



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, 2020
and 2019**

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LITTLE ROCK WATER RECLAMATION AUTHORITY

Little Rock, Arkansas

A Component Unit of the City of Little Rock

December 31, 2020 and 2019

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LITTLE ROCK WATER RECLAMATION AUTHORITY

Little Rock, Arkansas

A Component Unit of the City of Little Rock

December 31, 2020 and 2019

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INTRODUCTORY SECTION



LITTLE ROCK

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

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April 14, 2021

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

The staff of Little Rock Water Reclamation Authority (LRWRA or the Utility) is proud to present the Comprehensive Annual Financial Report for the fiscal years ended December 31, 2020 and 2019. 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, 2020. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with LRWRA.

The Comprehensive Annual Financial Report 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 unmodified (clean) opinions on LRWRA's financial statements for the years ended December 31, 2020 and 2019. 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 authorizes 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 appointed, and the City of Little Rock Sanitary Sewer System was created. The seven-member committee changed the governing board from Little Rock Sanitary Sewer Committee (LRSSC) to Little Rock Water Reclamation Commission (LRWRC) in 2015. 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 publicly 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 (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 Franchise Fee which is remitted to 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 presented at each monthly LRWRC meeting to show that current 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. As Arkansas's capital city, Little Rock is renowned for its charming hospitality, history, and culture. Recently ranked the third most "Travel Worthy State Capital," by *USA Today* readers, Little Rock continues to garner national and international acclaim for its quality of life and tourism amenities.

The customer base has continued to grow at a slow but steady pace from previous years for the domestic (residential) and non-domestic (non-residential) users of the City of Little Rock Water Reclamation System (the System). The number of domestic customer accounts has increased by 4.80% over the past 10 years, while non-domestic customer accounts have increased by 5.12% over the same period. The overall growth of total customer accounts for the 10-year period is 4.83%, an increase of 0.94% from 2019.

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 initially set at January 1, 2016. In 2010, RJN Group was selected to provide LRWRA with an update to the SECAP report. In 2011, the deadline to complete the requirements of the CAO was extended three years to December 31, 2018. During 2015, LRWRA changed the capital improvement program to focus on Collection System Overflow Mitigation Projects instead of wet weather storage facilities. Because of these changes, the deadline to complete all the requirements of the CAO and the Settlement Agreement was extended to December 31, 2023.

The 10-year plan contained in the 2021 budget includes estimated 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 anticipated funding. Total estimated costs remaining to satisfy the CAO requirements are \$41.0 million. *Note 8, Litigation*, of the audit discusses the Settlement Agreement in more detail.

Total capital expenditures of \$57.3 million are planned for 2021. Of this amount, \$49.2 million relates to carryover projects and \$8.1 million is proposed for new capital projects.

The Utility estimates that capital improvements required over the next 10 years, both to comply with the Settlement Agreement and the CAO and for routine capital improvements, will cost \$214.4 million. Some of the larger capital projects included in the capital budget are as follows:

Collection System Rehabilitation Capacity Assurance Projects

Various rehabilitation projects are forecast to require expenditures totaling \$77.7 million over the next 10 years through 2030. The total cost of work scheduled during 2021 is \$24.6 million and will be funded with system revenues and sewer revenue bonds issued in 2018, 2019, and 2020. The balance of the cost will be funded with System revenues and sewer revenue bonds to be issued in future years.

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 2021, \$3.5 million is forecasted for trenchless rehabilitation work. The Utility is projecting that \$27.0 million will be needed in total for years 2021 to 2030. This project is being funded with System revenues and current sewer revenue bonds from 2018, 2019, and 2020 along with future bond issues.

Large Diameter Pipe Inspection and Rehabilitation

A large diameter pipe inspection and rehabilitation program started to address the renewal of structurally deteriorated line segments. The 2021 cost is estimated at \$4.5 million. The identified line segments will be prioritized and placed on a rehabilitation schedule. The rehabilitation is estimated at a total cost of \$20.5 million through 2026 and will be funded by System revenues and revenue bonds issued in 2018, 2019, and 2020 along with future bond issues.

Adams Field Water Reclamation Facility – Parallel Treatment Installation/Disinfection

To help reduce wet-weather overflows, LRWRA is in the construction phase 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 and additional treatment facilities that will be operated in parallel with the existing activated sludge facilities. The project construction is expected to be completed by summer of 2021. Through December 31, 2020, \$34.8 million had been expended and an additional \$22.0 million is expected to be expended during 2021. The funding sources are sewer revenue bonds RLF 2016A and RLF 2020.

Adams Field WTF Asset Renewal – Phase II

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

Fourche Creek Water Reclamation Facility Phase III – Rehabilitation

In the 2008 Facility Plan for the facility, the hydraulic throughput of the plant was increased from 36 MDG to 48 MGD to allow for anticipated growth in the sewer collection system. Construction was completed in December of 2020. The total cost was approximately \$15.9 million for the construction of hydraulic and other capital improvements and was funded by System revenues and sewer revenue bond RLF 2016 and 2017 bonds.

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 started in 2020 and is scheduled to be completed in 2021. Estimated total cost is \$2.3 million and will be funded by the 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 2022 and finish in 2024. Estimated total cost is \$3.7 million, with funding coming from the 2020 RLF.

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 rates. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, maintenance, financing, and related debt issues and billing and collection.

Flow of Funds Policy

The flow of funds is established based on parity bond ordinances. The most recent City of Little Rock Bond Ordinance is No. 21,699. The ordinance states that rates charged for services of the System are fixed by ordinances of the City and all System revenues shall be paid into a special fund designated "Sewer Fund" (or Revenue Fund). The System revenues deposited in the Revenue Fund are pledged and applied in sequence to: (a) current expenses of maintenance and operations; (b) payment, pro rata, into the bond fund being maintained in connection with the Parity Bonds and any Additional Bonds that require monthly deposits; (c) payment, pro rata, into the bond fund being maintained in connection with the Subordinate Bonds; (d) payment into the Deprecation Fund (3% of System Revenues remaining after disbursement into (a), (b), and (c) from above); and (e) any surplus in the Revenue Fund after making all disbursements and providing for all funds described above may be used for any lawful purpose related to the System authorized by the LRWRA.

Sewer Revenue Fund

All gross revenues are deposited into the Sewer Revenue Fund (Revenue Fund). Monies deposited in the Sewer Revenue Fund shall first be used to pay all Operation and Maintenance Expenses (O&M). The revenues of the System not actually required to pay Operation and Maintenance Expenses (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 no longer than 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% (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 be deposited in the Depreciation Fund and shall be held in and paid out from such fund for the following purpose:

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

Contributions in Aid of Construction Fund

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

Capital Projects Fund

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

Capital Improvements Budget Policy

A budget will be prepared for all capital expenditures contemplated, including estimated amounts to complete 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 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 Engineering and Finance departments, and submitted for approval to the Director of Engineering and the Executive Staff.

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

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

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

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

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

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

Budget Amendment Policy

Operating or capital budget line item transfers are done on a memorandum basis and submitted by the requesting manager to the Controller. Budgetary transfers are subject to approval by management but do not require approval from the LRWRC. Emergency funding authorizations and amendments to the approved operating or capital budgets require approval from the LRWRC.

Revenue Policy

City of Little Rock Ordinance No. 21,080 requires that the LRWRC maintain rates sufficient to produce or yield revenues to provide in each fiscal year amounts adequate to pay all estimated 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 rates.

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 December 31, 2020, and set a minimum cash operating balance of 45 days effective immediately. LRWRA reached its goal prior to the date set in the policy and has maintained it since. This resolution also gives the CEO and staff authorization to take necessary action if reserve levels drop below minimum to adjust expenses and replenish reserves.

Investment Policy

LRWRA's Investment Policy outlined in the bond ordinances, requires available funds to 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 by the CFO and Controller.

“Eligible Investments” defined by Arkansas statute (AR § Code 19-1-501) authorizes LRWRA to invest in 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 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

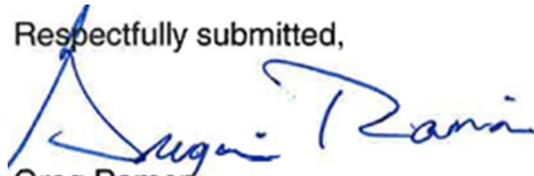
Approved rate increases are included in the Financial Plan and are mainly driven by the capital improvement program and debt service coverage required both by the revenue bond covenants and by the LRWRC benchmarks for financial management. The parity revenue bond covenants require debt service coverage 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 for the fiscal year ended December 31, 2019. This was the sixteenth 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 Comprehensive Annual Financial Report that satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one (1) year. We believe that our Comprehensive Annual Financial Report for the year ended December 31, 2020, continues to meet the Certificate of Achievement Program's requirements and will be submitting it to the GFOA to determine its eligibility.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of LRWRA Finance and the extended employees of LRWRA for their adherence to established policies, practices, and internal controls.

Respectfully submitted,



Greg Ramon
Chief Executive Officer

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Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Little Rock Water Reclamation Authority
Arkansas**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

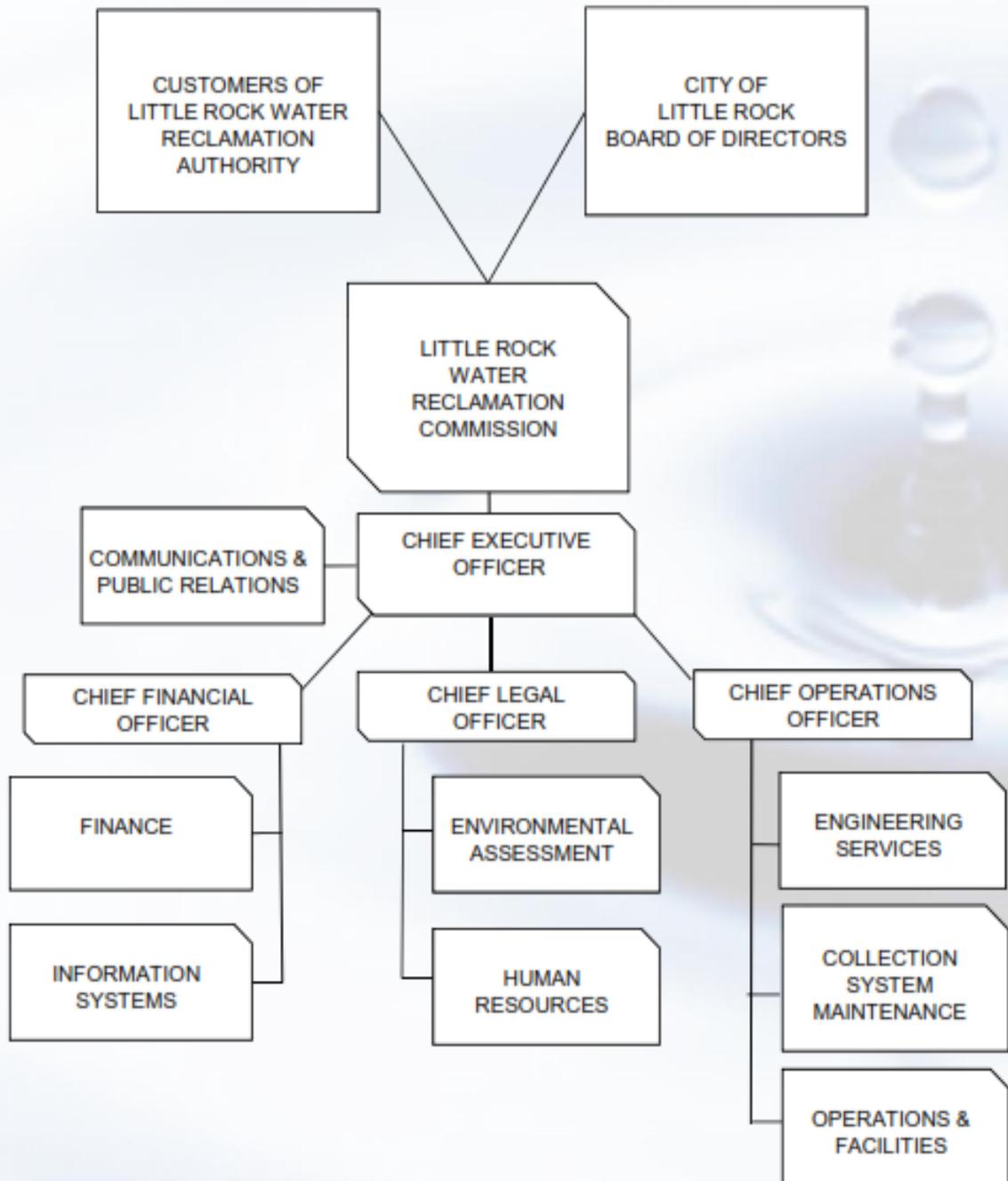
December 31, 2019

Christopher P. Morill

Executive Director/CEO

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LITTLE ROCK WATER RECLAMATION AUTHORITY ORGANIZATIONAL CHART



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2020 LITTLE ROCK WATER RECLAMATION COMMISSION

**Debbie Shock
Secretary**



**Chris Marsh
Chair**



**Ganelle McBryde
Vice Chair**



**Richard Mays Jr.
Commissioner**



**Bill Flowers
Commissioner**

**Schawnee Hightower
Commissioner**



**Lauren Waldrip
Commissioner**

EXECUTIVE STAFF

Greg Ramon – Chief Executive Officer

Mike Rhoda – Chief Financial Officer

Jean Block – Chief Legal Officer

Howell Anderson, P.E. – Chief Operating Officer

John Holloway, P.E. – Engineering

Jamie Ewing – Environmental Assessment

Walter Collins, P.E. – Operations

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FINANCIAL SECTION



LITTLE ROCK

**Water Reclamation
Authority**

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ONE FUTURE.

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the business-type activities and the fiduciary activities of Little Rock Water Reclamation Authority (Utility), collectively a component unit of the City of Little Rock, Arkansas, as of and for the years ended December 31, 2020 and 2019, 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 fiduciary activities of Little Rock Water Reclamation Authority, as of December 31, 2020 and 2019, 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 2020 the Utility adopted Governmental Accounting Standards Board (GASB) Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Utility's basic financial statements. The introductory section, budgetary comparison schedule, schedule of operating expenses by department – excluding depreciation, schedule of bonded indebtedness, and the statistical section as listed in the table of contents, 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 – excluding depreciation and schedule of bonded indebtedness are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule, schedule of operating expenses – excluding depreciation and schedule of bonded indebtedness are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

BKD, LLP

Dallas, Texas
April 14, 2021

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Little Rock Water Reclamation Authority (LRWRA), we offer readers of LRWRA's financial statements this narrative overview and analysis of the financial activities of LRWRA for the fiscal year ended December 31, 2020. We encourage readers to consider the information presented here in conjunction with additional information that is provided in our letter of transmittal, which can be found on pages 1 through 9 of this report. The comprehensive annual financial report is made available via the internet (www.lrwra.com). The use of the internet is consistent with LRWRA's objective to provide greater information to the public in a more efficient manner, reducing paperwork, labor, and communication costs.

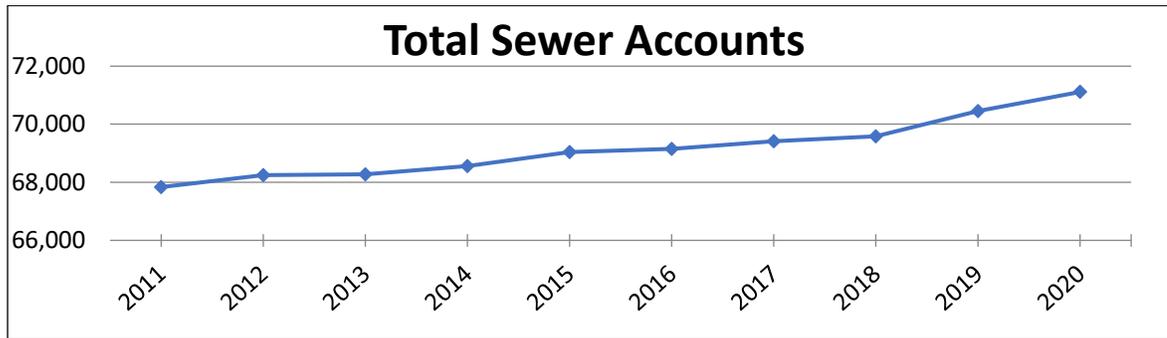
Financial Highlights

- Total Assets and Deferred Outflows of Resources at December 31, 2020, were \$621.5 million and exceeded Total Liabilities and Deferred Inflows of Resources that totaled \$401.6 million. Total Net Position was \$220.0 million, an increase of 3.5% from 2019. Total Assets and Deferred Outflows of Resources at **December 31, 2019**, were \$588.9 million and exceeded Total Liabilities and Deferred Inflows of Resources that totaled \$376.4 million. Total Net Position was \$212.5 million, an increase of 4.3% from 2018.
- Operating Revenue for fiscal year 2020 was \$59.1 million, which is a decrease of \$1.6 million, or 2.7%, from fiscal year 2019. Even though LRWRA implemented a rate increase of 4.75% in January 2020, revenues decreased from fiscal year 2019 due to lower usage by non-domestic customers and increases of bad debt write offs due to the COVID-19 pandemic. Operating Revenue for fiscal year 2019 was \$60.8 million, which is a decrease of \$135,000, or 0.22%, from fiscal year 2018. Even though LRWRA implemented a rate increase of 4.75% in January 2019, revenues stayed relatively consistent from fiscal year 2018 due to lower usage by both domestic and non-domestic customers.
- Operating Expenses, before Depreciation, for fiscal year 2020 were \$29.1 million, which is an decrease of \$1.1 million, or 3.7%, compared to fiscal year 2019. The decreases were primarily driven by cost saving measures taken to respond to the COVID-19 Pandemic. Operating Expenses, before Depreciation, for fiscal year 2019 were \$30.2 million, which is an increase of \$1.9 million, or 6.54%, from 2018. The major increases were primarily driven by a \$1.8 million increase in salaries and benefits in fiscal year 2019 compared to fiscal year 2018.
- Operating Expenses, including Depreciation, for fiscal year 2020 were \$46.9 million, which is a decrease of \$293,000 thousand, or 0.62%, from fiscal year 2019. Operating Expenses, including Depreciation, for fiscal year 2019 were \$47.2 million, which was an increase of \$2.8 million, or 6.27%, from fiscal year 2018.
- Debt Service Coverage was 1.99, which exceeds the 1.20 required by the Bond Covenant. In the Statistical Data Section, Schedule 11 – Pledged-Revenue Coverage provides more information on debt service coverage.

- In August 2015, the City of Little Rock Board of Directors passed a new Sewer Rate Ordinance. The ordinance included a five-step sewer rate adjustment timeline; 4.75% for January 2017; 4.75% for January 2018; 4.75% for January 2019; 4.75% for January 2020; and 4.75% for January 2021. Most of this revenue is to fund debt service for the 2016 Sewer Revenue Bond, the 2017 Construction Revenue Bond, the 2018 Sewer Revenue Bond, the 2019 Sewer Revenue Bond, the 2020A Sewer Revenue Bond, the 2020B Sewer Revenue Bond, and the 2020C Sewer Revenue Bond.
- Adoption of Governmental Accounting Standards Board (GASB) Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation* (GASB 97). This implementation resulted in the restatement of 2019 beginning fiduciary net position (see *Note 1*).

General Trends

LRWRA’s customer accounts increased in 2020 from December 31, 2019, by 659 or 0.94%, and from 2018 by 873, or 1.25%. Over a 10-year period, the customer growth rate was 4.83%. As you can see from the chart below, customer growth has slow steady upward movement starting in 2011 to present.



Water Reclamation Authority Customers	2020	2019	2018
Beginning customer accounts	70,453	69,580	69,410
Additional customers (net)	659	873	170
Ending customers	71,112	70,453	69,580

The following chart shows a sample monthly domestic customer bill based on a consumption of 5 Ccf in 2020 and 6 Ccf in 2019 and 2018. The domestic average usage has been dropping over the past several years, in 2020, the average was 5 (rounded down) 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	2020	2019	2018
	\$ 35.26	\$ 38.03	\$ 36.31

Little Rock’s Water Reclamation Authority rates remain moderately higher than neighboring utilities based on yearly rate surveys. The LRWRC updates the annual budget plan that allows LRWRA to project the need for potential rate adjustments in conjunction future foreseen 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 the 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 1,404 miles of sewer lines. The National Association of Clean Water Agencies (NACWA) awarded all three LRWRA facilities in 2020. Adams Field was awarded a Platinum Peak Performance Award; Fourche Creek was awarded a Platinum Peak Performance Award for the first time, which recognizes facilities with no permit violations for the entire calendar year, and Little Maumelle was awarded a Gold Award, which recognizes facilities with consistent record of full compliance for a consecutive five-year period!

