

# **Little Rock Water Reclamation Authority**

Single Audit Reports

December 31, 2021

# Little Rock Water Reclamation Authority

December 31, 2021

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# Little Rock Water Reclamation Authority

## Schedule of Expenditures of Federal Awards

### Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>Clean Water State Revolving Fund Cluster</b>				
Environmental Protection Agency/Arkansas Natural Resources Commission/Capitalization Grants for Clean Water State Revolving Funds	66.458	01132-CWRLF-L 01166-CWRLF-L 01212-CWRLF-L	\$ - - -	\$ 1,147,698 170,846 1,342,477
<b>Total Clean Water State Revolving Fund Cluster</b>			-	2,661,021
Department of Homeland Security/Arkansas Department of Emergency Management/Hazard Mitigation Grant	97.039	119-UTBGN-00	-	1,765,245
Department of Homeland Security/Arkansas Department of Emergency Management/Hazard Mitigation Grant – COVID-19	97.039	4518	-	79,724
<b>Total Expenditures of Federal Awards</b>			\$ -	\$ 4,505,990

**Little Rock Water Reclamation Authority**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2021**

**Notes to Schedule**

1. The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Little Rock Water Reclamation Authority under programs of the federal government for the year ended December 31, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Little Rock Water Reclamation Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of Little Rock Water Reclamation Authority.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Little Rock Water Reclamation Authority has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Report on Internal Control over Financial Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

**Independent Auditor's Report**

Little Rock Water Reclamation Commission  
Little Rock Water Reclamation Authority  
Little Rock, Arkansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the 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 year ended December 31, 2021, and the related notes to the financial statements, and have issued our report thereon dated April 12, 2022.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Utility's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Utility's internal control. Accordingly, we do not express an opinion on the effectiveness of the Utility's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Utility's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BKD, LLP*

Little Rock, Arkansas  
April 12, 2022

**Report on Compliance for the Major Federal Program; Report on  
Internal Control over Compliance; and Report on Schedule of Expenditures of  
Federal Awards Required by the Uniform Guidance**

**Independent Auditor's Report**

Little Rock Water Reclamation Commission  
Little Rock Water Reclamation Authority  
Little Rock, Arkansas

**Report on Compliance for the Major Federal Program**

***Opinion on the Major Federal Program***

We have audited Little Rock Water Reclamation Authority's (Utility) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Utility's major federal program for the year ended December 31, 2021. The Utility's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Utility complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

***Basis for Opinion on the Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the Utility and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Utility's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Utility's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Utility's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Utility's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Utility's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Utility's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Utility's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



## **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the “Auditor’s Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the Utility as of and for the year ended December 31, 2021, and have issued our report thereon dated April 12, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Utility’s basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is 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. The 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.

Little Rock Water Reclamation Commission  
Little Rock Water Reclamation Authority  
Page 8

In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*BKD, LLP*

Little Rock, Arkansas  
April 12, 2022

# Little Rock Water Reclamation Authority

## Schedule of Findings and Questioned Costs

### Year Ended December 31, 2021

#### **Summary of Auditor's Results**

##### *Financial Statements*

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:  
☒ Unmodified      ☐ Qualified      ☐ Adverse      ☐ Disclaimer
2. The independent auditor's report on internal control over financial reporting disclosed:  
 Significant deficiency(ies)?      ☐ Yes      ☒ None reported  
 Material weakness(es)?      ☐ Yes      ☒ No
3. Noncompliance considered material to the financial statements was disclosed by the audit?  
☐ Yes      ☒ No

##### *Federal Awards*

4. The independent auditor's report on internal control over compliance for the major federal award program disclosed:  
 Significant deficiency(ies)?      ☐ Yes      ☒ None reported  
 Material weakness(es)?      ☐ Yes      ☒ No
5. The opinion expressed in the independent auditor's report on compliance for the major federal award program was:  
☒ Unmodified      ☐ Qualified      ☐ Adverse      ☐ Disclaimer
6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)?  
☐ Yes      ☒ No
7. The Utility's major program was:

Cluster/Program	CFDA Number
Hazard Mitigation Grant (including COVID-19 funding)	97.039

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.
9. The Utility qualified as a low-risk auditee?      ☒ Yes      ☐ No

**Little Rock Water Reclamation Authority**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended December 31, 2021**

**Findings Required to be Reported by *Government Auditing Standards***

<b>Reference Number</b>	<b>Finding</b>
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No matters are reportable.

