ 24,696	\$ (12,066,359)
2016	\$ (8,864,733)	\$ 149,846	\$ (80,570)	\$ (250,674)	\$ 62,262	\$ (47,473)	\$ 85,807	\$ (8,945,535)
2017	\$ (9,122,233)	\$ 295,084	\$ (75,151)	\$ (297,558)	\$ 96,011	\$ (4,942)	\$ 73,541	\$ (9,035,248)

Schedule 6

LITTLE ROCK WATER RECLAMATION AUTHORITY

New Construction/Inspections Completed

Last Ten Fiscal Years

Fiscal Year	Residential	Commercial	Total New Construction Permits
2008	564	108	672
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

Schedule 7

LITTLE ROCK WATER RECLAMATION AUTHORITY

Number of Sewer Customers^a by Type

Last Ten Fiscal Years

Fiscal Year	Domestic	Non-Domestic			Total
		Commercial	Industrial	Other ^b	
2008	60,773	6,348	84	423	67,628
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

^a Billed account totals from December

^b Includes public utilities, governmental (US, state, county, city), and public schools

Schedule 8A

LITTLE ROCK WATER RECLAMATION AUTHORITY

Domestic Sewer Rates (Inside City)

Last Ten Fiscal Years

Base Rate ^a (Meter Size)	Fiscal Year Ending				
	2013 ^d	2014 ^d	2015	2016 ^d	2017 ^e
5/8"	\$ 9.89	\$ 10.29	\$ 10.29	\$ 10.29	\$ 10.78
3/4"	\$ 12.74	\$ 13.25	\$ 13.25	\$ 13.25	\$ 13.88
1"	\$ 19.27	\$ 20.04	\$ 20.04	\$ 20.04	\$ 20.99
Volumetric Rate ^b					
Operations Volumetric Rate ^b	\$ 1.69	\$ 1.76	\$ 1.76	\$ 1.76	\$ 1.84
Debt Repayment Rate ^b	\$ 1.81	\$ 1.81	\$ 1.81	\$ 2.04	\$ 2.14

Base Rate ^a (Meter Size)	Fiscal Year Ending				
	2008 ^c	2009 ^c	2010 ^c	2011	2012 ^d
5/8"	\$ 14.07	\$ 14.63	\$ 15.37	\$ 15.37	\$ 9.24
3/4"	\$ 16.50	\$ 17.15	\$ 18.02	\$ 18.02	\$ 11.91
1"	\$ 22.07	\$ 22.95	\$ 24.10	\$ 24.10	\$ 18.01
1.5"	\$ 36.14	\$ 37.58	\$ 39.46	\$ 39.46	
2"	\$ 52.96	\$ 55.08	\$ 57.83	\$ 57.83	
3"	\$ 92.11	\$ 95.79	\$ 100.58	\$ 100.58	
4"	\$ 148.20	\$ 161.84	\$ 161.84	\$ 161.84	
6" or larger	\$ 288.35	\$ 299.88	\$ 314.87	\$ 314.87	
Volumetric Rate ^b	\$ 2.83	\$ 2.94	\$ 3.09	\$ 3.09	
Operations Volumetric Rate ^b					\$ 1.58
Debt Repayment Rate ^b					\$ 1.81

^a Rate charge from 2008 to June 2012 included 200 cubic feet; Changed in July 2012 with zero water consumed.

^b Per 100 cubic feet

^c In Nov 2006, City of Little Rock Board of Directors approved a five step rate increase that effected 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.

^d In June 2012, City of Little Rock Board of Directors approved a four step rate increase that effected 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.

^e In August 2015, City of Little Rock Board of Directos approved a five step rate increase that will effect rates from 2017 to 2021. Step one occurred in 2017 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.