The Adams Field Water Reclamation Facility (AFWRF) 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 capability. Secondary treatment facilities were added in the early 1970s at a cost of \$6.2 million. The latest facility upgrade to be placed in service 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. In an effort to reduce wet-weather overflows, current capital improvements at AFWRF will increase the peak flow treatment capacity to 94 million gallons per day (MGD) by installing media filters and additional treatment facilities that will be operated in parallel with the existing activated sludge facilities. The project construction is expected to be completed by summer of 2021 and the total capital cost for this project is estimated at \$34.1 million.



The Fourche Creek Water Reclamation Facility (FCWRF) 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 process was brought online in 1989 at a cost of \$9 million. The FCWRF is also a two-stage, or secondary treatment facility. It has a rated biological treatment capacity of 16 MGD. The plant's annual average dry weather influent sewage flow is 12 MGD.

In December 2020, construction was completed to increase the hydraulic throughput of the plant from 36 MDG to 48 MGD to allow for growth within the sewer collection systems. The total cost of the upgrade was approximately \$15.9 million.



The Little Maumelle Water Reclamation Facility (LMWRF) 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 an odor control system and uses Ultraviolet 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 conducted in two phases. Phase I was placed in service in 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 phase consists of a 42 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, cost \$54.5 million dollars. Phase II was completed in 2019 at a cost of \$20.3 million dollars that included adding an additional 31-million-gallon storage facility and pumping equipment to increase capacity during wet weather overflows. It is part of a system created to reduce the effects of designated or “designed” storm events, also referred to as ‘peak flow events’, where a preestablished amount of rain accumulates within 48 hours.



The Clearwater Maintenance Facility is the operations/maintenance complex on a 36-acre tract that was built in 1989 at a cost of \$1.79 million. 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 a large portion of LRWRA work force.

The Clearwater Administration Building was built in 2005 at a cost of \$3.0 million and is located near the Clearwater Maintenance Facility. The CEO, Department Managers, Engineering, Information Services, Accounting, Human Resources, Safety, Communications, and Purchasing are all located in the administrative building. This building is also the location for the monthly LRWRC meetings.



Overview of the Financial Statements

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

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

The Statement of Revenues, Expenses, and Changes in Net Position reflects the results of the business activities over the course of the most recent fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

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

Fiscal Years 2018–2020 Financial Information

Statement of Net Position

Total Assets and Deferred Outflows of Resources increased by \$32.6 million in 2020 and increased \$38.8 million in 2019. This change was primarily due to the increase in Net Capital Assets, which increased \$33.1 million in 2020 and \$33.7 million in 2019. *Note 4* on page 42 provides a breakdown between classes of additions and retirements. Also, current assets increased \$6.5 million in 2020 and \$6.7 million in 2019. The 2020 increase was primarily due to the increase in cash and equivalents of \$2.0 million and an increase of accounts receivable of \$3.3 million primarily related to pending grant reimbursement from FEMA. The 2019 increase was primarily due to the increase in cash and equivalents of \$7.6 million and a decrease of bond requirement-cash and cash equivalents of \$1.2 million.

Current Liabilities decreased 14.5%, or \$3.6 million, in 2020 and increased 7.19%, or \$1.6 million, in 2019. The primary cause for the decrease in 2020 was the decrease in the current portion of bonds payable of \$4.0 million due to Arkansas Development Finance Authority deferring certain principal payments to help alleviate some of the impact caused by the pandemic. The primary cause for the increase in 2019 was the \$2.9 million increase in construction accounts payable.

Noncurrent Liabilities increased 8.4% or \$29.2 million, for 2020 due to an increase in bonds payable of \$25.6 million and an increase of \$3.1 million in net pension liability. The increase of 8.6% or \$27.8 for 2019 was due to an increase in bonds payable of \$26.4 million and an increase of \$1.8 million in net pension liability. LRWRA's bond information can be found in *Note 6* starting on Page 43. Additional information for GASB 68 net pension liability can be found on Pages 75 and 76. Total Liabilities increased by \$25.6 million from 2019 and \$29.4 million from 2018.

In 2020, Total Net Position increased by \$7.4 million, or 3.5%, including an increase of \$2.9 million from income before contributions, and \$4.9 million from capital contributions and grants. In 2019, Total Net Position increased by \$8.8 million, or 4.3%, including a change of \$5.9 million from income before contributions and grants and \$2.9 million from capital contributions and grants.

	2020	Percent Change	2019	Percent Change	2018
Assets					
Current assets	\$ 54,075,120	13.62%	\$ 47,594,978	16.30%	\$ 40,926,045
Noncurrent unrestricted and restricted assets	7,273,011	-54.87%	16,113,998	-4.54%	16,879,965
Capital assets (net)	545,064,352	6.47%	511,931,639	7.05%	478,224,019
Total assets	606,412,483	5.35%	575,640,615	7.39%	536,030,029
Deferred Outflows of Resources					
Bond refunding	8,802,109	6.24%	8,284,837	-9.12%	9,116,181
Pension funding	4,073,255	38.11%	2,949,378	-14.82%	3,462,493
OPEB	2,227,895	100.00%	2,018,483	0.00%	1,516,554
Total deferred outflows of resources	15,103,259	13.96%	13,252,698	-5.98%	14,095,228
Total assets and deferred outflows of resources	\$ 621,515,742	5.54%	\$ 588,893,313	7.05%	\$ 550,125,257
Liabilities					
Current liabilities	\$ 21,033,351	-14.48%	\$ 24,595,168	7.19%	\$ 22,945,797
Noncurrent liabilities	378,287,621	8.36%	349,098,339	8.64%	321,325,948
Total liabilities	399,320,972	6.86%	373,693,507	8.55%	344,271,745
Deferred Inflows of Resources					
Pension funding	530,012	-49.39%	1,047,211	-42.95%	1,835,639
OPEB	1,711,781	100.00%	1,624,459	0.00%	328,564
Total deferred inflows of resources	2,241,793	-16.09%	2,671,670	23.45%	2,164,203
Net Position					
Net investment in capital assets	188,499,492	3.68%	181,817,487	1.58%	178,984,742
Restricted	5,688,547	-28.92%	8,002,459	11.97%	7,147,197
Unrestricted	25,764,938	13.46%	22,708,190	29.34%	17,557,370
Total net position	219,952,977	3.49%	212,528,136	4.34%	203,689,309
Total liabilities, deferred inflows of resources and net position	\$ 621,515,742	5.54%	\$ 588,893,313	7.05%	\$ 550,125,257

Statement of Revenues, Expenses and Changes in Net Position

Operating revenue consists of 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 include 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 gains on disposal of property, unrealized gains on investments, and miscellaneous income.

Total Revenue decreased from 2019 to 2020 by \$2.3 million, or 3.7%, and from 2018 to 2019 it increased by \$189,000, or 0.31%. Even though LRWRA implemented a rate change of 4.75% in January 2020, revenues decreased from fiscal year 2019 due to lower usage by non-domestic customers during the COVID-19 pandemic. Also, bad debt write-offs have and are expected to continue to increase. The minimal growth in fiscal year 2019 from fiscal year 2018 reflects an implemented rate change of 4.75% and a decrease in usage by both domestic and non-domestic. The end user rate increase of 4.75% in January 2020 and 2019 will be used to support the future debt repayment on the 2016 RLF principal and interest, the 2017 Sewer Revenue Bond principal and interest, 2018 RLF principal and interest, 2019 RLF principal and interest, 2020A RLF principal and interest, and 2020C RLF principal and interest along with operations. Assessments Levied and Industrial Surcharges decreased in 2020 from 2019 by \$1.7 million and decreased over 2018 by \$100,000. Nonoperating Revenue decreased by \$686,000 in 2020 and 2019 increased by \$325,000 over 2018. The 2020 decrease was primarily due to the decrease in investment income driven by decreasing interest rates and the 2019 increase was primarily due to increases in investment income driven by better interest rates and more funds invested.

Operating Expenses are departmentalized within LRWRA. Expenses are categorized by salaries, benefits, supplies, contract services, vehicle maintenance, utilities, insurance, training, and administration and analyzed throughout the year. Nonoperating Expenses consist of interest expense, bond issuance costs, loss on disposal of capital assets, unrestricted loss on investments and miscellaneous expenses.

Total Operating Expense decreased by \$1.1 million, or 3.7%, in 2020. Total Operating Expenses were below the budget by -0.42%. The variance to budget is primarily due to Executive Staff electing to reduce expenses such as salaries/benefits (leaving vacant positions open indefinitely), supplies, travel/training in order to offset expected revenues loss due to COVID-19. Total Operating Expense increased by \$1.9 million, or 6.5%, in 2019 from 2018. The major increases in 2019 from 2018 were due to an increase in administrative expenses, filling of vacant position, associated benefits, and normal business activities.

Nonoperating Expense increased by \$1.4 million in 2020 compared to 2019 and decreased \$1.0 million in 2019 compared to 2018. The 2020 increase was due to an increase in interest expense. The 2019 decrease was due to a reduced loss on disposal of capital assets.

The Change in Net Position for fiscal year 2020 increased by \$7.4 million due primarily to Income Before Contributions of \$2.5 million and capital contributions and grants of \$4.9 million as LRWRA began receiving FEMA assistance related to the 2019 flood. Total Net Position – Ending increased by 3.49% compared to 2019. Change in Net Position for fiscal year 2019 increased by \$8.8 million due primarily to income before contributions of \$5.9 million and capital contributions and grants of \$2.9 million. Total Net Position – Ending increased by 4.34% compared 2018.

Additional information can be found on the Statement of Revenues, Expenses, and Changes in Net Position on Page 28 and Budgetary Comparison Schedule on Page 75.

	2020	Percent Change	2019	Percent Change	2018
Revenues					
Operating revenues					
Assessments levied	\$ 57,044,610	-2.48%	\$ 58,492,305	-0.59%	\$ 58,836,838
Industrial surcharges	1,350,050	-14.64%	1,581,640	18.22%	1,337,871
Other fees and income	728,358	7.44%	677,903	-4.88%	712,655
Nonoperating revenues	596,672	-53.48%	1,282,573	33.94%	957,559
Total revenues	59,719,690	-3.73%	62,034,421	0.31%	61,844,923
Expenses					
Operating expense	29,065,004	-3.71%	30,184,369	6.54%	28,332,522
Depreciation expense	17,858,636	4.85%	17,032,333	5.79%	16,099,423
Nonoperating expense	10,314,916	16.03%	8,889,727	-10.12%	9,890,871
Total expense	57,238,556	2.02%	56,106,429	3.28%	54,322,816
Income Before Contributions	2,481,134	-58.15%	5,927,992	-21.19%	7,522,107
Capital Contributions and Grants	4,943,707	69.84%	2,910,835	4.47%	2,786,302
Change in Net Position	7,424,841	-16.00%	8,838,827	-14.26%	10,308,409
Net Position – Beginning	212,528,136	4.34%	203,689,309	5.33%	193,380,900
Total Net Position – Ending	\$ 219,952,977	3.49%	\$ 212,528,136	4.34%	\$ 203,689,309

Capital Assets and Debt Administration

The additions to LRWRA's wastewater system capital improvements were \$51.5 million in fiscal year 2020. The capital expenditures were incurred for collection system projects in the amounts of \$28.5 million, pumping/treatment for \$1.1 million, transportation for \$0.2 million, mains/development at \$2.9 million, FCWTF Phase III rehabilitation for \$5.5 million, FCWTF Secondary Clarifier (FEMA) for \$3.9 million, Adams Field WTF Parallel Treatment for \$8.6 million, and all other \$0.8 million. Additional information can be found on *Note 5* of this report.

The total long-term debt (less bond payable within one year) increased by \$26.5 million in 2020. Additional information can be found on *Note 6* of this report.

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

Long-Term Debt	2020	2019	2018
2007B Sewer Revenue Bond	\$ 9,320,323	\$ 10,221,481	\$ 11,098,358
2009A Sewer Revenue Bond	4,983,950	5,365,824	5,740,173
2011 Sewer Revenue and Refunding Bond	4,780,000	7,030,000	8,995,000
2012 Sewer Revenue Bond		23,915,000	24,600,000
2013 Sewer Revenue Bond	30,027,946	31,571,435	33,080,773
2014 Sewer Refunding Revenue Bond	4,395,000	5,715,000	7,015,000
2015 Sewer Refunding Revenue Bond	135,455,000	139,915,000	144,440,000
2016A Sewer Revenue Bond	60,366,001	51,496,650	32,892,558
2016B Sewer Refunding Revenue Bond	16,045,000	16,700,000	17,335,000
2017 Sewer Revenue Bond	10,215,000	10,435,000	10,650,000
2018 Sewer Revenue Bond	48,160,483	28,793,214	7,554,450
2019 Sewer Revenue Bond	6,587,817	643,665	-
2020A Sewer Revenue Bond	1,060,885	-	-
2020B Sewer Revenue Bond	22,850,000	-	-
2020C Sewer Revenue Bond	16,000	-	-
Less debt payable, due within one year	(9,215,000)	(13,250,740)	(12,085,562)
Total long-term debt	\$ 345,048,405	\$ 318,551,529	\$ 291,315,750

Additional information on LRWRA's long-term debt can be found in *Note 7* on Page 49 of this report.

Economic Factors and Next Year's Budget and Rates

LRWRA expects its customer base will continue to grow annually at a modest rate of less than 1.00%. In the 2021 Budget, LRWRA reduced revenue projections in both domestic and non-domestic customers based on the continued COVID-19 impact. LRWRA evaluates the Average Winter Consumption (AWC) for residential customers in the March/April timeframe. The AWC trend of domestic water consumption shows a modest annual usage decline over the past five years. LRWRA has one major customer that accounts for just over 1.00% of assessment levied revenues (see Schedule 13 – Ten Largest Customers).

The 10-year capital improvement plan set forth in the 2021 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 2021 budget primarily relate to wastewater collection, transmission, and treatment improvements. Total capital expenditures of \$57.3 million are planned for 2021. Of this amount, \$49.2 million relates to carryover projects and \$8.1 million is proposed for new capital projects.

LRWRA estimates the capital improvements required over the next 10 years, both to comply with the Settlement Agreement and the CAO and for routine capital improvements, will cost \$214.4 million. In August 2015, the City of Little Rock Board of Directors passed a five-step rate increase for the following timelines and percentage adjustments; 4.75% on January 1, 2017; 4.75% on January 1, 2018; 4.75% on January 1, 2019; 4.75% on January 1, 2020; and 4.75% on January 1, 2021.

Moody's Investors Service rated LRWRA with a Aa3 and a stable outlook to the 2020B Bond Revenue issue on the underlying rating of the City of Little Rock (AR) Sewer Revenue Bonds based on projected rate increases necessary to support future debt needs to meet the CAO.

Request for Information

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

Little Rock Water Reclamation Authority
Statements of Net Position
December 31, 2020 and 2019

Assets	2020	2019
Current Assets		
Cash and cash equivalents	\$ 35,804,284	\$ 33,845,203
Accounts and grants receivable (net of allowance for doubtful accounts of \$873,127 in 2020 and \$465,979 in 2019)	10,246,792	6,936,571
Inventories	1,442,586	1,500,234
Prepaid items	99,686	121,697
Construction receivable	91	8,565
Restricted current assets		
Bond requirements		
Cash and cash equivalents	6,012,516	4,508,237
Accrued interest receivable	2,058	26,318
Prepaid items	467,107	648,153
Total current assets	54,075,120	47,594,978
Noncurrent Assets		
Unrestricted noncurrent assets		
Workers' compensation fund investments	604,765	600,114
Total unrestricted noncurrent assets	604,765	600,114
Restricted Noncurrent Assets		
Bond requirements		
Investments	4,831,199	8,598,729
Cash and cash equivalents	1,837,047	6,915,155
Total restricted noncurrent assets	6,668,246	15,513,884
Capital Assets (Net of Accumulated Depreciation)	545,064,352	511,931,639
Total noncurrent assets	552,337,363	528,045,637
Total assets	606,412,483	575,640,615
Deferred Outflows of Resources		
Deferred amounts on bond refunding	8,802,109	8,284,837
Deferred amounts on pension funding	4,073,255	2,949,378
Deferred amounts on OPEB	2,227,895	2,018,483
Total deferred outflows of resources	15,103,259	13,252,698
Total assets and deferred outflows of resources	\$ 621,515,742	\$ 588,893,313

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

Little Rock Water Reclamation Authority
Statements of Net Position (Continued)
December 31, 2020 and 2019

Liabilities	<u>2020</u>	<u>2019</u>
Current Liabilities		
Accounts payable	\$ 1,011,594	\$ 524,037
Franchise fee collections due to City of Little Rock	500,830	476,996
Sewer line replacement fee	771,645	728,566
Accrued wages payable and related liabilities	268,962	791,519
Accrued expenses and other	303,064	-
Unearned revenue	47,396	-
Compensated absences	1,112,187	939,329
Construction contracts payable	5,477,915	5,126,785
Accrued bond/note interest payable	2,324,758	2,757,196
Bonds payable – current	<u>9,215,000</u>	<u>13,250,740</u>
Total current liabilities	<u>21,033,351</u>	<u>24,595,168</u>
Noncurrent Liabilities		
Bonds payable (net of unamortized premiums)	352,511,101	326,936,619
Compensated absences	127,420	64,616
Net pension liability	20,319,625	17,183,550
Net OPEB liability	<u>5,329,475</u>	<u>4,913,554</u>
Total noncurrent liabilities	<u>378,287,621</u>	<u>349,098,339</u>
Total liabilities	<u>399,320,972</u>	<u>373,693,507</u>
Deferred Inflows of Resources		
Deferred amounts on pension funding	530,012	1,047,211
Deferred amount related to OPEB	<u>1,711,781</u>	<u>1,624,459</u>
Total deferred inflows of resources	<u>2,241,793</u>	<u>2,671,670</u>
Net Position		
Net investment in capital assets	188,499,492	181,817,487
Restricted		
Debt service	5,688,547	8,002,459
Unrestricted	<u>25,764,938</u>	<u>22,708,190</u>
Total net position	<u>219,952,977</u>	<u>212,528,136</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 621,515,742</u>	<u>\$ 588,893,313</u>

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

Little Rock Water Reclamation Authority
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2020 and 2019

	2020	2019
Operating Revenues		
Sewer charges	\$ 57,044,610	\$ 58,492,305
Industrial surcharges	1,350,050	1,581,640
Other	728,358	677,903
Total operating revenues	59,123,018	60,751,848
Operating Expenses		
Salaries and benefits	20,118,950	20,457,142
Supplies	2,355,208	2,419,263
Contract services	3,925,123	4,047,693
Vehicle expenses	234,418	295,468
Utilities	1,724,446	1,984,688
Administrative	706,859	980,115
Total operating expenses	29,065,004	30,184,369
Provision for Depreciation		
Building and improvements	4,204,223	4,183,557
Infrastructure – collections, pumping and treatments	9,794,366	8,913,060
Equipment	3,860,047	3,935,716
Total provision for depreciation	17,858,636	17,032,333
Operating Income	12,199,378	13,535,146
Nonoperating Income (Expense)		
Interest income	519,039	1,027,034
Interest expense	(9,461,928)	(8,756,844)
Bond issuance costs	(388,325)	(24,398)
Loss on disposal of capital assets	(464,663)	(108,485)
Gain on investments	5,850	58,579
Other	71,783	196,960
Net nonoperating expense	(9,718,244)	(7,607,154)
Increase in Net Position Before Capital Contributions and Grants	2,481,134	5,927,992
Capital Contributions and Grants		
Capital contributions (cash and noncash)	1,540,154	2,783,315
Federal grants	3,403,553	127,520
Total capital contributions and grants	4,943,707	2,910,835
Change in Net Position	7,424,841	8,838,827
Net Position, Beginning of Year	212,528,136	203,689,309
Net Position, End of Year	\$ 219,952,977	\$ 212,528,136

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

Little Rock Water Reclamation Authority
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Cash received from customers	\$ 58,367,964	\$ 60,084,958
Cash received City of Little Rock franchise fees	6,273,842	5,939,345
Other receipts	800,141	874,863
Payments to employees	(17,615,706)	(17,593,464)
Payments to suppliers	(1,810,003)	(2,259,776)
Payments for contractual services	(3,925,123)	(4,047,693)
Payments for utilities	(1,724,446)	(1,984,688)
Payments to City of Little Rock franchise fees	(6,250,008)	(5,905,113)
Other payments	<u>(1,436,465)</u>	<u>(2,072,385)</u>
Net cash provided by operating activities	<u>32,680,196</u>	<u>33,036,047</u>
Cash Flows from Capital and Related Financing Activities		
Bond issuance costs	(388,325)	(24,398)
Acquisition and construction of capital assets	(49,913,673)	(47,038,504)
Cash donations	293,666	27,737
Grant proceeds	210,503	-
Proceeds from disposal of property and equipment	63,753	84,198
Principal paid on indebtedness	(112,541,685)	(12,097,416)
Interest paid on indebtedness	(10,816,760)	(8,357,411)
Proceeds from issuance of indebtedness	<u>134,485,549</u>	<u>39,059,978</u>
Net cash used in capital and related financing activities	<u>(38,606,972)</u>	<u>(28,345,816)</u>
Cash Flows from Investing Activities		
Interest on investments	543,299	1,055,930
Proceeds from sale of investments	10,406,556	6,071,535
Purchase of investments	<u>(6,637,827)</u>	<u>(8,166,956)</u>
Net cash provided by (used in) investing activities	<u>4,312,028</u>	<u>(1,039,491)</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ (1,614,748)</u>	<u>\$ 3,650,740</u>

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

Little Rock Water Reclamation Authority
Statements of Cash Flows (Continued)
Years Ended December 31, 2020 and 2019

	2020	2019
Cash and Cash Equivalents		
Beginning of year	\$ 45,268,595	\$ 41,617,855
Net increase (decrease) in cash and cash equivalents	(1,614,748)	3,650,740
End of year	\$ 43,653,847	\$ 45,268,595
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 12,199,378	\$ 13,535,146
Adjustments		
Depreciation	17,858,636	17,032,333
Other income	71,783	196,960
Change in operating assets and liabilities		
(Increase) decrease in accounts receivable	(69,775)	(225,461)
(Increase) decrease in inventories	57,648	33,423
(Increase) decrease in prepaid items and other assets	203,057	85,869
(Increase) decrease in deferred outflows on pensions	(1,123,877)	513,115
(Increase) decrease in deferred outflows on OPEB	(209,412)	(501,929)
Increase (decrease) in accounts payable	530,636	362,538
Increase (decrease) in accrued expenses	16,169	61,228
Increase (decrease) in City of Little Rock franchise fees	23,834	34,232
Increase (decrease) in net pension liability	3,136,075	1,876,790
Increase (decrease) in net OPEB liability	415,921	(475,664)
Increase (decrease) in deferred inflows on pensions	(517,199)	(788,428)
Increase (decrease) in deferred inflows on OPEB	87,322	1,295,895
Net cash provided by operating activities	\$ 32,680,196	\$ 33,036,047
Reconciliation of Total Cash and Cash Equivalents		
Current assets – cash and cash equivalents	\$ 35,804,284	\$ 33,845,203
Restricted for bond requirements	6,012,516	4,508,237
Restricted for construction and improvement	1,837,047	6,915,155
Total cash and cash equivalents	\$ 43,653,847	\$ 45,268,595
Supplemental Schedule of Noncash Investing, Capital and Financing Activities		
Donated sewer lines capitalized	\$ 1,246,488	\$ 2,755,578
Acquisition and construction of capital assets and improvements in accounts payable	\$ 5,477,915	\$ 5,126,785

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

Little Rock Water Reclamation Authority
Statements of Fiduciary Net Position
December 31, 2020 and 2019

	OPEB Trust Fund 2020	OPEB Trust Fund 2019 (As Restated)
Assets		
Cash and cash equivalents	\$ 355,202	\$ 47,695
Investments – at fair value	977,995	1,273,415
Total assets	1,333,197	1,321,110
Net Position		
Restricted		
Postemployment benefits other than pensions	1,333,197	1,321,110
Total net position	\$ 1,333,197	\$ 1,321,110

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

Little Rock Water Reclamation Authority
Statements of Changes in Fiduciary Net Position
Years Ended December 31, 2020 and 2019

	OPEB Trust Fund 2020	OPEB Trust Fund 2019 (As Restated)
Additions		
Employer contributions	\$ 117,702	\$ 131,834
Investment income		
Investment income	16,666	37,125
Less trustee fee	(4,579)	(4,556)
Net investment income	12,087	32,569
Total additions	129,789	164,403
Deductions		
Benefit payments	117,702	131,834
Total deductions	117,702	131,834
Net Increase in Net Position	12,087	32,569
Net Position, Beginning of the Year, as Previously Reported	1,321,110	16,227,565
Adjustments for Accounting Change – Adoption of GASB 97 (Note 1)	-	(14,939,024)
Net Position, Beginning of the Year, Adjusted	1,321,110	1,288,541
Net Position, End of the year	\$ 1,333,197	\$ 1,321,110

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

Little Rock Water Reclamation Authority

Notes to Financial Statements

December 31, 2020 and 2019

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

Reporting Entity

The financial statements of the Little Rock Water Reclamation Authority (LRWRA or the Utility), a component unit (Enterprise Fund) of the City of Little Rock, conform to generally accepted accounting principles for state and local governments. The Utility provides sewer services for the greater Little Rock area. These services primarily consist of treatment and disposal of sewer water, inspection of sewer lines and construction of sewer treatment plants, rehabilitation projects, and spot repairs. The clear majority of the Utility's customers are residential; however, the Utility also services commercial businesses. The Utility had 71,112 and 70,453 customers at December 31, 2020 and 2019, respectively. LRWRA is financially accountable to the City of Little Rock because the City's Board of Directors must approve any rate adjustments and debt issuances.

Basis of Accounting

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

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

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

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

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

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

Little Rock Water Reclamation Authority

Notes to Financial Statements

December 31, 2020 and 2019

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

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

LRWRA utilizes a fiduciary fund to report assets that are held in a trustee or agency capacity for others and that cannot be used to support the general operations of the Utility. The Utility's fiduciary fund consists of the LRWRA Post Retiree Healthcare plan (OPEB Plan). The OPEB Plan is an employee benefit trust fund used to report the accumulation and use of resources to pay health insurance benefits for eligible retirees, as well as related liabilities for anticipated future benefits. The transactions and balances of the fiduciary fund are also reported using the economic resources measurement focus and the accrual basis of accounting. The OPEB Plan does not have a separate board and is administered by LRWRA.

Cash and Cash Equivalents

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

Investments

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

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Details of accounts receivable and the related valuation account as of December 31, 2020 and 2019, are more fully explained in *Note 3*.

Little Rock Water Reclamation Authority

Notes to Financial Statements

December 31, 2020 and 2019

Inventory

Materials, supplies, and fuel inventories are valued at cost.

Restricted Assets

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

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

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

Capital Assets and Capital Contributions

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

Capital Asset Impairment

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

No asset impairment was recognized during the years ended December 31, 2020 and 2019.

Deferred Outflows/Inflows of Resources

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

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

Little Rock Water Reclamation Authority

Notes to Financial Statements

December 31, 2020 and 2019

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

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

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

Compensated Absences

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

Little Rock Water Reclamation Authority

Notes to Financial Statements

December 31, 2020 and 2019

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, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic and the COVID-19 control responses, and such differences may be material.

We considered the impact of the COVID-19 pandemic on the assumptions and estimates used and determined there were no material adverse impacts on the financial statements for the year ended December 31, 2020.

Adoption of GASB Statement No. 97

In 2020, the Utility implemented GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation*. As a result of the adoption, the fiduciary statements related to the 401(a) Defined Contribution Plan Trust are now excluded from the fiduciary net position and changes in fiduciary net position. The adoption of this statement required the Utility to restate its fiduciary net position as of January 1, 2019.

Fiduciary net position January 1, 2019	\$ 16,227,565
GASB 97 implementation	<u>(14,939,024)</u>
Fiduciary net position January 1, 2019 – restated	<u>\$ 1,288,541</u>

Little Rock Water Reclamation Authority
Notes to Financial Statements
December 31, 2020 and 2019

Note 2: Cash and Cash Equivalents and Investments - Utility

A summary of cash, cash equivalents, and investments per the statements of net position as of December 31, 2020 and 2019, follows:

	December 31, 2020			
	Cash	Cash Equivalents	Total Cash and Cash Equivalents	Investments
Unrestricted assets	\$ 35,804,284	\$ -	\$ 35,804,284	\$ 604,765
Restricted assets				
Bond requirements	809,154	5,203,362	6,012,516	4,831,199
Construction and improvements	-	1,837,047	1,837,047	-
Total restricted assets	809,154	7,040,409	7,849,563	4,831,199
Total	<u>\$ 36,613,438</u>	<u>\$ 7,040,409</u>	<u>\$ 43,653,847</u>	<u>\$ 5,435,964</u>

	December 31, 2019			
	Cash	Cash Equivalents	Total Cash and Cash Equivalents	Investments
Unrestricted assets	\$ 33,845,203	\$ -	\$ 33,845,203	\$ 600,114
Restricted assets				
Bond requirements	345,032	4,163,205	4,508,237	8,598,729
Construction and improvements	-	6,915,155	6,915,155	-
Total restricted assets	345,032	11,078,360	11,423,392	8,598,729
Total	<u>\$ 34,190,235</u>	<u>\$ 11,078,360</u>	<u>\$ 45,268,595</u>	<u>\$ 9,198,843</u>

Deposits

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

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

The Utility had deposits with financial institutions of \$36,896,521 at December 31, 2020, and \$34,457,909 at December 31, 2019. The Utility had deposits on books of \$36,613,438 at December 31, 2020, and \$34,190,235 at December 31, 2019. The greatest credit risk exposure would be uninsured portions not collateralized since the collateral is not held by our pledging financial institution itself and all collateralized amounts are in the name of LRWRA.

Little Rock Water Reclamation Authority

Notes to Financial Statements

December 31, 2020 and 2019

As of December 31, 2020 and December 31, 2019, 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, 2020, were subject to custodial credit risk.

Cash equivalents and investments at December 31, 2020 and 2019, 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 one dollar), U.S. Government Obligations stated at fair values of \$12,476,373 and \$20,277,203, respectively. Net unrealized gain for each of the years ended December 31, 2020 and 2019, was \$5,850 and \$58,579 respectively.

Investment Type	December 31, 2020			Credit Rating
	Fair Value	Less than 1 year	1-5 years	
Cash Equivalents and Investments				
Cash equivalents:				
Federated treasury obligation	\$ 7,040,409	\$ 7,040,409	\$ -	AA+/Aaa
Investments:				
Federal Farm Credit Bank	4,158,912	-	4,158,912	AA+/Aaa
Certificates of Deposit	176,808	-	176,808	
Federal Home Loan Mortgage	1,100,244	-	1,100,244	AA+/Aaa
	5,435,964	-	5,435,964	
	<u>\$ 12,476,373</u>	<u>\$ 7,040,409</u>	<u>\$ 5,435,964</u>	

Little Rock Water Reclamation Authority
Notes to Financial Statements
December 31, 2020 and 2019

Investment Type	December 31, 2019			Credit Rating
	Fair Value	Less than 1 year	1–5 years	
Cash Equivalents and Investments				
Cash equivalents:				
Federated treasury obligation	\$ 11,078,360	\$ 11,078,360	\$ -	AA+/Aaa
Investments:				
Federal Farm Credit Bank	4,373,987	-	4,373,987	AA+/Aaa
Federal Home Loan Mortgage	4,824,856	-	4,824,856	AA+/Aaa
	<u>9,198,843</u>	<u>-</u>	<u>9,198,843</u>	
	<u>\$ 20,277,203</u>	<u>\$ 11,078,360</u>	<u>\$ 9,198,843</u>	

Interest Rate Risk

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

Credit Risk

Credit risk is the risk that the issuer or other counterparty will not fulfill its obligation. The Utility manages its credit risk by investing exclusively in government-issued treasuries and agencies. All the Utility's investments at December 31, 2020 and 2019, 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, 2020:

- Federated Treasury Obligations of \$7.0 million are valued using quoted market prices (Level 1 inputs).
- U.S. Treasury Securities (Federal Farm Credit Bank and Federal Home Loan) of \$5.3 million are valued using a matrix pricing model (Level 2 inputs).
- Negotiable corporate certificate of deposits of \$177 thousand (Level 2 inputs).

Little Rock Water Reclamation Authority
Notes to Financial Statements
December 31, 2020 and 2019

LRWRA had the following recurring fair value measurements as of December 31, 2019:

- Federated Treasury Obligations of \$11.1 million are valued using quoted market prices (Level 1 inputs).
- U.S. Treasury Securities (Federal Farm Credit Bank and Federal Home Loan) of \$9.2 million are valued using a matrix pricing model (Level 2 inputs).

Note 3: Accounts and Grants Receivable

Accounts receivable at December 31, 2020 and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
Trade receivables – billed, current	\$ 4,343,980	\$ 4,379,541
Trade receivables – unbilled	2,709,491	2,617,922
Trade receivables, past due	826,002	405,087
Grants receivable	<u>3,240,446</u>	<u>-</u>
Total	<u>11,119,919</u>	<u>7,402,550</u>
Allowance for uncollectibles, beginning of year	(465,979)	(381,338)
Write off of uncollectibles	925,292	327,986
Provision for bad debt expense	<u>(1,332,440)</u>	<u>(412,627)</u>
Allowance for uncollectibles, end of year	<u>(873,127)</u>	<u>(465,979)</u>
Accounts receivable, net of allowance for uncollectibles	<u>10,246,792</u>	<u>6,936,571</u>
Current accounts receivable	<u>\$ 10,246,792</u>	<u>\$ 6,936,571</u>

Little Rock Water Reclamation Authority
Notes to Financial Statements
December 31, 2020 and 2019

Note 4: Capital Assets

Capital asset activity for the years ended December 31, 2020 and 2019, was as follows:

2020	Balance 12/31/2019	Additions	Retirements	Transfers	Balance 12/31/20
Capital assets not being depreciated					
Land and right-of-way	\$ 5,434,140	\$ -	\$ -		\$ 5,434,140
Construction in progress	79,842,800	51,485,187	482,015	(13,606,745)	117,239,227
Total capital assets not being depreciated	85,276,940	51,485,187	482,015	(13,606,745)	122,673,367
Capital assets being depreciated					
Building and improvements	137,087,580	-	55,960	413,032	137,444,652
Infrastructure – collection and treatment	418,525,369	-	-	12,498,027	431,023,396
Equipment	80,472,510	-	170,959	695,686	80,997,237
Total capital assets being depreciated	636,085,459	-	226,919	13,606,745	649,465,285
Less accumulated depreciation for					
Buildings and improvements	46,537,525	4,204,223	55,960	-	50,685,788
Infrastructure – collections and treatment	125,790,644	9,794,366	-	-	135,585,010
Equipment	37,102,591	3,860,047	159,136	-	40,803,502
Total accumulated depreciation	209,430,760	17,858,636	215,096	-	227,074,300
Capital assets, net	\$ 511,931,639	\$ 33,626,551	\$ 493,838	\$ -	\$ 545,064,352
2019	Balance 12/31/2018	Additions	Retirements	Transfers	Balance 12/31/19
Capital assets not being depreciated					
Land and right-of-way	\$ 5,434,140	\$ -	\$ -		\$ 5,434,140
Construction in progress	63,786,352	50,949,620	202,193	(34,690,979)	79,842,800
Total capital assets not being depreciated	69,220,492	50,949,620	202,193	(34,690,979)	85,276,940
Capital assets being depreciated					
Building and improvements	136,755,836	-	-	331,744	137,087,580
Infrastructure collection and treatment	385,773,003	-	-	32,752,366	418,525,369
Equipment	79,470,993	-	605,352	1,606,869	80,472,510
Total capital assets being depreciated	601,999,832	-	605,352	34,690,979	636,085,459
Less accumulated depreciation for					
Buildings and improvements	42,354,077	4,183,448	-	-	46,537,525
Infrastructure – collections and treatment	116,877,583	8,913,061	-	-	125,790,644
Equipment	33,764,645	3,935,824	597,878	-	37,102,591
Total accumulated depreciation	192,996,305	17,032,333	597,878	-	209,430,760
Capital assets, net	\$ 478,224,019	\$ 33,917,287	\$ 209,667	\$ -	\$ 511,931,639

Construction in progress at December 31, 2020 and 2019, included capitalized construction period interest of \$1,852,718 and \$654,878 that was incurred in each respective year.

Little Rock Water Reclamation Authority
Notes to Financial Statements
December 31, 2020 and 2019

The decrease/retirements in construction in progress in 2020 and 2019 represent abandoned projects of \$482,015 and \$202,913, respectively.

Depreciation expense was \$17,858,636 and \$17,032,333 for the years ended December 31, 2020 and 2019, respectively.

Note 5: Contributions in Aid of Construction

Contributions in aid of construction, consist of cash donations and sewer lines/pump stations from private contractors and individuals, were \$1,540,154 and \$2,783,315 for the years ended December 31, 2020 and 2019, respectively.

Note 6: Long-Term Debt

Long-term debt consists of Sewer Revenue Bonds for which the changes in the years ended December 31, 2020 and 2019, are as follows:

	December 31, 2020				
	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within One Year
Sewer revenue bonds	\$ 203,710,000	\$ 22,850,000	\$ 32,820,000	\$ 193,740,000	\$ 9,215,000
Sewer revenue bonds – direct placement	128,092,269	111,635,549	79,204,413	160,523,405	-
Unamortized bond premium	8,385,090	-	922,394	7,462,696	-
	<u>\$ 340,187,359</u>	<u>\$ 134,485,549</u>	<u>\$ 112,946,807</u>	<u>\$ 361,726,101</u>	<u>\$ 9,215,000</u>

	December 31, 2019				
	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within One Year
Sewer revenue bonds	\$ 213,035,000	\$ -	\$ 9,325,000	\$ 203,710,000	\$ 9,610,000
Sewer revenue bonds – direct placement	90,366,312	40,498,373	2,772,416	128,092,269	3,640,740
Unamortized bond premium	9,254,983	-	869,893	8,385,090	-
	<u>\$ 312,656,295</u>	<u>\$ 40,498,373</u>	<u>\$ 12,967,309</u>	<u>\$ 340,187,359</u>	<u>\$ 13,250,740</u>

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Sewer revenue bonds payable consist of the following:

Series	Interest Rate	Year of Maturity	December 31, 2020	Amount Due Within One Year
2007B	0.00 to 2.75%	2032	\$ 9,320,323	\$ -
2009A	0.00 to 2.00%	2035	4,983,950	-
2011	3.25% to 3.50%	2022	4,780,000	2,350,000
2013	0.00 to 2.25%	2039	30,027,946	-
2014	3.00% to 4.00%	2025	4,395,000	1,360,000
2015	3.125% to 5.00%	2037	135,455,000	4,610,000
2016A	0.00 to 2.72%	2053	60,366,001	-
2016B	3.00% to 4.00%	2038	16,045,000	670,000
2017	3.00% to 4.00%	2047	10,215,000	225,000
2018	0.00 to 2.00%	2053	48,160,483	-
2019	0.00 to 3.00%	2053	6,587,817	-
2020A	2.25%	2053	1,060,885	-
2020B	0.89% to 2.92%	2042	22,850,000	-
2020C	1.75%	2044	16,000	-
Total			\$ 354,263,405	\$ 9,215,000

The Arkansas Natural Resource Commission (ARNC) currently administers federal and state programs that aid through loans and grants for water and wastewater. These revenue bonds (Revolving Loan Funds – RLFs) 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. The bond is secured by the net revenues available for debt service of the Utility. Principal and interest payments are due semiannually on April 15 and October 15. Due to the COVID-19 pandemic, principal payments were suspended until April 2024 and there will be three interest free years of principal payments 2030 through 2032. The final payment is scheduled for October 2032.