Schedule 8B

LITTLE ROCK WATER RECLAMATION AUTHORITY

Domestic Sewer Rates (Outside City)

Last Ten Fiscal Years

Base Rate ^a (Meter Size)	Fiscal Year Ending				
	2013 ^d	2014 ^d	2015	2016 ^d	2017 ^e
5/8"	\$ 14.84	\$ 15.44	\$ 15.44	\$ 15.44	\$ 16.17
3/4"	\$ 19.11	\$ 19.88	\$ 19.88	\$ 19.88	\$ 20.82
1"	\$ 28.91	\$ 30.03	\$ 30.03	\$ 30.03	\$ 31.49
Volumetric Rate ^b					
Operations Volumetric Rate ^b	\$ 2.54	\$ 2.64	\$ 2.64	\$ 2.64	\$ 2.77
Debt Repayment Rate ^b	\$ 2.72	\$ 2.72	\$ 2.72	\$ 3.07	\$ 3.22

Base Rate ^a (Meter Size)	Fiscal Year Ending				
	2008 ^c	2009 ^c	2010 ^c	2011	2012 ^d
5/8"	\$ 21.11	\$ 21.95	\$ 23.05	\$ 23.05	\$ 13.86
3/4"	\$ 24.82	\$ 25.81	\$ 27.10	\$ 27.10	\$ 17.87
1"	\$ 33.07	\$ 34.39	\$ 36.11	\$ 36.11	\$ 27.02
1.5"	\$ 54.24	\$ 56.41	\$ 59.23	\$ 59.23	
2"	\$ 81.04	\$ 84.28	\$ 88.50	\$ 88.50	
3"	\$ 138.16	\$ 143.69	\$ 150.87	\$ 150.87	
4"	\$ 222.34	\$ 231.23	\$ 242.79	\$ 242.79	
6" or larger	\$ 432.52	\$ 449.82	\$ 472.31	\$ 472.31	
Volumetric Rate ^b					
Operations Volumetric Rate ^b					\$ 2.37
Debt Repayment Rate ^b					\$ 2.72

^a Rate charge from 2008 to June 2012 included 200 cubic feet; Changed in July 2012 with zero water consumed.

^b Per 100 cubic feet

^c In Nov 2006, City of Little Rock Board of Directors approved a five step rate increase that effected 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.

^d In June 2012, City of Little Rock Board of Directors approved a four step rate increase that effected 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.

^e In August 2015, City of Little Rock Board of Directos approved a five step rate increase that will effect rates from 2017 to 2021. Step one occurred in 2017 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.

Schedule 9A
LITTLE ROCK WATER RECLAMATION AUTHORITY
 Non-Domestic Sewer Rates (Inside City)
 Last Ten Fiscal Years

Base Rate ^a (Meter Size)	Fiscal Year Ending				
	2013 ^d	2014 ^d	2015	2016 ^d	2017 ^e
5/8"	\$ 9.89	\$ 10.29	\$ 10.29	\$ 10.29	\$ 10.78
3/4"	\$ 12.74	\$ 13.25	\$ 13.25	\$ 13.25	\$ 13.88
1"	\$ 19.27	\$ 20.04	\$ 20.04	\$ 20.04	\$ 20.99
1.5"	\$ 34.02	\$ 35.38	\$ 35.38	\$ 35.38	\$ 37.06
2"	\$ 52.79	\$ 54.90	\$ 54.90	\$ 54.90	\$ 57.51
3"	\$ 96.48	\$ 100.34	\$ 100.34	\$ 100.34	\$ 105.11
4"	\$ 159.08	\$ 165.44	\$ 165.44	\$ 165.44	\$ 173.30
6" or larger	\$ 315.50	\$ 328.12	\$ 328.12	\$ 328.12	\$ 343.71
Volumetric Rate ^b					
Operations Volumetric Rate ^b	\$ 2.59	\$ 2.75	\$ 2.75	\$ 2.75	\$ 2.88
Debt Repayment Rate ^b	\$ 2.12	\$ 2.12	\$ 2.12	\$ 2.40	\$ 2.51