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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. The bond is secured by the net revenues available for debt service of the Utility. Principal and interest payments are due semiannually on April 15 and October 15. Due to the COVID-19 pandemic, principal payments were suspended until April 2024 and there will be three interest free years of principal payments October 2032 through April 2035. The final payment is scheduled for April 2035.

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. The bond is secured by the net revenues available for debt service of the Utility. Principal and interest payments are due semiannually on February 1 and August 1. The final payment is scheduled for August 2022.

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. The bond is secured by the net revenues available for debt service of the Utility. Principal and interest payments are due semiannually on April 15 and October 15 starting in 2020. Due to the COVID-19 pandemic, principal payments were suspended until April 2024 and there will be three interest free years of principal payments April 2037 through October 2039. The final payment is scheduled for October 2039.

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. The bond is secured by the net revenues available for debt service of the Utility. Principal and interest payments are due semiannually on May 1 and November 1. The final payment is scheduled for May 2025.

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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. The bond is secured by the net revenues available for debt service of the Utility. 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. 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. The bond is secured by the net revenues available for debt service of the Utility. Principal and interest payments are due semiannually on April 15 and October 15, starting in October 2020. Due to the COVID-19 pandemic, principal payments were suspended until April 2024 and there will be three interest free years of principal payments October 2050 through April 2053. The final payment is scheduled for April 2053.

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. The bond is secured by the net revenues available for debt service of the Utility. 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. The bond is secured by the net revenues available for debt service of the Utility. 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.

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2018 Sewer Revenue Bond

The Series 2018 Bond was issued in February 2018 in the amount of \$61,600,000 to finance the construction of extensions, betterments and improvements to the sewer system collection systems, and to pay the cost of issuing the 2018 Bond. Draws totaled \$48,160,483 as of December 31, 2020. The remaining draws will occur as construction projects are completed. This bond has a special obligation through ANRC with permission from the City of Little Rock, Arkansas, payable solely from the net revenues of the sewer system. The bond is secured by the net revenues available for debt service of the Utility. Principal and interest payments are due annually on April 15 and October 15 starting in 2021. Due to the COVID-19 pandemic, principal payments were suspended until April 2024 and there will be three interest free years of principal payments October 2051 through October 2053. The final payment is scheduled for October 2053.

2019 Sewer Revenue Bond

The Series 2019 Bond was issued in February 2019 in the amount of \$18,000,000 to finance the construction of extensions, betterments, and improvements to the sewer system collection systems, and to pay the cost of issuing the 2019 Bond. Draws totaled \$6,587,817 as of December 31, 2020. The remaining draws will occur as construction projects are completed. This bond has a special obligation through ANRC with permission from the City of Little Rock, Arkansas, payable solely from the net revenues of the sewer system. The bond is secured by the net revenues available for debt service of the Utility. Principal and interest payments are due annually on April 15 and October 15 starting in 2022. Due to the COVID-19 pandemic, principal payments were suspended until April 2024 and there will be one interest free year of principal payments in 2053. The final payment is scheduled for October 2053.

2020A Sewer Revenue Bond

The Series 2020A Bond was issued in February 2020 in the amount of \$51,400,000 to finance the construction of extensions, betterments, and improvements to the sewer system collection systems, and to pay the cost of issuing the 2020A Bond. Draws totaled \$1,060,885 as of December 31, 2020. The remaining draws will occur as construction projects are completed. This bond has a special obligation through ANRC with permission from the City of Little Rock, Arkansas, payable solely from the net revenues of the sewer system. The bond is secured by the net revenues available for debt service of the Utility. Principal and interest payments are due annually on April 15 and October 15 starting in 2024. The final payment is scheduled for October 2053.

2020B Sewer Refunding Bond

The Series 2020B Bond was issued in October 2020 in the amount of \$22,850,000 and advance funded the 2012 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. The bond is secured by the net revenues available for debt service of the Utility. Principal is due annually on August 1 starting in 2024 and interest payments are due semiannually on February 1 and August 1 starting in 2021. The final payment is scheduled for August 2042.

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The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,256,671. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to interest expense through the year 2042 using the effective-interest method. The Utility completed the advance refunding to reduce its total debt service payments over the next 22 years by \$1,746,598 and to obtain an economic gain or difference between the present values of the old and new debt service payments of \$2,230,960.

2020C Sewer Revenue Bond

The Series 2020C Bond was issued in October 2020 in the amount of \$7,500,000 to finance the repair to the sewer system collection systems caused by the 2019 flooding event, and to pay the cost of issuing the 2020C Bond. Draws totaled \$16,000 as of December 31, 2020. The remaining draws will occur as construction projects are completed. This bond has a special obligation through ANRC with permission from the City of Little Rock, Arkansas, payable solely from the net revenues of the sewer system. The bond is secured by the net revenues available for debt service of the Utility. Principal and interest payments are due annually on April 15 and October 15 starting in October 2024. The final payment is scheduled for October 2044.

In addition to the \$354,263,405 balance of Sewer Revenue Bonds outstanding at December 31, 2020, an additional \$83,308,814 will, as previously described, be drawn in fulfillment of current bond issues 2018, 2019, 2020A, and 2020C for a total Sewer Revenue Bond indebtedness of \$437,572,219.

The 2007B, 2009A, 2013, 2016A, 2018, 2019, 2020A, and 2020C Series Sewer Revenue Bonds are subordinate to the 2011, 2014, 2015, 2016B, 2017, and 2020B Series Revenue Bonds.

The annual requirements to amortize sewer revenue bond indebtedness outstanding, and scheduled, including interest, as of December 31, 2020, are as follows:

Year Ending December 31,	Principal	Interest	Total
2021	\$ 9,215,000	\$ 10,545,756	\$ 19,760,756
2022	9,540,000	11,126,202	20,666,202
2023	6,560,000	11,013,623	17,573,623
2024	13,321,118	10,733,939	24,055,057
2025	14,113,889	10,285,507	24,399,396
2026 to 2030	80,902,634	43,600,068	124,502,702
2031 to 2035	95,630,463	28,731,301	124,361,764
2036 to 2040	58,587,706	13,592,577	72,180,283
2041 to 2045	28,313,803	8,029,733	36,343,536
2046 to 2050	26,651,075	3,796,945	30,448,020
2051 to 2053	11,427,717	157,003	11,584,720
Total	\$ 354,263,405	\$ 151,612,654	\$ 505,876,059

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Notes from Direct Placements

The Utility's outstanding notes from direct placements of \$160,523,405 contain a provision that in an event of default, the bondholder may apply in proper action to a court for the appointment of a receiver to administer the Utility on behalf of the bondholder with the power to charge and collect rates sufficient to provide for the payments of the expenses of operation and to pay the bond interest and principal. These direct placements are associated with Revolving Loan Funds administered through the ANRC.

Note 7: Compensated Absences

Net changes in the liability for compensated absences for the years ended December 31, 2020 and 2019, are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
2020	<u>\$ 1,003,945</u>	<u>\$ 1,707,735</u>	<u>\$ 1,472,073</u>	<u>\$ 1,239,607</u>	<u>\$ 1,112,187</u>
2019	<u>\$ 981,686</u>	<u>\$ 1,389,622</u>	<u>\$ 1,367,363</u>	<u>\$ 1,003,945</u>	<u>\$ 939,329</u>

Note 8: Litigation

Sierra Club

The Little Rock Water Reclamation Authority Commission (LRWRC), formerly known as "Little Rock Sanitary Sewer Committee", 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 including 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 are no further sums due to the plaintiff related to this litigation.

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Pursuant to the settlement agreement, the Court retained jurisdiction for the purpose of enforcing the provisions of the agreement. Under these provisions, LRWRC is required to follow certain reporting and notice and maintenance procedures, and to make improvements to the collection system to reduce sanitary sewer overflows. These requirements are specified in the settlement agreement and the schedules for developing, adopting, and implementing the necessary programs and completing the improvements within agreed-upon deadlines, are set forth in a separate System Evaluation and Capacity Assurance Plan (SECAP).

Management believes LRWRA is in compliance with the provisions of the settlement agreement and expects to satisfy all outstanding requirements of the agreement by December 31, 2023.

ADEQ

On March 9, 2006, staff representatives of Arkansas Department of Environmental Quality (ADEQ) and LRWRA entered into a Consent Administrative Order (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 financial 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 the noncompliance.

On September 6, 2011, Amendment No. 1 to the CAO was approved by ADEQ, the Sierra Club and LRWRA, extending the deadline for the obligations under the settlement agreements 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.

On April 15, 2015, Amendment No. 2 to the CAO was approved. ADEQ and the Sierra Club granted LRWRA an extension of the CAO deadline to December 31, 2023. Management expects to complete all remaining improvements and requirements by the December 31, 2023 deadline. The CAO will terminate once LRWRA achieves full compliance and LRWRA receives written notice of termination by ADEQ. The Court's jurisdiction over the Sierra Club settlement agreement will terminate thirty (30) months after the Compliance Deadline, or the date of dismissal of this proceeding, if earlier. The various capital projects related to these proceedings can be seen in greater detail within LRWRA's annual report located at <http://www.lrwra.com/capitalprojects>.

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Funding

In 2015, LRWRA obtained approval from the City of Little Rock's Board of Directors to implement a series of annual end user rate increases in support of LRWRA securing adequate financing to complete the remaining outstanding system improvements in order to satisfy both the Sierra Club and ADEQ settlement agreements. The amount of capital expenditures incurred during the years ended December 31, 2019 and 2020, are \$35.0 million and \$34.0 million, respectively. As of December 31, 2020, the estimated amount of capital expenditures required to complete the remaining settlement agreement requirements was \$41.0 million. LRWRA, in early 2020, secured the final debt financing required to complete the settlement agreement related projects, and expects to fully satisfy all requirements of these settlement agreements by December 31, 2023.

Note 9: Other Commitments and Contingencies

Commitments

The Utility had commitments totaling approximately \$27.0 million at December 31, 2020, for the expansion of plant capacity and collection system improvements.

Claims and Litigation

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

Note 10: Pension Benefits

Defined Contribution Plan

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

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

The Pension expense is recorded at the amount of LRWRA's required contribution, determined in accordance with the terms of the plan. The total employer contributions were \$426,534 and \$436,408 in 2020 and 2019, respectively.

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

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

Arkansas Public Employees Retirement System (APERS)

Summary of Significant Accounting Policies

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arkansas Public Employee Retirement System (APERS) and additions to/deductions from APERS fiduciary net position have been determined on the same basis as they are reported by APERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

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

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.

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

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

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

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

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

Members are eligible for disability benefits with five years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member had five years of service, and the monthly benefit is computed as if the member had retired and elected the Joint and 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.

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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 2020 and 2019, employers contributed 15.32% and 15.32%, respectively, of compensation. Contributions to the pension plan from LRWRA were \$2,224,081 and \$2,088,142 for the years ended December 31, 2020 and 2019, respectively.

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

At December 31, 2020 and 2019, LRWRA reported a liability of \$20,319,625 and \$17,183,550, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and 2019, 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, 2020, LRWRA's proportion was 0.70958705%, which was a decrease of 0.00267593% from its proportion measured as of June 30, 2019, of 0.71226298%.

For the years ended December 31, 2020 and 2019, LRWRA recognized pension expense of \$3,719,331 and \$3,703,646, respectively. At December 31, 2020 and 2019, LRWRA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 269,749	\$ 13,456
Changes in proportion and differences between employer contributions and proportionate share	255,731	168,407
Changes of assumptions	254,588	348,149
Net difference between projected and actual earnings on pension plan investments	2,150,075	-
Contributions subsequent to the measurement date	1,143,112	-
Total	\$ 4,073,255	\$ 530,012

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	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 467,663	\$ 25,530
Changes in proportion and differences between employer contributions and proportionate share	509,162	230,598
Changes of assumptions	932,675	660,565
Net difference between projected and actual earnings on pension plan investments	-	130,518
Contributions subsequent to the measurement date	1,039,878	-
Total	\$ 2,949,378	\$ 1,047,211

The \$1,143,112 reported as deferred outflows of resources at December 31, 2020, 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, 2021. 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:	
2021	\$ 203,016
2022	685,859
2023	875,361
2024	635,895
	\$ 2,400,131

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Actuarial Assumptions: The total pension liability, net pension liability and certain sensitivity information was determined by an actuarial valuation as of June 30, 2020. The significant assumptions used in the valuation and adopted by the APERS Board of Trustees, were as follows:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of % of Payroll, Closed
Remaining Amortization Period	26 years
Actuarial Assumptions	
Investment rate of return	7.15%, net of investment administrative expenses
Discount Rate	7.15%
Salary Increases	3.25–9.85% including inflation
Inflation	2.50% price inflation, 3.25% wage inflation
Mortality Table	Based on RP-2000 Combined Healthy mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major class included in the System's target allocation as of June 30, 2020, these best estimates are summarized in the following:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad domestic equity	37%	6.22%
International equity	24%	6.69%
Real assets	16%	4.81%
Absolute return	5%	3.05%
Domestic fixed	18%	5.70%
Total	<u>100%</u>	
Total real rate of return		4.93%
Plus: price inflation – actuary assumption		<u>2.50%</u>
Net expected return		<u>7.43%</u>

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

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

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

Sensitivity of Discount Rate		
1% Lower 6.15%	Discount Rate 7.15%	1% Higher 8.15%
\$ 30,948,292	\$ 20,319,625	\$ 11,548,568

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

Actuarial Assumptions: The total pension liability, net pension liability, and certain sensitivity information was determined by an actuarial valuation as of June 30, 2019. The significant assumptions used in the valuation and adopted by the APERS Board of Trustees were as follows:

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

Little Rock Water Reclamation Authority

Notes to Financial Statements

December 31, 2020 and 2019

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, 2019, these best estimates are summarized in the following:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	37%	6.20%
International equity	24%	6.33%
Real assets	16%	3.32%
Absolute return	5%	3.56%
Domestic fixed	18%	1.54%
Total	100%	
Total real rate of return		4.80%
Plus: price inflation – actuary assumption		2.50%
Net expected return		7.30%

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

Little Rock Water Reclamation Authority
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Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

Sensitivity of Discount Rate		
1% Lower	Discount Rate	1% Higher
6.15%	7.15%	8.15%
\$ 27,540,941	\$ 17,183,550	\$ 8,638,228

Note 11: Other Postemployment Benefits (OPEB)

Plan Description

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

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

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

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

Little Rock Water Reclamation Authority

Notes to Financial Statements

December 31, 2020 and 2019

Summary of Significant Accounting Policies

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

Funding Policy

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

LRWRA Post Retiree Healthcare Plan (GASB Statement No. 74 and No. 75)

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

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

The net OPEB liability is measured as of December 31, 2020, in LRWRA's financial statements using an actuarial valuation as of December 31, 2020, as the total OPEB liability, less the amount of the plan's fiduciary net position. A single discount rate of 2.31% and 2.92% was used to measure the total OPEB liability as of December 31, 2020 and 2019, respectively. This single discount rate was based on an expected rate of return on OPEB plan investments. Based on the stated assumptions and the projection of cash flows, the OPEB plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Little Rock Water Reclamation Authority

Notes to Financial Statements

December 31, 2020 and 2019

The components of the December 31, 2020, net OPEB liability of LRWRA as determined by an actuarial valuation as of that date were as follows:

	<u>2020</u>
Total OPEB liability – ending	\$ 6,662,672
Plan fiduciary net position – ending	<u>1,333,197</u>
Net OPEB Liability – ending	<u>\$ 5,329,475</u>
Plan fiduciary net position as % of total OPEB liability	20.01%

The components of the December 31, 2019, net OPEB liability of LRWRA as determined by an actuarial valuation as of that date were as follows:

	<u>2019</u>
Total OPEB liability – ending	\$ 6,234,664
Plan fiduciary net position – ending	<u>1,321,110</u>
Net OPEB Liability – ending	<u>\$ 4,913,554</u>
Plan fiduciary net position as % of total OPEB liability	21.19%

Little Rock Water Reclamation Authority

Notes to Financial Statements

December 31, 2020 and 2019

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances on January 1, 2019	\$ 6,677,769	\$ 1,288,551	\$ 5,389,218
Changes recognized for 2018:			
Service cost	180,168	-	180,168
Interest on total OPEB liability	262,223	-	262,223
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(1,468,285)	-	(1,468,285)
Change of assumptions	714,624	-	714,624
Benefit payments	(131,835)	(131,835)	-
Contributions – employer	-	131,834	(131,834)
Net investment income	-	37,126	(37,126)
Administrative expense	-	(4,566)	4,566
Net changes	(443,105)	32,559	(475,664)
Balances on December 31, 2019	6,234,664	1,321,110	4,913,554
Changes recognized for 2019:			
Service cost	190,747	-	190,747
Interest on total OPEB liability	178,598	-	178,598
Differences between expected and actual experience	(285,946)	-	(285,946)
Change of assumptions	462,311	-	462,311
Benefit payments	(117,702)	(117,702)	-
Contributions – employer	-	117,703	(117,703)
Contributions - Employee	-	-	-
Net investment income	-	16,737	(16,737)
Administrative expense	-	(4,651)	4,651
Net changes	428,008	12,087	415,921
Balances on December 31, 2020	\$ 6,662,672	\$ 1,333,197	\$ 5,329,475

Little Rock Water Reclamation Authority

Notes to Financial Statements

December 31, 2020 and 2019

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 or 1-percentage-point higher than the current discount rate:

December 31, 2020	1% Lower 1.31%	Current 2.31%	1% Higher 3.31%
TOL	\$ 7,513,385	\$ 6,662,672	\$ 5,925,487
Net position	<u>1,333,197</u>	<u>1,333,197</u>	<u>1,333,197</u>
NOL	<u>\$ 6,180,188</u>	<u>\$ 5,329,475</u>	<u>\$ 4,592,290</u>
December 31, 2019	1% Lower 1.92%	Current 2.92%	1% Higher 3.92%
TOL	\$ 7,004,832	\$ 6,234,664	\$ 5,569,167
Net position	<u>1,321,110</u>	<u>1,321,110</u>	<u>1,321,110</u>
NOL	<u>\$ 5,683,722</u>	<u>\$ 4,913,554</u>	<u>\$ 4,248,057</u>

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

December 31, 2020	1% Lower Rates	Current Rates	1% Higher Rates
TOL	\$ 5,809,927	\$ 6,662,672	\$ 7,685,993
Net position	<u>1,333,197</u>	<u>1,333,197</u>	<u>1,333,197</u>
NOL	<u>\$ 4,476,730</u>	<u>\$ 5,329,475</u>	<u>\$ 6,352,796</u>
December 31, 2019	1% Lower Rates	Current Rates	1% Higher Rates
TOL	\$ 5,473,681	\$ 6,234,664	\$ 7,146,735
Net position	<u>1,321,110</u>	<u>1,321,110</u>	<u>1,321,110</u>
NOL	<u>\$ 4,152,571</u>	<u>\$ 4,913,554</u>	<u>\$ 5,825,625</u>

Little Rock Water Reclamation Authority

Notes to Financial Statements

December 31, 2020 and 2019

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

The Utility recognized OPEB expense of \$411,534 and \$450,136 for the years ended December 31, 2020 and 2019, respectively. Below is a table providing the deferred inflows and outflows of resources related to OPEB from the following sources as of December 31:

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,711,781
Changes of assumptions	2,181,298	-
Net difference between projected and actual earnings on OPEB assets	46,597	-
Total	\$ 2,227,895	\$ 1,711,781

	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,624,459
Changes of assumptions	1,982,274	-
Net difference between projected and actual earnings on OPEB assets	36,209	-
Total	\$ 2,018,483	\$ 1,624,459

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB as of December 31, 2020, will be recognized in OPEB expense as follows for the year ended December 31:

2021	\$ (59,075)
2022	(59,075)
2023	(59,075)
2024	(59,075)
Thereafter	(279,814)
	\$ (516,114)

Little Rock Water Reclamation Authority

Notes to Financial Statements

December 31, 2020 and 2019

Actuarial Assumptions at December 31, 2020:

Actuarial Cost Method: Entry Age Normal

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

Mortality: RP-2014 Total Dataset Mortality with Improvement Scale MP-2020.

Discount Rate: 2.31% per annum. The plan is partially funded in an irrevocable trust maintained by the plan sponsor.

Inflation: 2.5% per annum.

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

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

<u>Year</u>	<u>HC Trend Rate</u>
2021	7.0%
2022	6.5%
2023	6.0%
2024	5.5%
2025	5.0%
2026 and later	4.5%

Membership Data: The membership data used in the calculation is based on data as of December 31, 2020. 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 (elected medical and employed prior to 7/1/2017)	165	47.4	15.1
Active members (elected medical and employed after 7/1/2017)	30	41.7	1.7
Retired members under Age 65 (elected benefits)	19	61	N/A

Little Rock Water Reclamation Authority

Notes to Financial Statements

December 31, 2020 and 2019

Employer-Paid Medical Premiums: The retiree medical plan is currently fully insured. Employer-paid monthly premiums are set yearly, with 2020 ranging from \$236 to \$933, depending on which health care plan selected and type of coverage (retiree only, retiree plus spouse, retiree plus child(ren), and retiree plus family). LRWRA funded approximately 50% of the postretirement health care benefit costs. Employees hired after July 1, 2017, may elect retiree medical benefits upon retirement; however, they must pay 100% of premiums.

Actuarial Assumptions at December 31, 2019:

Actuarial Cost Method: Entry Age Normal

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

Mortality: RP-2014 Total Dataset Mortality with Improvement Scale MP-2019.

Discount Rate: 2.92% per annum. The plan is partially funded in an irrevocable trust maintained by the plan sponsor.

Inflation: 2.5% per annum.

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

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

<u>Year</u>	<u>HC Trend Rate</u>
2020	7.0%
2021	6.5%
2022	6.0%
2023	5.5%
2024	5.0%
2025 and later	4.5%

Little Rock Water Reclamation Authority

Notes to Financial Statements

December 31, 2020 and 2019

Membership Data: The membership data used in the calculation is based on data as of December 31, 2019. The information is summarized for primary members (not dependents).

Status	Number	Average Age	Average Years of Service
Active members (elected medical and employed prior to 7/1/2017)	177	46.9	14.4
Active members (elected medical and employed after 7/1/2017)	18	41.4	1.3
Retired members under Age 65 (elected benefits)	23	58.4	N/A

Employer-Paid Medical Premiums: The retiree medical plan is currently fully insured. Employer-paid monthly premiums are set yearly, with 2019 ranging from \$230 to \$910, depending on which health care plan selected and type of coverage (retiree only, retiree plus spouse, retiree plus child(ren), and retiree plus family. LRWRA funded approximately 50% of the postretirement health care benefit costs. Employees hired after July 1, 2017, may elect retiree medical benefits upon retirement; however, they must pay 100% of premiums.

Investment Policy and Long-Term Expected Rate of Return: The plan's policy in regard to the allocation of invested assets is established by the LRWRC. The current asset allocation policy is 100% fixed income investments. The long-term expected rate of return on plan investments used is a proxy for annual long-term asset returns that are expected on high-quality AMT-free yields on municipal bonds with maturity in approximately 20 years. For the years ended December 31, 2020 and 2019, the annual money-weighted rate of return for the investments, net of investment expense, was 1.6% and 2.5% , respectfully.

Assuming that the plan sponsor continues to contribute in similar levels as in recent years (years on the average of all years since 2010), the plan should be sufficiently funded to pay benefits due for several years. The expected fund value would be projected to be at \$0 by the end of 2029 if the funds were used for its designated retiree benefits.

Note 11: 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 \$844,761 and \$820,119 for the years ended December 31, 2020 and 2019, respectively, and are included as operating expenses in the accompanying statements of revenues, expenses, and changes in net position.

Little Rock Water Reclamation Authority

Notes to Financial Statements

December 31, 2020 and 2019

Note 12: Risk Management

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

Note 13: Prior Year Defeasance of Debt

The trust account assets and the liability for previously defeased bonds are not included in the government's financial statements. At December 31, 2020, \$23,210,000 of defeased bonds remains outstanding.

Note 14: Fiduciary Funds

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 Plan's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds, and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Arkansas; bonds of any city, county, school district or special road district of the state of Arkansas; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At December 31, 2020, none of the Plan's bank balances were exposed to custodial credit risk.

Investments

The Plan may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds and equity securities.

Little Rock Water Reclamation Authority
Notes to Financial Statements
December 31, 2020 and 2019

The Plan had the following investments and maturities*:

December 31, 2020					
Investment Type	Fair Value	Less than 1 year	1–5 years	More than 5 years	Credit Rating
Cash Equivalents and Investments					
Cash equivalents					
Federated treasury obligation	\$ 355,202	\$ 355,202	\$ -	\$ -	AA+/Aaa
Investments					
Corporate Bonds	977,995	-	977,995	-	AA+/Aaa
	<u>977,995</u>	<u>-</u>	<u>977,995</u>	<u>-</u>	
Total Cash Equivalents and Investments	<u>\$ 1,333,197</u>	<u>\$ 355,202</u>	<u>\$ 977,995</u>	<u>\$ -</u>	
December 31, 2019 (Restated)					
Investment Type	Fair Value	Less than 1 year	1–5 years	More than 5 years	Credit Rating
Cash Equivalents and Investments					
Cash equivalents:					
Federated treasury obligation	\$ 47,695	\$ 47,695	\$ -	\$ -	AA+/Aaa
Investments:					
Federal Farm Credit Bank	1,273,415	-	1,273,415	-	AA+/Aaa
	<u>1,273,415</u>	<u>-</u>	<u>1,273,415</u>	<u>-</u>	
	<u>\$ 1,321,110</u>	<u>\$ 47,695</u>	<u>\$ 1,273,415</u>	<u>\$ -</u>	

*Maturities are based on the scheduled maturity dates of the underlying investments. Investment types can be bought and sold on a daily basis.

Investment Risk

Due to the nature of the Plan, the interest rate risk, credit risk, custodial risk, and concentration of credit risk will vary for the participants depending on the investment options chosen by the participant.

Little Rock Water Reclamation Authority

Notes to Financial Statements

December 31, 2020 and 2019

Disclosures About Fair Value of Assets and Liabilities

The following table presents the fair value measurements of assets recognized in the accompanying statement of fiduciary net position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at:

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2020				
Investments				
Corporate Bonds	\$ 977,995	\$ -	\$ 977,995	\$ -
	<u>\$ 977,995</u>	<u>\$ -</u>	<u>\$ 977,995</u>	<u>\$ -</u>
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2019 (Restated)				
Investments				
Federal Farm Credit Bank	\$ 1,273,415	\$ -	\$ 1,273,415	\$ -
	<u>\$ 1,273,415</u>	<u>\$ -</u>	<u>\$ 1,273,415</u>	<u>\$ -</u>

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Little Rock Water Reclamation Authority

Notes to Financial Statements

December 31, 2020 and 2019

Note 15: Future Change in Accounting Principle

The Governmental Accounting Standards Board recently issued its Statement No. 89 (GASB 89), *Accounting for Interest Cost Incurred before the End of a Construction Period*. The Statement requires interest incurred before the end of a construction period be expensed. The Utility expects to first apply GASB 89 during the year ending December 31, 2021, using a prospective recognition method. The impact of applying the Statement has not been determined.

REQUIRED SUPPLEMENTARY INFORMATION



LITTLE ROCK

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ONE FUTURE.

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Little Rock Water Reclamation Authority
Schedule of Changes in Net Other Postemployment Benefits
Liability and Related Ratios (GASB 74 and GASB 75)
Year Ended December 31, 2020

	2020	2019	2018	2017	2016
Total OPEB Liability					
Service costs	\$ 190,747	\$ 180,168	\$ 153,267	\$ 145,382	\$ 141,691
Interest on total OPEB liabilities	178,598	262,223	203,573	189,015	177,331
Difference between expected and actual experience	(285,946)	(1,468,285)	(362,437)	280,979	(57,544)
Change in assumptions	462,311	714,624	1,641,979	-	-
Benefit payments	(117,702)	(131,835)	(137,515)	(97,466)	(88,394)
Net changes in total OPEB liability	428,008	(443,105)	1,498,867	517,910	173,084
Total OPEB liability – beginning	6,234,664	6,677,769	5,178,902	4,660,992	4,487,908
Total OPEB liability – ending	6,662,672	6,234,664	6,677,769	5,178,902	4,660,992
Plan Fiduciary Net Position					
Contributions – employer	117,703	131,834	137,515	97,466	88,394
Net investment income	16,737	37,126	20,317	13,346	(11,061)
Benefit payments	(117,702)	(131,835)	(137,515)	(97,466)	(88,394)
Administrative expenses	(4,651)	(4,566)	(4,449)	(4,449)	(4,450)
Net changes in plan fiduciary net position	12,087	32,559	15,868	8,897	(15,511)
Plan fiduciary net position – beginning	1,321,110	1,288,551	1,272,683	1,263,786	1,279,297
Plan fiduciary net position – ending	1,333,197	1,321,110	1,288,551	1,272,683	1,263,786
Net OPEB liability	\$ 5,329,475	\$ 4,913,554	\$ 5,389,218	\$ 3,906,219	\$ 3,397,206
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	20.0%	21.2%	19.3%	24.6%	27.1%
Covered Employee Payroll	\$ 15,242,051	\$ 14,406,068	\$ 13,867,243	\$ 13,606,281	\$ 13,312,297
Net OPEB Liability as a Percentage of Covered Payroll	35.0%	34.1%	38.9%	28.7%	25.5%

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

Changes in Assumption: For the December 31, 2020, actuarial valuation, all new employees have to pay 100% of the premiums at retirement. Also, the mortality improvement scale has been changed from MP-2019 to MP-2020.

Change in Discount Rate: The following discount rates were used in each period:

- 12/31/2016 – 4.0%
- 12/31/2017 – 4.0%
- 12/31/2018 – 4.0%
- 12/31/2019 – 2.92%
- 12/31/2020 – 2.31%

Little Rock Water Reclamation Authority
Schedule of Contributions
Other Postemployment Benefits (GASB 74 and GASB 75)
Year Ended December 31, 2020

Year Ended December 31,	Actuarially Determined Contributions	Actual Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Actual Contribution as a % of Covered Payroll
2016	\$ 155,000	\$ 88,394	\$ 66,606	\$ 13,312,297	0.66%
2017	155,000	97,466	57,534	13,606,281	0.72%
2018	138,000	137,515	485	13,867,243	0.99%
2019	137,000	131,834	5,166	14,406,068	0.92%
2020	105,000	117,702	(12,702)	15,242,051	0.77%

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:	2.31%
Inflation:	2.5%
Investment Rate of Return:	2.31%
Mortality:	RP-2014 Mortality Table with Improvement Scale MP-2020
Assumed Utilization:	85% of future retirees are assumed to elect plan benefits
Participation:	Active members will elect the same retiree medical coverage as they elected while active
Retirement Rates:	Mirror rates provided for the Arkansas Public Employees Retirement System pension valuation

Little Rock Water Reclamation Authority
Schedule of Investment Returns
Other Postemployment Benefits (GASB 74 and GASB 75)
Year Ended December 31, 2020

LRWRA Post Retiree Healthcare – OPEB Trust Fund

Fiscal Year Ended	Money-Weighted Rate of Return
12/31/2016	-1.21%
12/31/2017	0.70%
12/31/2018	1.23%
12/31/2019	2.50%
12/31/2020	1.60%

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

Little Rock Water Reclamation Authority
Schedule of Contributions
Arkansas Public Employees Retirement System
Year Ended December 31, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contributions	\$ 2,120,847	\$ 2,088,432	\$ 1,920,103	\$ 1,870,073	\$ 1,838,797
Contributions in relation to the contractually required contributions	<u>2,121,097</u>	<u>2,088,142</u>	<u>1,917,096</u>	<u>1,869,906</u>	<u>1,838,797</u>
Contribution deficiency (excess)	<u>\$ (250)</u>	<u>\$ 290</u>	<u>\$ 3,007</u>	<u>\$ 167</u>	<u>\$ -</u>
LRWRA's covered payroll	\$ 13,865,115	\$ 13,629,820	\$ 12,981,831	\$ 12,955,527	\$ 12,674,419
Contributions as a percentage of covered payroll	15.3%	15.3%	14.8%	14.4%	14.5%
	<u>2015</u>	<u>2014</u>			
Contractually required contributions	\$ 1,720,285	\$ 1,790,896			
Contributions in relation to the contractually required contributions	<u>1,759,530</u>	<u>1,703,752</u>			
Contribution deficiency (excess)	<u>\$ (39,245)</u>	<u>\$ 87,144</u>			
LRWRA's covered payroll	\$ 12,115,376	\$ 11,658,706			
Contributions as a percentage of covered payroll	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).

Note: Investment rate of return was 7.15% and salary increases started at 3.25% through the June 30, 2020, measurement date.

Little Rock Water Reclamation Authority
Schedule of Proportionate Share of the Net Pension Liability
Arkansas Public Employees Retirement System
Year Ended December 31, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
LRWRA's proportion of the net pension liability	0.70958705%	0.71226298%	0.69388988%	0.71552208%	0.68334170%
LRWRA's proportionate share of the net pension liability	\$ 20,319,625	\$ 17,183,550	\$ 15,306,760	\$ 18,490,096	\$ 16,341,079
LRWRA's covered payroll	\$ 15,025,831	\$ 14,238,087	\$ 13,661,710	\$ 13,352,218	\$ 12,321,987
LRWRA's proportionate share of the net pension liability as a percentage of its covered payroll	135.23%	120.69%	112.04%	138.48%	132.62%
Plan fiduciary net position as a percentage of the total pension liability	75.38%	78.55%	79.59%	75.65%	75.50%
APERS discount rate	7.15%	7.15%	7.15%	7.15%	7.50%
	<u>2015</u>				
LRWRA's proportion of the net pension liability	0.67188745%				
LRWRA's proportionate share of the net pension liability	\$ 12,374,375				
LRWRA's covered payroll	\$ 11,905,159				
LRWRA's proportionate share of the net pension liability as a percentage of its covered payroll	103.94%				
Plan fiduciary net position as a percentage of the total pension liability	80.39%				
APERS discount rate	7.50%				

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

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SUPPLEMENTARY INFORMATION



LITTLE ROCK

**Water Reclamation
Authority**

ONE WATER.
ONE FUTURE.

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Little Rock Water Reclamation Authority
Budgetary Comparison Schedule
Year Ended December 31, 2020

	Original and Final Budget	Actual	Variance Over (Under)
Operating Revenue			
Sewer charges	\$ 60,036,586	\$ 57,044,610	\$ (2,991,976)
Industrial surcharges	1,428,080	1,350,050	(78,030)
Other	543,800	728,358	184,558
Total operating revenue	<u>62,008,466</u>	<u>59,123,018</u>	<u>(2,885,448)</u>
Operating Expenses Excluding Depreciation			
Water reclamation commission	56,070	53,198	(2,872)
Utility management	1,438,891	1,341,698	(97,193)
Finance and administration	2,768,662	2,919,901	151,239
Engineering	2,410,146	2,036,889	(373,257)
Information systems	2,260,643	2,370,331	109,688
Collection system maintenance	8,148,365	8,416,907	268,542
Operations	5,575,393	5,873,586	298,193
Environmental assessment	1,764,830	1,788,996	24,166
Facilities/maintenance	3,956,565	3,446,050	(510,515)
Legal/HR	809,069	817,448	8,379
Total operating expenses, excluding depreciation	<u>29,188,634</u>	<u>29,065,004</u>	<u>(123,630)</u>
Operating Income Before Depreciation	<u>32,819,832</u>	<u>30,058,014</u>	<u>(2,761,818)</u>
Provision for depreciation			
Building and improvements	4,443,853	4,204,223	(239,630)
Infrastructure – collections, pumping and treatments	9,467,619	9,794,366	326,747
Equipment	4,180,591	3,860,047	(320,544)
Total provision for depreciation	<u>18,092,063</u>	<u>17,858,636</u>	<u>(233,427)</u>
Operating Income	<u>14,727,769</u>	<u>12,199,378</u>	<u>(2,528,391)</u>
Nonoperating Income (Expense)			
Interest income	750,000	519,039	(230,961)
Interest expense	(11,579,993)	(9,461,928)	2,118,065
Bond issuance costs	(50,000)	(388,325)	(338,325)
Gain (loss) on disposal of capital assets	63,000	(464,663)	(527,663)
Gain on investments	-	5,850	5,850
Other	125,000	71,783	(53,217)
Net nonoperating income (expense)	<u>(10,691,993)</u>	<u>(9,718,244)</u>	<u>973,749</u>
Increase in Net Position Before Capital Contributions	<u>\$ 4,035,776</u>	<u>\$ 2,481,134</u>	<u>\$ (1,554,642)</u>

Little Rock Water Reclamation Authority
Schedule of Operating Expenses by Department
Excluding Depreciation
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Water Reclamation Commission		
Commission expense reimbursement	\$ 124	\$ 1,807
Insurance	948	1,492
Other	<u>52,126</u>	<u>56,288</u>
Total	<u>53,198</u>	<u>59,587</u>
Utility Management		
Salaries	657,702	596,413
Employee benefits	323,703	365,255
Supplies	6,009	9,514
Contract services	144,176	190,541
Vehicle maintenance	16,174	17,168
Utilities	12,748	11,097
Insurance	1,816	2,181
Training and administration	<u>179,370</u>	<u>216,294</u>
Total	<u>1,341,698</u>	<u>1,408,463</u>
Finance and Administration		
Salaries	1,109,031	1,028,681
Employee benefits	574,554	599,661
Supplies	114,343	35,738
Contract services	1,028,214	985,524
Vehicle maintenance	7,985	3,021
Utilities	5,581	6,531
Insurance	11,617	12,397
Training and administration	<u>68,576</u>	<u>124,685</u>
Total	<u>2,919,901</u>	<u>2,796,238</u>
Engineering		
Salaries	1,255,400	1,261,383
Employee benefits	386,570	669,004
Supplies	28,790	53,167
Contract services	275,172	429,011
Vehicle maintenance	27,137	28,800
Utilities	16,597	18,141
Insurance	8,919	9,838
Training and administration	<u>38,304</u>	<u>104,883</u>
Total	<u>2,036,889</u>	<u>2,574,227</u>

Little Rock Water Reclamation Authority
Schedule of Operating Expenses by Department
Excluding Depreciation (Continued)
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Collection System Maintenance		
Salaries	\$ 4,435,013	\$ 4,315,440
Employee benefits	2,522,125	2,702,124
Supplies	600,123	655,455
Contract services	666,764	687,083
Vehicle maintenance	96,473	114,096
Utilities	37,917	39,741
Insurance	44,413	41,626
Training and administration	14,079	20,343
	<u>8,416,907</u>	<u>8,575,908</u>
Operations – Adams, Fourche, Maumelle, and Industrial Monitoring		
Salaries	1,957,327	1,836,967
Employee benefits	1,041,155	1,086,713
Supplies	703,486	512,178
Contract services	636,301	733,708
Vehicle maintenance	16,289	22,132
Utilities	1,350,689	1,586,440
Insurance	98,315	94,974
Training and administration	70,024	92,963
	<u>5,873,586</u>	<u>5,966,075</u>
Information Systems		
Salaries	890,311	845,283
Employee benefits	458,894	470,000
Supplies	159,117	196,134
Contract services	672,118	487,866
Vehicle maintenance	3,642	6,819
Utilities	177,091	178,479
Insurance	2,863	3,622
Training and administration	6,295	33,952
	<u>2,370,331</u>	<u>2,222,155</u>
Environmental Assessment		
Salaries	993,137	975,337
Employee benefits	614,970	609,915
Supplies	91,956	114,001
Contract services	61,067	53,095
Vehicle maintenance	11,311	21,411
Utilities	7,204	5,933
Insurance	5,258	6,563
Training and administration	4,093	18,136
	<u>1,788,996</u>	<u>1,804,391</u>

Little Rock Water Reclamation Authority
Schedule of Operating Expenses by Department
Excluding Depreciation (Continued)
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Facilities/Maintenance		
Salaries	\$ 1,356,739	\$ 1,466,103
Benefits	758,868	882,670
Supplies	647,538	833,735
Contract services	443,528	447,337
Vehicle expenses	48,507	74,821
Utilities	115,112	137,341
Insurance	66,869	64,138
Other	<u>8,889</u>	<u>15,829</u>
Total	<u>3,446,050</u>	<u>3,921,974</u>
Legal/HR		
Salaries	494,609	461,223
Benefits	236,592	236,090
Supplies	3,846	8,860
Contract services	39,783	72,558
Vehicle expenses	6,900	7,200
Utilities	1,507	1,466
Insurance	677	1,066
Other	<u>33,534</u>	<u>66,888</u>
Total	<u>817,448</u>	<u>855,351</u>
Total operating expenses	<u>\$ 29,065,004</u>	<u>\$ 30,184,369</u>

Little Rock Water Reclamation Authority
Schedule of Bonded Indebtedness
December 31, 2020

Sewer Revenue Bonds (Series 2007B)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		April 15,	October 15,	April 15,	October 15,	
2021	2.75%	\$ -	\$ -	\$ 128,154	\$ 128,154	\$ 256,308
2022	2.75%	-	-	128,154	128,154	256,308
2023	2.75%	-	-	128,154	128,154	256,308
2024	2.75%	499,163	506,027	128,154	121,290	1,254,634
2025	2.75%	512,984	520,038	114,333	107,279	1,254,634
2026	2.75%	527,188	534,437	100,129	92,880	1,254,634
2027	2.75%	541,786	549,235	85,532	78,082	1,254,635
2028	2.75%	556,788	564,444	70,530	62,874	1,254,636
2029	2.75%	572,205	580,048	55,113	47,245	1,254,611
2030	0.00%	459,893	466,217	-	-	926,110
2031	0.00%	472,628	479,126	-	-	951,754
2032	0.00%	485,715	492,401	-	-	978,116
		<u>\$ 4,628,350</u>	<u>\$ 4,691,973</u>	<u>\$ 938,253</u>	<u>\$ 894,112</u>	<u>\$ 11,152,688</u>

^a Due to the COVID-19 pandemic, Arkansas Natural Resources Commission and City of Little Rock agreed to suspend principal payments in 2021, 2022, and 2023 and defer them to the end of the bond indebtedness interest free.