Base Rate ^a (Meter Size)	Fiscal Year Ending				
	2008 ^c	2009 ^c	2010 ^c	2011	2012 ^d
5/8"	\$ 14.07	\$ 14.63	\$ 15.37	\$ 15.37	\$ 9.24
3/4"	\$ 16.50	\$ 17.15	\$ 18.02	\$ 18.02	\$ 11.91
1"	\$ 22.07	\$ 22.95	\$ 24.10	\$ 24.10	\$ 18.01
1.5"	\$ 36.14	\$ 37.58	\$ 39.46	\$ 39.46	\$ 31.79
2"	\$ 52.96	\$ 55.08	\$ 57.83	\$ 57.83	\$ 49.34
3"	\$ 92.11	\$ 95.79	\$ 100.58	\$ 100.58	\$ 90.17
4"	\$ 148.20	\$ 161.84	\$ 161.84	\$ 161.84	\$ 148.67
6" or larger	\$ 288.35	\$ 299.88	\$ 314.87	\$ 314.87	\$ 294.86
Volumetric Rate ^b					
	\$ 2.83	\$ 2.94	\$ 3.09	\$ 3.09	
Operations Volumetric Rate ^b					\$ 1.85
Debt Repayment Rate ^b					\$ 2.12

^a Rate charge from 2008 to June 2012 included 200 cubic feet; Changed in July 2012 with zero water consumed.

^b Per 100 cubic feet

^c In Nov 2006, City of Little Rock Board of Directors approved a five step rate increase that effected 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.

^d In June 2012, City of Little Rock Board of Directors approved a four step rate increase that effected 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.

^e In August 2015, City of Little Rock Board of Directors approved a five step rate increase that will effect rates from 2017 to 2021. Step one occurred in 2017 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.

Schedule 9B
LITTLE ROCK WATER RECLAMATION AUTHORITY
 Non-Domestic Sewer Rates (Outside City)
 Last Ten Fiscal Years

Base Rate ^a (Meter Size)	Fiscal Year Ending				
	2013 ^d	2014 ^d	2015	2016 ^d	2017 ^e
5/8"	\$ 14.84	\$ 15.44	\$ 15.44	\$ 15.44	\$ 16.17
3/4"	\$ 19.11	\$ 19.88	\$ 19.88	\$ 19.88	\$ 20.82
1"	\$ 28.91	\$ 30.06	\$ 30.06	\$ 30.06	\$ 31.49
1.5"	\$ 51.03	\$ 53.07	\$ 53.07	\$ 53.07	\$ 55.59
2"	\$ 79.19	\$ 82.35	\$ 82.35	\$ 82.35	\$ 86.26
3"	\$ 144.72	\$ 150.51	\$ 150.51	\$ 150.51	\$ 157.66
4"	\$ 238.62	\$ 248.16	\$ 248.16	\$ 248.16	\$ 259.95
6" or larger	\$ 473.25	\$ 492.18	\$ 492.18	\$ 492.18	\$ 515.56
Volumetric Rate ^b					
Operations Volumetric Rate ^b	\$ 3.44	\$ 4.13	\$ 4.13	\$ 4.13	\$ 4.33
Debt Repayment Rate ^b	\$ 3.19	\$ 3.19	\$ 3.19	\$ 3.61	\$ 3.78

Base Rate ^a (Meter Size)	Fiscal Year Ending				
	2008 ^c	2009 ^c	2010 ^c	2011	2012 ^d
5/8"	\$ 21.11	\$ 21.95	\$ 23.05	\$ 23.05	\$ 13.86
3/4"	\$ 24.82	\$ 25.81	\$ 27.10	\$ 27.10	\$ 17.87
1"	\$ 33.07	\$ 34.39	\$ 36.11	\$ 36.11	\$ 27.02
1.5"	\$ 54.24	\$ 56.41	\$ 59.23	\$ 59.23	\$ 47.69
2"	\$ 81.04	\$ 84.28	\$ 88.50	\$ 88.50	\$ 74.01
3"	\$ 138.16	\$ 143.69	\$ 150.87	\$ 150.87	\$ 135.26
4"	\$ 222.34	\$ 231.23	\$ 242.79	\$ 242.79	\$ 223.01
6" or larger	\$ 432.52	\$ 449.82	\$ 472.31	\$ 472.31	\$ 442.29
Volumetric Rate ^b					
Operations Volumetric Rate ^b					\$ 2.78
Debt Repayment Rate ^b					\$ 3.19

^a Rate charge from 2008 to June 2012 included 200 cubic feet; Changed in July 2012 with zero water consumed.

^b Per 100 cubic feet

^c In Nov 2006, City of Little Rock Board of Directors approved a five step rate increase that effected 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.