Little Rock Water Reclamation Authority
Schedule of Bonded Indebtedness (Continued)
December 31, 2020

Sewer Revenue Bonds (Series 2009A)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		April 15,	October 15,	April 15,	October 15,	
2021	2.250%	\$ -	\$ -	\$ 337,814	\$ 337,814	\$ 675,628
2022	2.250%	-	-	337,814	337,814	675,628
2023	2.250%	-	-	337,814	337,814	675,628
2024	2.250%	839,277	848,720	337,814	328,373	2,354,184
2025	2.250%	858,267	867,922	318,824	309,169	2,354,182
2026	2.250%	877,687	887,561	299,405	289,531	2,354,184
2027	2.250%	897,546	907,643	279,546	269,448	2,354,183
2028	2.250%	917,854	928,181	259,237	248,912	2,354,184
2029	2.250%	938,622	949,182	238,470	227,910	2,354,184
2030	2.250%	959,860	970,659	217,232	206,433	2,354,184
2031	2.250%	981,578	992,621	195,513	184,471	2,354,183
2032	2.250%	1,003,788	1,015,081	173,304	162,011	2,354,184
2033	2.250%	1,026,500	1,038,049	150,591	139,043	2,354,183
2034	2.250%	1,049,726	1,061,536	127,365	115,556	2,354,183
2035	2.250%	1,073,476	1,085,555	103,613	91,537	2,354,181
2036	2.250%	1,097,768	1,110,103	79,324	66,974	2,354,169
2037	0.000%	784,791	793,620	-	-	1,578,411
2038	0.000%	802,548	811,577	-	-	1,614,125
2039	0.000%	820,708	829,940	-	-	1,650,648
		<u>\$ 14,929,996</u>	<u>\$ 15,097,950</u>	<u>\$ 3,793,680</u>	<u>\$ 3,652,810</u>	<u>\$ 32,631,252</u>

^a Due to the COVID-19 pandemic, Arkansas Natural Resources Commission and City of Little Rock agreed to suspend principal payments in 2021, 2022, and 2023 and defer them to the end of the bond indebtedness interest free.

Little Rock Water Reclamation Authority
Schedule of Bonded Indebtedness (Continued)
December 31, 2020

Sewer Revenue Bonds (Series 2011)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		February 1,	August 1,	February 1,	August 1,	
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>\$ 2,365,000</u>	<u>\$ 2,415,000</u>	<u>\$ 123,237</u>	<u>\$ 83,301</u>	<u>\$ 4,986,538</u>

Little Rock Water Reclamation Authority
Schedule of Bonded Indebtedness (Continued)
December 31, 2020

Sewer Revenue Bonds (Series 2013)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		April 15,	October 15,	April 15,	October 15,	
2021	2.250%	\$ -	\$ -	\$ 337,814	\$ 337,814	\$ 675,628
2022	2.250%	-	-	337,814	337,814	675,628
2023	2.250%	-	-	337,814	337,814	675,628
2024	2.250%	839,277	848,720	337,814	328,373	2,354,184
2025	2.250%	858,267	867,922	318,824	309,169	2,354,182
2026	2.250%	877,687	887,561	299,405	289,531	2,354,184
2027	2.250%	897,546	907,643	279,546	269,448	2,354,183
2028	2.250%	917,854	928,181	259,237	248,912	2,354,184
2029	2.250%	938,622	949,182	238,470	227,910	2,354,184
2030	2.250%	959,860	970,659	217,232	206,433	2,354,184
2031	2.250%	981,578	992,621	195,513	184,471	2,354,183
2032	2.250%	1,003,788	1,015,081	173,304	162,011	2,354,184
2033	2.250%	1,026,500	1,038,049	150,591	139,043	2,354,183
2034	2.250%	1,049,726	1,061,536	127,365	115,556	2,354,183
2035	2.250%	1,073,476	1,085,555	103,613	91,537	2,354,181
2036	2.250%	1,097,768	1,110,103	79,324	66,974	2,354,169
2037	0.000%	784,791	793,620	-	-	1,578,411
2038	0.000%	802,548	811,577	-	-	1,614,125
2039	0.000%	820,708	829,940	-	-	1,650,648
		<u>\$ 14,929,996</u>	<u>\$ 15,097,950</u>	<u>\$ 3,793,680</u>	<u>\$ 3,652,810</u>	<u>\$ 32,631,252</u>

^a Due to the COVID-19 pandemic, Arkansas Natural Resources Commission and City of Little Rock agreed to suspend principal payments in 2021, 2022, and 2023 and defer them to the end of the bond indebtedness interest free.

Little Rock Water Reclamation Authority
Schedule of Bonded Indebtedness (Continued)
December 31, 2020

Sewer Revenue Bonds (Series 2014)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		May 1,	November 1,	May 1,	November 1,	
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>\$ 2,350,000</u>	<u>\$ 2,045,000</u>	<u>\$ 187,887</u>	<u>\$ 149,263</u>	<u>\$ 4,732,150</u>

Little Rock Water Reclamation Authority
Schedule of Bonded Indebtedness (Continued)
December 31, 2020

Sewer Revenue Bonds (Series 2015)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		April 1,	October 1,	April 1,	October 1,	
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>\$ 67,455,000</u>	<u>\$ 68,000,000</u>	<u>\$ 28,007,952</u>	<u>\$ 26,696,788</u>	<u>\$ 190,159,740</u>

Little Rock Water Reclamation Authority
Schedule of Bonded Indebtedness (Continued)
December 31, 2020

Sewer Revenue Bonds (Series 2016A)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		April 15,	October 15,	April 15,	October 15,	
2021	2.720%	\$ -	\$ -	\$ 905,490	\$ 905,490	\$ 1,810,980
2022	2.720%	-	-	905,490	905,490	1,810,980
2023	2.720%	-	-	905,490	905,490	1,810,980
2024	2.720%	703,641	714,195	905,490	894,935	3,218,261
2025	2.720%	724,908	735,782	884,222	873,349	3,218,261
2026	2.720%	746,818	758,021	862,312	851,110	3,218,261
2027	2.720%	769,391	780,932	839,740	828,199	3,218,262
2028	2.720%	792,646	804,536	816,485	804,595	3,218,262
2029	2.720%	816,603	828,852	792,527	780,278	3,218,260
2030	2.720%	841,285	853,905	767,845	755,226	3,218,261
2031	2.720%	866,713	879,714	742,417	729,417	3,218,261
2032	2.720%	892,910	906,303	716,221	702,827	3,218,261
2033	2.720%	919,898	933,696	689,233	675,434	3,218,261
2034	2.720%	947,702	961,917	661,429	647,213	3,218,261
2035	2.720%	976,346	990,991	632,785	618,139	3,218,261
2036	2.720%	1,005,856	1,020,944	603,274	588,187	3,218,261
2037	2.720%	1,036,258	1,051,802	572,872	557,329	3,218,261
2038	2.720%	1,067,579	1,083,593	541,552	525,538	3,218,262
2039	2.720%	1,099,847	1,116,345	509,284	492,786	3,218,262
2040	2.720%	1,133,089	1,150,086	476,041	459,045	3,218,261
2041	2.720%	1,167,337	1,184,847	441,793	424,283	3,218,260
2042	2.720%	1,202,620	1,220,659	406,511	388,471	3,218,261
2043	2.720%	1,238,969	1,257,554	370,162	351,577	3,218,262
2044	2.720%	1,276,417	1,295,563	332,714	313,567	3,218,261
2045	2.720%	1,314,996	1,334,721	294,134	274,409	3,218,260
2046	2.720%	1,354,743	1,375,064	254,388	234,067	3,218,262
2047	2.720%	1,395,690	1,416,625	213,441	192,506	3,218,262
2048	2.720%	1,437,874	1,459,443	171,256	149,688	3,218,261
2049	2.720%	1,481,334	1,503,554	127,797	105,577	3,218,262
2050	2.720%	1,526,115	643,509	83,023	-	2,252,647
2051	0.000%	653,162	662,959	-	-	1,316,121
2052	0.000%	672,903	682,997	-	-	1,355,900
2053	0.000%	693,242	-	-	-	693,242
		<u>\$ 30,756,892</u>	<u>\$ 29,609,109</u>	<u>\$ 17,425,418</u>	<u>\$ 16,934,222</u>	<u>\$ 94,725,641</u>

^a Due to the COVID-19 pandemic, Arkansas Natural Resources Commission and City of Little Rock agreed to suspend principal payments in 2021, 2022, and 2023 and defer them to the end of the bond indebtedness interest free.

Little Rock Water Reclamation Authority
Schedule of Bonded Indebtedness (Continued)
December 31, 2020

Sewer Revenue Bonds (Series 2016B)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		June 1,	December 1,	June 1,	December 1,	
2021	3.000%	\$ -	\$ 670,000	\$ 291,547	\$ 291,547	\$ 1,253,094
2022	4.000%	-	695,000	281,497	281,497	1,257,994
2023	4.000%	-	725,000	267,597	267,597	1,260,194
2024	4.000%	-	755,000	253,097	253,097	1,261,194
2025	4.000%	-	780,000	237,997	237,997	1,255,994
2026	4.000%	-	815,000	222,397	222,397	1,259,794
2027	4.000%	-	850,000	206,097	206,097	1,262,194
2028	4.000%	-	880,000	189,097	189,097	1,258,194
2029	4.000%	-	910,000	171,497	171,497	1,252,994
2030	4.000%	-	950,000	153,297	153,297	1,256,594
2031	3.000%	-	990,000	134,297	134,297	1,258,594
2032	3.000%	-	1,020,000	119,447	119,447	1,258,894
2033	4.000%	-	1,045,000	104,147	104,147	1,253,294
2034	4.000%	-	1,090,000	83,247	83,247	1,256,494
2035	3.125%	-	1,135,000	61,447	61,447	1,257,894
2036	3.125%	-	1,170,000	43,713	43,713	1,257,426
2037	3.250%	-	1,205,000	25,431	25,431	1,255,862
2038	3.250%	-	360,000	5,850	5,850	371,700
		<u>\$ -</u>	<u>\$ 16,045,000</u>	<u>\$ 2,851,699</u>	<u>\$ 2,851,699</u>	<u>\$ 21,748,398</u>

Little Rock Water Reclamation Authority
Schedule of Bonded Indebtedness (Continued)
December 31, 2020

Sewer Revenue Bonds (Series 2017)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		April 1,	October 1,	April 1,	October 1,	
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>\$ 10,215,000</u>	<u>\$ 2,801,326</u>	<u>\$ 2,801,326</u>	<u>\$ 15,817,652</u>

Little Rock Water Reclamation Authority
Schedule of Bonded Indebtedness (Continued)
December 31, 2020

Sewer Revenue Bonds (Series 2018)^a

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		April 15,	October 15,	April 15,	October 15,	
2021	2.000%	\$ -	\$ -	\$ -	\$ 722,407	\$ 722,407
2022	2.000%	-	-	722,407	722,704	1,445,111
2023	2.000%	-	-	722,407	722,407	1,444,814
2024	2.000%	500,552	508,061	722,407	714,899	2,445,919
2025	2.000%	515,682	523,417	707,278	699,543	2,445,920
2026	2.000%	531,268	539,237	691,692	683,723	2,445,920
2027	2.000%	547,326	555,536	675,634	667,424	2,445,920
2028	2.000%	563,869	572,327	659,091	650,633	2,445,920
2029	2.000%	580,912	589,625	642,048	633,334	2,445,919
2030	2.000%	598,470	607,447	624,490	615,513	2,445,920
2031	2.000%	616,558	625,807	606,401	597,153	2,445,919
2032	2.000%	635,194	644,722	587,766	578,238	2,445,920
2033	2.000%	654,393	664,208	568,567	558,751	2,445,919
2034	2.000%	674,172	684,284	548,788	538,676	2,445,920
2035	2.000%	694,548	704,967	528,411	517,993	2,445,919
2036	2.000%	715,541	726,274	507,419	496,685	2,445,919
2037	2.000%	737,168	748,226	485,791	474,734	2,445,919
2038	2.000%	759,449	770,841	463,510	452,119	2,445,919
2039	2.000%	782,404	794,140	440,556	428,820	2,445,920
2040	2.000%	806,052	818,143	416,908	404,817	2,445,920
2041	2.000%	830,415	842,871	392,545	380,089	2,445,920
2042	2.000%	855,514	868,347	367,446	354,613	2,445,920
2043	2.000%	881,372	894,593	341,588	328,367	2,445,920
2044	2.000%	908,011	921,632	314,948	301,328	2,445,919
2045	2.000%	935,456	949,488	287,504	273,472	2,445,920
2046	2.000%	963,730	978,186	259,230	244,774	2,445,920
2047	2.000%	992,859	1,007,752	230,101	215,208	2,445,920
2048	2.000%	1,022,868	1,038,211	200,092	184,749	2,445,920
2049	2.000%	1,053,784	1,069,591	169,175	153,369	2,445,919
2050	2.000%	1,085,635	1,101,919	137,325	121,040	2,445,919
2051	2.000%	1,118,448	1,135,225	104,513	-	2,358,186
2052	0.000%	1,152,253	1,169,536	-	-	2,321,789
2053	0.000%	1,187,080	1,204,887	-	-	2,391,967
		<u>\$ 23,900,983</u>	<u>\$ 24,259,500</u>	<u>\$ 14,126,038</u>	<u>\$ 14,437,582</u>	<u>\$ 76,724,103</u>

^a The available proceeds of Series 2018 is \$61,600,000

^b Due to the COVID-19 pandemic, Arkansas Natural Resources Commission and City of Little Rock agreed to suspend principal payments in 2021, 2022, and 2023 and defer them to the end of the bond indebtedness interest free.

Little Rock Water Reclamation Authority
Schedule of Bonded Indebtedness (Continued)
December 31, 2020

Sewer Revenue Bonds (Series 2018) – Fully Amortized^a

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		April 15,	October 15,	April 15,	October 15,	
2021	3.000%	\$ -	\$ -	\$ -	\$ 924,000	\$ 924,000
2022	3.000%	-	-	924,000	924,000	1,848,000
2023	3.000%	-	-	924,000	924,000	1,848,000
2024	3.000%	689,715	700,061	924,000	913,654	3,227,430
2025	3.000%	710,561	721,220	903,153	892,495	3,227,429
2026	3.000%	732,038	743,019	881,677	870,696	3,227,430
2027	3.000%	754,164	765,476	859,551	848,238	3,227,429
2028	3.000%	776,959	788,613	836,756	825,102	3,227,430
2029	3.000%	800,442	812,449	813,273	801,266	3,227,430
2030	3.000%	824,636	837,005	789,079	776,710	3,227,430
2031	3.000%	849,560	862,304	764,155	751,411	3,227,430
2032	3.000%	875,238	888,367	738,477	725,348	3,227,430
2033	3.000%	901,692	915,218	712,023	698,497	3,227,430
2034	3.000%	928,946	942,880	684,769	670,835	3,227,430
2035	3.000%	957,023	971,378	656,692	642,336	3,227,429
2036	3.000%	985,949	1,000,739	627,766	612,976	3,227,430
2037	3.000%	1,015,750	1,030,986	597,965	582,729	3,227,430
2038	3.000%	1,046,450	1,062,147	567,264	551,567	3,227,428
2039	3.000%	1,078,079	1,094,251	535,635	519,464	3,227,429
2040	3.000%	1,110,665	1,127,324	503,050	486,390	3,227,429
2041	3.000%	1,144,235	1,161,398	469,480	452,317	3,227,430
2042	3.000%	1,178,819	1,196,501	434,896	417,214	3,227,430
2043	3.000%	1,214,449	1,232,666	399,266	381,049	3,227,430
2044	3.000%	1,251,155	1,269,923	362,559	343,792	3,227,429
2045	3.000%	1,288,972	1,308,306	324,743	305,409	3,227,430
2046	3.000%	1,327,931	1,347,850	285,784	265,865	3,227,430
2047	3.000%	1,368,068	1,388,588	245,647	225,126	3,227,429
2048	3.000%	1,409,417	1,430,558	204,298	183,156	3,227,429
2049	3.000%	1,452,017	1,473,797	161,698	139,918	3,227,430
2050	3.000%	1,495,904	1,518,343	117,811	95,372	3,227,430
2051	3.000%	1,541,138	640,235	72,597	-	2,253,970
2052	0.000%	649,838	659,586	-	-	1,309,424
2053	0.000%	669,480	679,522	-	-	1,349,002
		<u>\$ 31,029,290</u>	<u>\$ 30,570,710</u>	<u>\$ 17,322,064</u>	<u>\$ 17,750,932</u>	<u>\$ 96,672,996</u>

^a The available proceeds of Series 2018 is \$61,600,000.

^b Due to the COVID-19 pandemic, Arkansas Natural Resources Commission and City of Little Rock agreed to suspend principal payments in 2021, 2022, and 2023 and defer them to the end of the bond indebtedness interest free.

Little Rock Water Reclamation Authority
Schedule of Bonded Indebtedness (Continued)
December 31, 2020

Sewer Revenue Bonds (Series 2019)^a

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		April 15,	October 15,	April 15,	October 15,	
2023	3.000%	\$ -	\$ -	\$ 99,437	\$ 99,437	\$ 198,874
2024	3.000%	68,255	69,285	99,437	98,407	335,384
2025	3.000%	70,331	71,393	97,361	96,299	335,384
2026	3.000%	72,470	73,564	95,222	94,128	335,384
2027	3.000%	74,675	75,802	93,017	97,890	341,384
2028	3.000%	76,946	78,107	90,746	89,585	335,384
2029	3.000%	79,286	80,483	88,406	87,209	335,384
2030	3.000%	81,698	82,931	85,994	84,761	335,384
2031	3.000%	84,183	85,453	83,509	82,239	335,384
2032	3.000%	86,743	88,053	80,949	76,639	332,384
2033	3.000%	89,382	90,731	78,310	76,961	335,384
2034	3.000%	92,100	93,490	75,592	74,202	335,384
2035	3.000%	94,902	96,334	72,790	71,358	335,384
2036	3.000%	97,788	99,264	69,904	68,428	335,384
2037	3.000%	100,762	102,283	66,930	65,409	335,384
2038	3.000%	103,827	105,394	63,865	62,298	335,384
2039	3.000%	106,985	108,600	60,707	59,092	335,384
2040	3.000%	110,239	111,903	57,453	55,789	335,384
2041	3.000%	113,592	115,307	54,100	52,385	335,384
2042	3.000%	117,047	118,814	50,645	48,878	335,384
2043	3.000%	120,607	122,428	47,085	45,264	335,384
2044	3.000%	124,276	126,152	43,416	41,540	335,384
2045	3.000%	128,056	129,989	39,636	37,703	335,384
2046	3.000%	131,951	133,942	35,741	33,750	335,384
2047	3.000%	135,964	138,016	31,728	29,676	335,384
2048	3.000%	140,100	142,214	27,592	25,478	335,384
2049	3.000%	144,361	146,540	23,331	21,152	335,384
2050	3.000%	148,752	150,997	18,940	16,695	335,384
2051	3.000%	153,276	155,590	14,416	12,102	335,384
2052	3.000%	157,938	160,322	9,755	7,370	335,385
2053	0.000%	162,742	165,202	-	-	327,944
		<u>\$ 3,269,234</u>	<u>\$ 3,318,583</u>	<u>\$ 1,856,014</u>	<u>\$ 1,812,124</u>	<u>\$ 10,255,955</u>

^a The available proceeds of Series 2019 is \$18,000,000.