^d In June 2012, City of Little Rock Board of Directors approved a four step rate increase that effected 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.

^e In August 2015, City of Little Rock Board of Directos approved a five step rate increase that will effect rates from 2017 to 2021. Step one occurred in 2017 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.

Schedule 10

LITTLE ROCK WATER RECLAMATION AUTHORITY

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year	Principal Only			Total		As a Share of Personal Income
	Revenue Bonds	Revolving Fund Loans ^a	Unamortized Bond Premium	Amount	Per Capita	
2008	\$ 177,480,000	\$ 70,978,477	\$ 876,421	\$249,334,898	\$ 1,361	3.64%
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%

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 the Financial Section #6 - Long-Term Debt for more information.

^aThe 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.

Schedule 11

LITTLE ROCK WATER RECLAMATION AUTHORITY

Pledge-Revenue Coverage

Last Ten Fiscal Years

Fiscal Year	Gross Revenue ^a	Direct Operating Expense ^b	Net Revenue Available For Debt Service	At December 31, Fiscal Year			Coverage
				Total Outstanding Debt ^c	# of Years of Outstanding Debt	Avg Yearly Outstanding Debt	
2008 ^e	\$ 47,882,812	\$ (23,731,107)	\$ 24,151,705	\$ 454,758,950	30	\$ 15,158,632	1.59
2009 ^f	\$ 43,416,841	\$ (23,467,164)	\$ 19,949,677	\$ 460,867,355	30	\$ 15,362,245	1.30
2010 ^d	\$ 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

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 Section #6 - Long-Term Debt for more information.

^a Includes interest on investment income.

^b See Schedule 4.

^c Amount contains construction draws only for active Revolving Loan Fund (RLF) at December 31st.

^d Includes an estimated look-forward rate increases of \$1.090 Million, \$1,498 Million, and \$1,947 Million in Gross Revenues based on approved Jan 1, 2008, Jan 1, 2009 and Jan 1, 2010 rate increases.

^e Includes an estimated look-forward rate increases of \$1,555 Million, and \$2,021 Million in Gross Revenues based on approved Jan 1, 2009 and Jan 1, 2010 rate increases.

^f Includes an estimated look-forward rate increases of \$1,988 Million in Gross Revenues based on approved Jan 1, 2010 rate increases.

Schedule 12
LITTLE ROCK WATER RECLAMATION AUTHORITY
 Demographic and Economic Statistics
 Last Ten Calendar Years

Calendar Year	Population ^a	Personal Income ^b	Per Capita Personal Income	Unemployment Percentage Rate
2008	183,133	\$ 6,857,048,919	\$ 37,443	5.6%
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%

^a Population of Little Rock, AR using 2000 Census and 2010 Census

^b 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

Schedule 13

LITTLE ROCK WATER RECLAMATION AUTHORITY

Ten Largest Sewer Customers

Current Year and Nine Years Ago

Fiscal Year 2017		
Customer	Amount	Percent
1. Little Rock Quick Rice Foods	\$ 569,953	1.07 %
2. University of Arkansas Medical Science	452,193	0.85
3. Baptist Medical Center	443,532	0.83
4. Central Arkansas Water	405,581	0.76
8. Veterans Administration Hospital	330,693	0.62
6. St. Vincent's Hospital	290,797	0.55
7. Arkansas Children's Hospital	246,989	0.46
8. Hiland Dairy	242,252	0.45
9. Welspun Tubular	192,146	0.36
10. Statehouse Convention Center	158,489	0.30
Subtotal	3,332,625	6.25
Balance from other customers	49,992,227	93.75
Grand Totals ^a	<u>\$53,324,852</u>	<u>100.00 %</u>

Fiscal Year 2008		
Customer	Amount	Percent
1. Odom Sausage	\$ 376,385	1.00 %
2. University of Arkansas Medical Science	313,965	0.83
3. Baptist Medical Center	295,640	0.79
4. St. Vincent's Hospital	238,766	0.63
5. Central Arkansas Water	229,092	0.61
6. City of Shannon Hills	215,291	0.57
7. US Time Corp	187,676	0.50
8. Veterans Administration Hospital	155,757	0.41
9. Arkansas Children's Hospital	130,746	0.35
10. Coca-Cola Bottling	119,860	0.32
Subtotal	2,263,178	6.01
Balance from other customers	35,394,981	93.99
Grand Totals ^a	<u>\$37,658,159</u>	<u>100.00 %</u>

^a Grand Totals are based on Sewer Charges from Schedule 3.