^b Due to the COVID-19 pandemic, Arkansas Natural Resources Commission and City of Little Rock agreed to suspend principal payments in 2023 and defer them to the end of the bond indebtedness interest free.

Little Rock Water Reclamation Authority
Schedule of Bonded Indebtedness (Continued)
December 31, 2020

Sewer Revenue Bonds (Series 2019) – Fully Amortized^a

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		April 15,	October 15,	April 15,	October 15,	
2023	3.000%	\$ -	\$ -	\$ 270,000	\$ 270,000	\$ 540,000
2024	3.000%	192,737	195,628	270,000	267,109	925,474
2025	3.000%	198,562	201,540	264,175	261,196	925,473
2026	3.000%	204,563	207,632	258,173	255,105	925,473
2027	3.000%	210,746	213,908	251,990	248,829	925,473
2028	3.000%	217,116	220,373	245,620	242,364	925,473
2029	3.000%	223,679	227,034	239,058	235,703	925,474
2030	3.000%	230,439	233,896	232,297	228,841	925,473
2031	3.000%	237,404	240,965	225,332	221,771	925,472
2032	3.000%	244,580	248,249	218,157	214,488	925,474
2033	3.000%	251,972	255,752	210,764	206,985	925,473
2034	3.000%	259,588	263,482	203,148	199,255	925,473
2035	3.000%	267,434	271,445	195,302	191,291	925,472
2036	3.000%	275,517	279,650	187,219	183,086	925,472
2037	3.000%	283,845	288,103	178,892	174,634	925,474
2038	3.000%	292,424	296,810	170,312	165,926	925,472
2039	3.000%	301,262	305,782	161,474	156,955	925,473
2040	3.000%	310,368	315,024	152,368	147,713	925,473
2041	3.000%	319,749	324,545	142,987	138,191	925,472
2042	3.000%	329,414	334,355	133,323	128,382	925,474
2043	3.000%	339,370	344,461	123,366	118,276	925,473
2044	3.000%	349,628	354,872	113,109	107,865	925,474
2045	3.000%	360,195	365,598	102,541	97,139	925,473
2046	3.000%	371,082	376,648	91,655	86,088	925,473
2047	3.000%	382,298	388,032	80,439	74,704	925,473
2048	3.000%	393,853	399,761	68,884	62,976	925,474
2049	3.000%	405,757	411,843	56,979	50,893	925,472
2050	3.000%	418,021	424,292	44,715	38,445	925,473
2051	3.000%	430,656	437,116	32,081	25,621	925,474
2052	3.000%	443,672	450,303	19,064	12,409	925,448
2053	0.000%	187,082	189,888	-	-	376,970
		<u>\$ 8,933,013</u>	<u>\$ 9,066,987</u>	<u>\$ 4,943,424</u>	<u>\$ 4,812,240</u>	<u>\$ 27,755,664</u>

^a The available proceeds of Series 2019 is \$18,000,000.

^b Due to the COVID-19 pandemic, Arkansas Natural Resources Commission and City of Little Rock agreed to suspend principal payments in 2023 and defer them to the end of the bond indebtedness interest free.

Little Rock Water Reclamation Authority
Schedule of Bonded Indebtedness (Continued)
December 31, 2020

Sewer Revenue Bonds (Series 2020A)^a

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		April 15,	October 15,	April 15,	October 15,	
2024	2.250%	\$ 12,476	\$ 12,616	\$ 11,935	\$ 11,795	\$ 48,822
2025	2.250%	12,758	12,902	11,653	11,509	48,822
2026	2.250%	13,047	13,194	11,364	11,217	48,822
2027	2.250%	13,342	13,492	11,069	10,919	48,822
2028	2.250%	13,644	13,797	10,767	10,613	48,821
2029	2.250%	13,953	14,110	10,458	10,301	48,822
2030	2.250%	14,268	14,429	10,143	9,982	48,822
2031	2.250%	14,591	14,755	9,820	9,656	48,822
2032	2.250%	14,921	15,089	9,490	9,322	48,822
2033	2.250%	15,259	15,431	9,152	8,980	48,822
2034	2.250%	15,604	15,780	8,807	8,631	48,822
2035	2.250%	15,957	16,137	8,454	8,274	48,822
2036	2.250%	16,318	16,502	8,093	7,909	48,822
2037	2.250%	16,688	16,875	7,723	7,536	48,822
2038	2.250%	17,065	17,257	7,346	7,154	48,822
2039	2.250%	17,451	17,648	6,960	6,763	48,822
2040	2.250%	17,846	18,047	6,565	6,364	48,822
2041	2.250%	18,250	18,455	6,161	5,956	48,822
2042	2.250%	18,663	18,873	5,748	5,538	48,822
2043	2.250%	19,085	19,300	5,326	5,111	48,822
2044	2.250%	19,517	19,736	4,894	4,674	48,821
2045	2.250%	19,959	20,183	4,452	4,228	48,822
2046	2.250%	20,410	20,640	4,001	3,771	48,822
2047	2.250%	20,872	21,107	3,539	3,304	48,822
2048	2.250%	21,344	21,584	3,067	2,826	48,821
2049	2.250%	21,827	22,073	2,584	2,338	48,822
2050	2.250%	22,321	22,572	2,090	1,839	48,822
2051	2.250%	22,826	23,083	1,585	1,328	48,822
2052	2.250%	23,343	23,605	1,068	806	48,822
2053	2.250%	23,871	24,137	540	272	48,820
		<u>\$ 527,476</u>	<u>\$ 533,409</u>	<u>\$ 204,854</u>	<u>\$ 198,916</u>	<u>\$ 1,464,655</u>

^a The available proceeds of Series 2020A is \$51,400,000.

Little Rock Water Reclamation Authority
Schedule of Bonded Indebtedness (Continued)
December 31, 2020

Sewer Revenue Bonds (Series 2020A)^a– Fully Amortized

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		April 15,	October 15,	April 15,	October 15,	
2024	2.250%	\$ 604,456	\$ 611,256	\$ 578,250	\$ 571,450	\$ 2,365,412
2025	2.250%	618,133	625,087	564,573	557,619	2,365,412
2026	2.250%	632,119	639,230	550,587	543,476	2,365,412
2027	2.250%	646,421	653,694	536,285	529,012	2,365,412
2028	2.250%	661,048	668,485	521,658	514,221	2,365,412
2029	2.250%	676,006	683,611	506,700	499,095	2,365,412
2030	2.250%	691,301	699,078	491,405	483,628	2,365,412
2031	2.250%	706,943	714,895	475,763	467,811	2,365,412
2032	2.250%	722,939	731,072	459,767	451,634	2,365,412
2033	2.250%	739,296	747,613	443,410	435,093	2,365,412
2034	2.250%	756,023	764,529	426,683	418,177	2,365,412
2035	2.250%	773,130	781,828	409,576	400,878	2,365,412
2036	2.250%	790,623	799,518	392,083	383,188	2,365,412
2037	2.250%	808,513	817,608	374,193	365,098	2,365,412
2038	2.250%	826,806	836,107	355,900	346,599	2,365,412
2039	2.250%	845,514	855,026	337,192	327,680	2,365,412
2040	2.250%	864,645	874,372	318,061	308,334	2,365,412
2041	2.250%	884,209	894,157	298,497	288,549	2,365,412
2042	2.250%	904,215	914,388	278,491	268,318	2,365,412
2043	2.250%	924,674	935,078	258,032	247,628	2,365,412
2044	2.250%	945,597	956,235	237,109	226,471	2,365,412
2045	2.250%	966,992	977,871	215,714	204,835	2,365,412
2046	2.250%	988,873	999,997	193,833	182,709	2,365,412
2047	2.250%	1,011,247	1,022,623	171,459	160,083	2,365,412
2048	2.250%	1,034,128	1,045,762	148,578	136,944	2,365,412
2049	2.250%	1,057,527	1,069,424	125,179	113,282	2,365,412
2050	2.250%	1,081,456	1,093,622	101,250	89,084	2,365,412
2051	2.250%	1,105,925	1,118,367	76,781	64,339	2,365,412
2052	2.250%	1,130,948	1,143,671	51,758	39,035	2,365,412
2053	2.250%	1,156,538	1,169,551	26,168	13,158	2,365,415
		<u>\$ 25,556,245</u>	<u>\$ 25,843,755</u>	<u>\$ 9,924,935</u>	<u>\$ 9,637,428</u>	<u>\$ 70,962,363</u>

^a The available proceeds of Series 2020A is \$51,400,000.

Little Rock Water Reclamation Authority
Schedule of Bonded Indebtedness (Continued)
December 31, 2020

Sewer Revenue Bonds (Series 2020B)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		February 1,	August 1,	February 1,	August 1,	
2021	0.893%	\$ -	\$ -	\$ 85,086	\$ 264,061	\$ 349,147
2022	0.893%	-	-	264,061	264,061	528,122
2023	0.893%	-	-	264,061	264,061	528,122
2024	0.893%	-	365,000	264,061	264,061	893,122
2025	1.023%	-	1,055,000	262,432	262,432	1,579,864
2026	1.263%	-	1,070,000	257,035	257,035	1,584,070
2027	1.453%	-	1,080,000	250,278	250,278	1,580,556
2028	1.677%	-	1,100,000	242,432	242,432	1,584,864
2029	1.827%	-	1,115,000	233,209	233,209	1,581,418
2030	1.927%	-	1,135,000	223,023	223,023	1,581,046
2031	2.027%	-	1,160,000	212,087	212,087	1,584,174
2032	2.127%	-	1,180,000	200,331	200,331	1,580,662
2033	2.227%	-	1,205,000	187,781	187,781	1,580,562
2034	2.337%	-	1,235,000	174,364	174,364	1,583,728
2035	2.473%	-	1,265,000	159,933	159,933	1,584,866
2036	2.924%	-	1,295,000	144,519	144,519	1,584,038
2037	2.924%	-	1,330,000	125,586	125,586	1,581,172
2038	2.924%	-	1,365,000	106,141	106,141	1,577,282
2039	2.924%	-	1,410,000	86,185	86,165	1,582,350
2040	2.924%	-	1,450,000	65,571	65,571	1,581,142
2041	2.924%	-	1,495,000	44,372	44,372	1,583,744
2042	2.924%	-	1,540,000	22,515	22,515	1,585,030
		<u>\$ -</u>	<u>\$ 22,850,000</u>	<u>\$ 3,875,063</u>	<u>\$ 4,054,018</u>	<u>\$ 30,779,081</u>

Little Rock Water Reclamation Authority
Schedule of Bonded Indebtedness (Continued)
December 31, 2020

Sewer Revenue Bonds (Series 2020C)^a

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		April 15,	October 15,	April 15,	October 15,	
2024	1.750%	\$ -	\$ 336	\$ -	\$ 141	\$ 477
2025	1.750%	339	342	138	135	954
2026	1.750%	345	348	132	129	954
2027	1.750%	351	354	126	122	953
2028	1.750%	357	360	119	116	952
2029	1.750%	363	366	113	110	952
2030	1.750%	369	373	107	103	952
2031	1.750%	376	379	100	97	952
2032	1.750%	383	386	93	90	952
2033	1.750%	389	393	87	83	952
2034	1.750%	396	400	80	76	952
2035	1.750%	403	407	73	69	952
2036	1.750%	410	414	66	62	952
2037	1.750%	418	421	59	55	953
2038	1.750%	425	429	51	47	952
2039	1.750%	432	436	44	40	952
2040	1.750%	440	444	36	32	952
2041	1.750%	448	452	28	24	952
2042	1.750%	456	460	20	16	952
2043	1.750%	464	468	12	8	952
2044	1.750%	468	-	4	-	472
		<u>\$ 8,032</u>	<u>\$ 7,968</u>	<u>\$ 1,488</u>	<u>\$ 1,555</u>	<u>\$ 19,043</u>

^a The available proceeds of Series 2020C is \$7,500,000.

^b The final balance of this loan is subject to the final cost of the FEMA project. It is not yet determined if the entire RLF will be drawn down.

Little Rock Water Reclamation Authority
Schedule of Bonded Indebtedness (Continued)
December 31, 2020

Sewer Revenue Bonds (Series 2020C)^a– Fully Amortized

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		April 15,	October 15,	April 15,	October 15,	
2024	1.750%	\$ -	\$ 157,409	\$ -	\$ 65,625	\$ 223,034
2025	1.750%	158,786	160,176	64,248	62,858	446,068
2026	1.750%	161,577	162,991	61,457	60,043	446,068
2027	1.750%	164,418	165,856	58,616	57,178	446,068
2028	1.750%	167,307	168,771	55,727	54,263	446,068
2029	1.750%	170,247	171,738	52,787	51,296	446,068
2030	1.750%	173,240	174,756	49,794	48,278	446,068
2031	1.750%	176,285	177,828	46,749	45,206	446,068
2032	1.750%	179,384	180,953	43,650	42,081	446,068
2033	1.750%	182,537	184,133	40,497	38,901	446,068
2034	1.750%	185,745	187,371	37,289	35,663	446,068
2035	1.750%	189,010	190,664	34,024	32,370	446,068
2036	1.750%	192,332	194,015	30,702	29,019	446,068
2037	1.750%	195,713	197,425	27,321	25,609	446,068
2038	1.750%	199,152	200,895	23,882	22,139	446,068
2039	1.750%	202,653	204,426	20,381	18,608	446,068
2040	1.750%	206,215	208,019	16,819	15,015	446,068
2041	1.750%	209,839	211,675	13,195	11,359	446,068
2042	1.750%	213,528	215,396	9,506	7,638	446,068
2043	1.750%	217,280	219,182	5,754	3,852	446,068
2044	1.750%	221,073	-	1,934	-	223,007
		<u>\$ 3,766,321</u>	<u>\$ 3,733,679</u>	<u>\$ 694,332</u>	<u>\$ 727,001</u>	<u>\$ 8,921,333</u>

^a The available proceeds of Series 2020C is \$7,500,000.

^b The final balance of this loan is subject to the final cost of the FEMA project. It is not yet determined if the entire RLF will be drawn down.

STATISTICAL DATA



LITTLE ROCK

**Water Reclamation
Authority**

ONE WATER.
ONE FUTURE.

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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.

Net Position by Component, Last Ten Fiscal Years	101
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Operating Revenues by Source	103
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B – Revenue Capacity Information

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C – Debt Capacity Information

These schedules present information to help the reader in assessing the affordability of LRWRA’s current levels of outstanding debt and its ability to issue additional debt in the future.

Ratios of Outstanding Debt by Type	112
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D – Demographic and Economic Information

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

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Principal Employers, Current Year and Nine Years Ago	116

E – Operating Information

These schedules contain information about LRWRA's operational activities.

Number of Employees by Identifiable Activity	117
Operating and Capital Indicators	118

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

	Fiscal Year				
	2016	2017	2018 ^b	2019	2020
Primary Government					
Net investment in capital assets	\$ 174,925,069	\$ 175,449,301	\$ 178,984,742	\$ 181,817,487	\$ 188,499,492
Restricted					
Debt service	6,130,592	6,868,935	7,147,197	8,002,459	5,688,547
Postemployment benefits	1,571,149	1,640,581	-	-	-
Total restricted	<u>7,701,741</u>	<u>8,509,516</u>	<u>7,147,197</u>	<u>8,002,459</u>	<u>5,688,547</u>
Unrestricted	<u>11,394,435</u>	<u>14,968,883</u>	<u>17,557,370</u>	<u>22,708,190</u>	<u>25,764,938</u>
Total primary governmental net position	<u>\$ 194,021,245</u>	<u>\$ 198,927,700</u>	<u>\$ 203,689,309</u>	<u>\$ 212,528,136</u>	<u>\$ 219,952,977</u>
	Fiscal Year				
	2011	2012	2013	2014	2015 ^a
Primary Government					
Net investment in capital assets	\$ 139,771,009	\$ 153,882,712	\$ 160,379,889	\$ 163,269,445	\$ 166,962,094
Restricted					
Debt service	8,201,722	9,941,067	11,937,387	11,841,110	12,534,544
Postemployment benefits	-	-	-	-	-
Total restricted	<u>8,201,722</u>	<u>9,941,067</u>	<u>11,937,387</u>	<u>11,841,110</u>	<u>12,534,544</u>
Unrestricted	<u>15,072,179</u>	<u>15,273,085</u>	<u>13,122,816</u>	<u>20,338,501</u>	<u>8,232,798</u>
Total primary governmental net position	<u>\$ 163,044,910</u>	<u>\$ 179,096,864</u>	<u>\$ 185,440,092</u>	<u>\$ 195,449,056</u>	<u>\$ 187,729,436</u>

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

^b Includes the effect of the adoption of GASB 75.

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

Fiscal Year	Operating Revenue	Operating Expense	Depreciation Expense	Total Nonoperating Revenues (Expenses)	Income Before Capital Contributions	Capital Contributions and Grants	Change in Net Position
2011	\$ 41,343,263	\$ (21,375,526)	\$ (7,778,436)	\$ (8,464,927)	\$ 3,724,374	\$ 1,598,275	\$ 5,322,649
2012	43,547,696	(20,845,059)	(7,805,859)	(10,985,650)	3,911,128	1,906,970	5,818,098
2013	48,141,512	(22,102,353)	(10,141,151)	(13,273,368)	2,624,640	1,053,061	3,677,701
2014	51,214,190	(23,313,891)	(10,280,104)	(9,502,882)	8,117,313	1,891,741	10,009,054
2015	51,175,869	(23,956,665)	(13,722,622)	(12,066,359)	1,430,223	1,819,214	3,249,437
2016	53,470,585	(25,879,136)	(14,033,870)	(8,945,535)	4,612,044	1,679,766	6,291,810
2017	55,286,393	(27,196,677)	(15,190,118)	(9,035,248)	3,864,350	1,042,104	4,906,454
2018	60,887,364	(28,332,522)	(16,099,423)	(8,933,312)	7,522,107	2,786,302	10,308,409
2019	60,751,848	(30,184,369)	(17,032,333)	(7,607,154)	5,927,992	2,910,835	8,838,827
2020	59,123,018	(29,065,004)	(17,858,636)	(9,718,244)	2,481,134	4,943,707	7,424,841

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

Fiscal Year	Sewer Charges	Industrial Surcharges^a	Connection Fees	Other Income^b	Total
2011	\$ 39,685,509	\$ 1,159,226	\$ 33,597	\$ 464,931	\$ 41,343,263
2012	42,049,133	1,080,731	36,385	381,447	43,547,696
2013	46,515,532	1,072,928	24,986	528,066	48,141,512
2014	49,699,493	886,815	28,280	599,602	51,214,190
2015	49,616,847	953,219	31,421	574,382	51,175,869
2016	51,733,703	1,002,058	27,130	707,694	53,470,585
2017	53,324,852	1,162,912	39,483	759,146	55,286,393
2018	58,836,838	1,337,871	31,993	680,662	60,887,364
2019	58,492,305	1,581,640	34,388	643,515	60,751,848
2020	57,044,610	1,350,050	35,530	692,828	59,123,018

^aFees 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.