Schedule 14

LITTLE ROCK WATER RECLAMATION AUTHORITY

Principal Employers

Current Year and Nine Years Ago

Employer	2017			2008		
	Employees	Percentage of Total	Rank	Employees	Percentage of Total	Rank
State of Arkansas (within the MSA)	35,200	10.38%	1	32,200	10.08%	1
Local Government (within the MSA)	26,500	7.82%	2	28,800	9.02%	2
Federal Government (within the MSA)	10,200	3.01%	3	9,200	2.88%	3
University of Arkansas Medical Sciences	9,100	2.68%	4	8,500	2.66%	4
Baptist Health	6,590	1.94%	5	7,000	2.19%	6
Little Rock Air Force Base	4,500	1.33%	6	4,500	1.41%	7
Arkansas Children's Hospital	4,000	1.18%	7			
Little Rock School District	3,500	1.03%	8			
Central Arkansas Veterans Health Care	2,800	0.83%	9	3,500	1.10%	9
Entergy Arkansas	2,740	0.81%	10	2,738	0.86%	10
Axciom				4,388	1.37%	8
Public School Districts				7,411	2.32%	5
Total	105,130	31%		108,237	34%	

Sources: Greater Little Rock Chamber of Commerce & State of Arkansas (www.arkansaseconomicregions.org)

Schedule 15

LITTLE ROCK WATER RECLAMATION AUTHORITY

Number of Employees by Identifiable Activity

Last Ten Fiscal Years

	Full-time-Equivalent Employees as of December 31									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Administration:										
Executive Administrator	1	1	1	1	1	1	1	1	1	1
Safety & Communications	5	4	4	4	3	3	4	4	5	4
Human Resources	2	2	2	2	2	2	2	2	2	3
Finance/Accounting	12	12	12	10	8	9	12	12	12	11
Information Services	16	13	13	10	9	10	11	11	12	13
Legal	2	1	0	0	0	0	0	0	1	1
Clerical	10	11	10	9	7	7	7	7	5	4
Engineering	28	30	29	27	20	23	20	20	23	22
Sewer Plant Maintenance	12	23	21	21	22	23	24	24	25	19
Sewer Systems Maintenance	114	106	94	90	81	87	82	82	81	88
Sewer Plant Operations	24	21	20	20	21	18	22	22	22	22
Environmental Assessment	17	17	16	16	17	23	24	24	23	22
Total Employees	243	241	222	210	191	206	209	209	212	210

Schedule 16

LITTLE ROCK WATER RECLAMATION AUTHORITY

Operating and Capital Indicators,
Last Ten Fiscal Years

	Fiscal Year									
	2008	2009	2010	2011 ^a	2012	2013	2014	2015	2016	2017
Wastewater Treatment										
Miles of Sewer	1,314	1,312	1,320	1,346	1,353	1,359	1,368	1,375	1,384	1,386
Number of Treatment Plants	2	2	2	3	3	3	3	3	3	3
Treatment Capacity (MGD)										
- Biological Treatment	52.0	52.0	52.0	56.0	56.0	56.0	56.0	56.0	56.0	56.0
- Hydraulic Peak Capacity	130.0	130.0	130.0	144.0	144.0	144.0	144.0	144.0	144.0	144.0
Daily engineering maximum plant capacity (MGD)	35.18	40.63	40.58	35.55	31.04	33.91	34.17	37.04	32.40	29.34
Unused Capacity (MGD)	16.82	11.37	11.42	20.45	24.96	22.09	21.83	18.96	23.60	26.66
Percent of capacity utilized	68%	78%	78%	63%	55%	61%	61%	66%	58%	52%

Note: MGD = millions of gallons per day. Additional operating indicators can be found in schedules 6 and 7.

^a Little Maumelle Treatment Facility became operational on August 8, 2011.