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

Fiscal Year	Employment Costs	Supplies	Contract Services	Vehicle Maintenance	Utilities	Administrative Costs^a	Subtotal Expense Before Depreciation	Depreciation	Total Operating Expense
2011	\$ 13,997,893	\$ 2,220,871	\$ 2,390,989	\$ 443,134	\$ 1,470,380	\$ 852,259	\$ 21,375,526	\$ 7,778,436	\$ 29,153,962
2012	13,436,496	2,029,640	2,736,347	474,662	1,363,224	804,690	20,845,059	7,805,859	28,650,918
2013	14,315,370	2,193,620	2,622,055	573,276	1,456,322	941,710	22,102,353	10,141,151	32,243,504
2014	15,097,683	2,218,406	2,725,022	495,932	1,623,697	1,153,151	23,313,891	10,280,104	33,593,995
2015	15,654,261	2,207,314	2,870,359	341,969	1,818,133	1,064,629	23,956,665	13,722,622	37,679,287
2016	17,357,749	2,309,329	3,171,189	310,460	1,703,030	1,027,379	25,879,136	14,033,870	39,913,006
2017	18,374,739	2,536,833	3,579,063	322,542	1,568,833	814,667	27,196,677	15,190,118	42,386,795
2018	18,569,410	2,655,047	3,975,373	342,651	1,629,151	1,160,890	28,332,522	16,099,423	44,431,945
2019	20,457,142	2,419,263	4,047,693	295,468	1,984,688	980,115	30,184,369	17,032,333	47,216,702
2020	20,118,950	2,355,208	3,925,123	234,418	1,724,446	706,859	29,065,004	17,858,636	46,923,640

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

Fiscal Year	Interest Expense	Interest Income	Bond Issuance Costs	Gain (Loss) on Disposal Capital Assets	Unrealized Gain (Loss) on Investments	Other	Total Nonoperating Revenue (Expense)
2011	\$ (10,990,449)	\$ 151,072	\$ -	\$ (60,727)	\$ 266,225	\$ 2,168,952	\$ (8,464,927)
2012	(11,035,424)	338,699	-	(885,759)	(102,535)	699,369	(10,985,650)
2013 ^a	(13,337,916)	52,567	-	111,517	(131,603)	32,067	(13,273,368)
2014	(9,691,040)	172,864	(179,941)	(18,413)	148,019	65,629	(9,502,882)
2015	(8,363,483)	154,003	(1,528,933)	(2,331,935)	(20,707)	24,696	(12,066,359)
2016	(8,945,303)	149,846	(250,674)	62,262	(47,473)	85,807	(8,945,535)
2017	(9,197,384)	295,084	(297,558)	96,011	(4,942)	73,541	(9,035,248)
2018	(9,087,059)	739,314	-	(803,812)	40,402	177,843	(8,933,312)
2019	(8,756,844)	1,027,034	(24,398)	(108,485)	58,579	196,960	(7,607,154)
2020	(9,461,928)	519,039	(388,325)	(464,663)	5,850	71,783	(9,718,244)

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

Fiscal Year	Residential	Commercial	Total New Construction Permits/ Inspections Completed
2011	371	124	495
2012	529	128	657
2013	335	109	444
2014	362	81	443
2015	357	100	457
2016	341	63	404
2017	509	85	594
2018	398	96	494
2019	427	135	562
2020	443	58	501

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

Fiscal Year ^a	Non-Domestic				Total
	Domestic	Commercial	Industrial	Other ^b	
2011	61,030	6,304	74	429	67,837
2012	61,394	6,381	72	399	68,246
2013	61,505	6,284	72	411	68,272
2014	61,748	6,342	73	395	68,558
2015	62,239	6,335	73	392	69,039
2016	62,303	6,381	72	393	69,149
2017	62,537	6,407	70	396	69,410
2018	62,565	6,546	69	400	69,580
2019 ^c	63,367	6,644	29	413	70,453
2020	63,968	6,728	28	388	71,112

^a Billed account totals from December

^b Includes public utilities, governmental (U.S., state, county, city) and public schools

^c Upon conversion to new software system with Utility Billing Services, it was discovered that several customers were miscoded as industrial that were commercial

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

Base Rate ^a (Meter Size)	Fiscal Year Ended				
	2016 ^c	2017 ^d	2018 ^d	2019 ^d	2020 ^d
5/8"	\$ 10.29	\$ 10.78	\$ 11.29	\$ 11.81	\$ 12.36
3/4"	13.25	13.88	14.54	15.23	15.95
1"	20.04	20.99	21.99	23.03	24.13
Volumetric rate ^b					
Operations volumetric rate ^b	1.76	1.84	1.93	2.02	2.12
Debt repayment rate ^b	2.04	2.14	2.24	2.35	2.46

Base Rate ^a (Meter Size)	Fiscal Year Ended				
	2011	2012 ^c	2013 ^c	2014 ^c	2015
5/8"	\$ 15.37	\$ 9.24	\$ 9.89	\$ 10.29	\$ 10.29
3/4"	18.02	11.91	12.74	13.25	13.25
1"	24.10	18.01	19.27	20.04	20.04
1.5"	39.46				
2"	57.83				
3"	100.58				
4"	161.84				
6" or larger	314.87				
Volumetric rate ^b	3.09				
Operations volumetric rate ^b		1.58	1.69	1.76	1.76
Debt repayment rate ^b		1.81	1.81	1.81	1.81

^a Rate charge from 2011 to June 2012 included 200 cubic feet; Changed in July 2012 with zero water consumed.

^b Per 100 cubic feet

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

^d In August 2015, City of Little Rock Board of Directors approved a five-step rate increase that will affect rates from 2017 to 2021. Step one occurred in 2017 for 4.75% on January 1. Step two occurred in 2018 for 4.75% on January 1. Step three occurred in 2019 for 4.75% on January 1. Step four occurred in 2020 for 4.75% on January 1.

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

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

Base Rate ^a (Meter Size)	Fiscal Year Ended				
	2016 ^c	2017 ^d	2018 ^d	2019 ^d	2020 ^d
5/8"	\$ 15.44	\$ 16.17	\$ 16.94	\$ 17.75	\$ 18.59
3/4"	19.88	20.82	21.81	22.85	23.93
1"	30.03	31.49	32.98	34.55	36.19
Volumetric Rate ^b					
Operations Volumetric Rate ^b	2.64	2.77	2.90	3.03	3.18
Debt Repayment Rate ^b	3.07	3.22	3.37	3.53	3.70

Base Rate ^a (Meter Size)	Fiscal Year Ended				
	2011	2012 ^c	2013 ^c	2014 ^c	2015
5/8"	\$ 23.05	\$ 13.86	\$ 14.84	\$ 15.44	\$ 15.44
3/4"	27.10	17.87	19.11	19.88	19.88
1"	36.11	27.02	28.91	30.03	30.03
1.5"	59.23				
2"	88.50				
3"	150.87				
4"	242.79				
6" or larger	472.31				
Volumetric rate ^b	4.63				
Operations volumetric rate ^b		2.37	2.54	2.64	2.64
Debt repayment rate ^b		2.72	2.72	2.72	2.72

^a Rate charge from 2011 to June 2012 included 200 cubic feet; Changed in July 2012 with zero water consumed.

^b Per 100 cubic feet

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

^d In August 2015, the City of Little Rock Board of Directors approved a five-step rate increase that will affect rates from 2017 to 2021. Step one occurred in 2017 for 4.75% on January 1. Step two occurred in 2018 for 4.75% on January 1. Step three occurred in 2019 for 4.75% on January 1. Step four occurred in 2020 for 4.75% on January 1.

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

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

Base Rate ^a (Meter Size)	Fiscal Year Ended				
	2016 ^c	2017 ^d	2018 ^d	2019 ^d	2020 ^d
5/8"	\$ 10.29	\$ 10.78	\$ 11.29	\$ 11.83	\$ 12.39
3/4"	13.25	13.88	14.54	15.23	15.95
1"	20.04	20.99	21.99	23.03	24.13
1.5"	35.38	37.06	38.82	40.66	42.60
2"	54.90	57.51	60.24	63.10	66.10
3"	100.34	105.11	110.10	115.33	120.81
4"	165.44	173.30	181.53	190.15	199.19
6" or larger	328.12	343.71	360.03	377.13	395.05
Operations volumetric rate ^b	2.75	2.88	3.02	3.16	3.31
Debt repayment rate ^b	2.40	2.51	3.63	2.76	2.89

Base Rate ^a (Meter Size)	Fiscal Year Ended				
	2011	2012 ^c	2013 ^c	2014 ^c	2015
5/8"	\$ 15.37	\$ 9.24	\$ 9.89	\$ 10.29	\$ 10.29
3/4"	18.02	11.91	12.74	13.25	13.25
1"	24.10	18.01	19.27	20.04	20.04
1.5"	39.46	31.79	34.02	35.38	35.38
2"	57.83	49.34	52.79	54.90	54.90
3"	100.58	90.17	96.48	100.34	100.34
4"	161.84	148.67	159.08	165.44	165.44
6" or larger	314.87	294.86	315.50	328.12	328.12
Volumetric rate ^b	3.09				
Operations volumetric rate ^b		1.85	2.59	2.75	2.75
Debt repayment rate ^b		2.12	2.12	2.12	2.12

^a Rate charge from 2011 to June 2012 included 200 cubic feet; Changed in July 2012 with zero water consumed.

^b Per 100 cubic feet

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

^d In August 2015, the City of Little Rock Board of Directors approved a five step rate increase that will affect rates from 2017 to 2021. Step one occurred in 2017 for 4.75% on January 1. Step two occurred in 2018 for 4.75% on January 1. Step three occurred in 2019 for 4.75% on January 1. Step four occurred in 2020 for 4.75% on January 1.

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

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

Base Rate ^a (Meter Size)	Fiscal Year Ended				
	2016 ^c	2017 ^a	2018 ^a	2019 ^a	2020 ^e
5/8"	\$ 15.44	\$ 16.17	\$ 16.94	\$ 17.75	\$ 18.59
3/4"	19.88	20.82	21.81	22.85	23.93
1"	30.06	31.49	32.98	34.55	36.19
1.5"	53.07	55.59	58.23	61.00	63.89
2"	82.35	86.26	90.36	94.65	99.15
3"	150.51	157.66	165.15	172.99	181.21
4"	248.16	259.95	272.30	285.23	298.78
6" or larger	492.18	515.56	540.05	565.70	592.57
Volumetric rate ^b					
Operations volumetric rate ^b	4.13	4.33	4.53	4.75	5.97
Debt repayment rate ^b	3.61	3.78	3.96	4.15	4.35

Base Rate ^a (Meter Size)	Fiscal Year Ended				
	2011	2012 ^c	2013 ^c	2014 ^c	2015
5/8"	\$ 23.05	\$ 13.86	\$ 14.84	\$ 15.44	\$ 15.44
3/4"	27.10	17.87	19.11	19.88	19.88
1"	36.11	27.02	28.91	30.06	30.06
1.5"	59.23	47.69	51.03	53.07	53.07
2"	88.50	74.01	79.19	82.35	82.35
3"	150.87	135.26	144.72	150.51	150.51
4"	242.79	223.01	238.62	248.16	248.16
6" or larger	472.31	442.29	473.25	492.18	492.18
Volumetric rate ^b	4.63				
Operations volumetric rate ^b		2.78	3.44	4.13	4.13
Debt repayment rate ^b		3.19	3.19	3.19	3.19

^a Rate charge from 2011 to June 2012 included 200 cubic feet; Changed in July 2012 with zero water consumed.

^b Per 100 cubic feet

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

^d In August 2015, the City of Little Rock Board of Directors approved a five-step rate increase that will affect rates from 2017 to 2021. Step one occurred in 2017 for 4.75% on January 1. Step 2 occurred in 2018 for 4.75% on January 1. Step three occurred in 2019 for 4.75% on January 1. Step four occurred in 2020 for 4.75% on January 1.

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

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

Fiscal Year	Principal Only			Amount	Total	As a Share of Personal Income
	Revenue Bonds	Revenue Bonds Direct Placement	Unamortized Bond Premium		Per Capita	
2011	\$ 176,720,000	\$ 79,397,360	\$ 891,488	\$257,008,848	\$ 1,328	3.44%
2012	202,543,537	75,086,015	688,405	278,317,957	1,438	3.54%
2013	199,230,470	70,204,709	2,737,344	272,172,523	1,406	3.53%
2014	200,860,080	69,081,782	2,963,187	272,905,049	1,410	3.45%
2015	229,050,000	40,792,901	10,770,336	280,613,237	1,450	3.53%
2016	213,148,761	58,665,577	10,958,956	282,773,294	1,461	3.54%
2017	221,100,000	72,139,648	10,170,284	303,409,932	1,568	3.68%
2018	213,035,000	90,366,311	9,254,983	312,656,294	1,616	3.81%
2019	203,710,000	128,092,269	8,385,090	340,187,359	1,758	3.81%
2020	193,740,000	160,523,405	7,462,696	361,726,101	1,869	4.12%

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

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

^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.

Little Rock Water Reclamation Authority
Pledged-Revenue Coverage
Schedule 11
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	
2011	\$ 41,494,335	\$ (21,375,526)	\$ 20,118,809	\$422,421,951	28	\$ 15,086,498	1.33
2012	43,886,395	(20,845,059)	23,041,336	438,506,442	30	14,616,881	1.58
2013	48,194,079	(22,102,353)	26,091,726	477,572,007	29	16,468,000	1.58
2014	51,387,054	(23,313,891)	28,073,163	456,384,959	28	16,299,463	1.72
2015	51,329,872	(23,956,665)	27,373,207	397,723,835	27	14,730,512	1.86
2016	53,620,431	(25,879,136)	27,741,295	387,240,934	26	14,893,882	1.86
2017	55,581,477	(27,196,677)	28,384,800	415,807,342	33	12,600,222	2.25
2018	61,626,678	(28,332,522)	33,294,156	423,394,639	33	12,830,141	2.59
2019	61,778,882	(30,184,369)	31,594,513	461,463,819	33	13,983,752	2.26
2020	59,642,057	(29,065,004)	30,577,053	505,876,059	33	15,329,578	1.99

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

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

^a Includes interest on investment income.

^b See Schedule 4.

^c Amount contains construction draws only for 2018, 2019, 2020A, and 2020C Revolving Loan Funds (RLF) at December 31.

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

Calendar Year	Population^a	Personal Income^b	Per Capita Personal Income	Unemployment Percentage Rate
2011	193,524	\$ 7,470,413,448	\$ 38,602	7.1%
2012	193,524	7,860,751,356	40,619	6.7%
2013	193,524	7,717,737,120	39,880	6.0%
2014	193,524	7,919,969,700	40,925	4.9%
2015	193,524	7,946,482,488	41,062	4.0%
2016	193,524	7,982,865,000	41,250	3.3%
2017	193,524	8,240,638,968	42,582	3.4%
2018	193,524	8,215,480,848	42,452	3.4%
2019	193,524	8,781,345,024	45,376	3.3%
2020	193,524	8,985,319,320	46,430	4.5%

^a Population of Little Rock, Arkansas, using 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

Little Rock Water Reclamation Authority

Ten Largest Sewer Customers

Schedule 13

Current Year and Nine Years Ago

Fiscal Year 2020		
Customer	Amount	Percent
1. University of Arkansas Medical Sciences	\$ 882,118	1.55%
2. Little Rock Quick Rice Foods	531,690	0.93
3. Baptist Medical Center	517,099	0.91
4. Central Arkansas Water	442,966	0.78
5. Veterans Administration Hospital	400,208	0.70
6. Hiland Dairy	320,624	0.56
7. Welspun Tubular	296,149	0.52
8. St. Vincent's Hospital	258,370	0.45
9. Arkansas Children's Hospital	256,109	0.45
10. Statehouse Convention Center	137,127	0.24
Subtotal	4,042,460	7.09
Balance from other customers	54,449,845	92.91%
Grand totals ^a	<u>\$ 57,044,610</u>	<u>100.00%</u>

Fiscal Year 2011		
Customer	Amount	Percent
1. University of Arkansas Medical Science	\$ 388,490	0.98%
2. Odam Sausage	379,169	0.96
3. Baptist Medical Center	350,617	0.88
4. Sage V Foods	303,335	0.76
5. Central Arkansas Water	223,003	0.56
6. St. Vincents Infirmary	170,428	0.43
7. V.A. Hospital	154,078	0.39
8. Coleman/Turner Dairy	143,656	0.36
9. Coca-Cola Bottling	127,933	0.32
10. Arkansas Children's Hospital	108,124	0.27
Subtotal	2,348,833	5.91
Balance from other customers	37,336,676	94.09%
Grand total ^a	<u>\$ 39,685,509</u>	<u>100.00%</u>

^a Grand totals are based on sewer charges from Schedule 3.

Little Rock Water Reclamation Authority

Principal Employers

Schedule 14

Current Year and Nine Years Ago

Employer	2020			2011		
	Employees	Percentage of Total	Rank	Employees	Percentage of Total	Rank
State of Arkansas (within the MSA)	34,300	9.75%	1	32,200	10.08%	1
Local Government (within the MSA)	22,300	6.34%	2	28,800	9.02%	2
Federal Government (within the MSA)	10,200	2.90%	3	9,200	2.88%	3
University of Arkansas for Medical Sciences	9,700	2.76%	4	8,500	2.66%	4
Baptist Health	7,340	2.09%	5	7,000	2.19%	6
Little Rock Air Force Base	4,500	1.28%	6	4,500	1.41%	7
Arkansas Children's Hospital	4,375	1.24%	7			
Central Arkansas Veterans Health Care	4,000	1.14%	8	3,500	1.10%	8
Little Rock School District	3,330	0.95%	9			
CHI St. Vincent	3,000	0.85%	10			
Entergy Arkansas				2,738	0.86%	10
Acxiom				4,388	1.37%	9
Public School Districts				6,211	1.95%	5
Total	103,045	29%		107,037	34%	

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

Little Rock/North Little Rock MSA 351,621 319,300

Little Rock Water Reclamation Authority
Number of Employees by Identifiable Activity
Schedule 15
Last Ten Fiscal Years

	Full-Time-Equivalent Employees as of December 31									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Administration										
Executive Administrator	1	1	1	1	1	1	1	1	1	1
Safety & Communications	4	3	3	4	4	5	4	5	5	5
Human Resources	2	2	2	2	2	2	3	3	3	3
Finance/Accounting	10	8	9	12	12	12	11	12	12	12
Information Services	10	9	10	11	11	12	13	11	11	11
Legal	-	-	-	-	-	1	1	1	1	1
Clerical	9	7	7	7	7	5	4	5	5	2
Engineering	27	20	23	20	20	23	22	23	25	26
Sewer Plant Maintenance	21	22	23	24	24	25	19	24	24	23
Sewer Systems Maintenance	90	81	87	82	82	81	88	88	87	86
Sewer Plant Operations	20	21	18	22	22	22	22	24	24	25
Environmental Assessment	16	17	23	24	24	23	22	17	16	16
	<u>210</u>	<u>191</u>	<u>206</u>	<u>209</u>	<u>209</u>	<u>212</u>	<u>210</u>	<u>214</u>	<u>214</u>	<u>211</u>
Total Employees										

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

	Fiscal Year									
	2011 ^a	2012	2013	2014	2015	2016	2017	2018	2019	2020
Wastewater treatment										
Miles of sewer	1,346	1,353	1,359	1,368	1,375	1,384	1,386	1,393	1,400	1,404
Number of treatment plants	3	3	3	3	3	3	3	3	3	3
Treatment capacity (MGD)										
Biological treatment	56.0	56.0	56.0	56.0	56.0	56.0	56.0	56.0	56.0	56.0
Hydraulic peak capacity	144.0	144.0	144.0	144.0	144.0	144.0	144.0	144.0	144.0	156.0
Daily engineering maximum plant capacity (MGD)	35.55	31.04	33.91	34.17	37.04	32.40	29.34	35.83	38.18	33.76
Unused capacity (MGD)	20.45	24.96	22.09	21.83	18.96	23.60	26.66	20.17	17.82	22.24
Percent of capacity utilized	63%	55%	61%	61%	66%	58%	52%	64%	68%	60%

Note: MGD = millions of gallons per day.

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