**Findings Required to be Reported by the Uniform Guidance**

<b>Reference Number</b>	<b>Finding</b>
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No matters are reportable.

# **Little Rock Water Reclamation Authority**

## **Summary Schedule of Prior Audit Findings**

**Year Ended December 31, 2021**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
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No matters are reportable.



LITTLE ROCK

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

**LITTLE ROCK, ARKANSAS**

A Component Unit of the City of Little Rock, Arkansas

**Annual Comprehensive Financial Report**

**For the Years Ended December 31, 2021  
and 2020**

# **LITTLE ROCK WATER RECLAMATION AUTHORITY**

**Little Rock, Arkansas**

**A Component Unit of the City of Little Rock**

**December 31, 2021 and 2020**

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# **LITTLE ROCK WATER RECLAMATION AUTHORITY**

**Little Rock, Arkansas**

**A Component Unit of the City of Little Rock**

**December 31, 2021 and 2020**

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# INTRODUCTORY SECTION



LITTLE ROCK

**Water Reclamation  
Authority**

ONE WATER.  
ONE FUTURE.



April 12, 2022

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 Annual Comprehensive Financial Report for the fiscal years ended December 31, 2021 and 2020. 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, 2021. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with LRWRA.

The Annual Comprehensive 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, 2021 and 2020. 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 3.50% over the past 10 years, while non-domestic customer accounts have increased by 4.86% over the same period. The overall growth of total customer accounts for the 10-year period is 3.64%, a decrease of 1.19% from 2020.

## **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 2022 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 \$19.3 million. *Note 8, Litigation*, of the audit discusses the Settlement Agreement in more detail.

Total capital expenditures of \$42.9 million are planned for 2022. Of this amount, \$35.6 million relates to carryover projects and \$7.3 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 \$342.6 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 \$35.5 million over the next 10 years through 2031. The total cost of work scheduled during 2022 is \$15.6 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 2022, \$4.1 million is forecasted for trenchless rehabilitation work. The Utility is projecting that \$29.5 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 2022 cost is estimated at \$5.3 million. The identified line segments will be prioritized and placed on a rehabilitation schedule. The rehabilitation is estimated at a total cost of \$21.6 million through 2026 and will be funded by System revenues and revenue bonds issued in 2018 and 2020.

### **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 finalized by Spring 2022. Through December 31, 2021, \$38.6 million had been expended. The funding sources are sewer revenue bonds RLF 2016A and RLF 2020.

### **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 backup 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 2022. Estimated total cost is \$3.1 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 \$3.8 million, with funding coming from the system revenues.

### **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 percent (3%) of the remaining money in the Revenue Fund at the end of each month after all payments required to be made from the Revenue Fund have been made and all deficiencies accumulated from prior months have been paid shall 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, 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 the complex nature of most capital improvement projects, they generally take more than one (1) fiscal year to complete. 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 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 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 specific sources of revenue are described in more detail in the financial overview section of this budget.

### **Operating Cash Reserve Policy**

Resolution No 2012-12 adopted by the LRWRC created an operating cash reserve requirement whereby the amount of unrestricted cash on hand needs to be equal to or greater than the total cash expenditures anticipated over 60 days to satisfy of operations and maintenance expenses, revenue-funded capital expenditures, and debt service requirements. LRWRA has met or exceeded this operating reserve requirement since its effective date. Finally, this resolution also authorizes the CEO and staff to take actions necessary if reserve levels drop below the requirement including the adjustment of expenses to 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) permits LRWRA to invest in investment securities that meet the following criteria: (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**

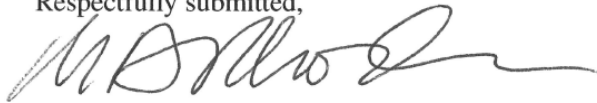
Approved rate increases are included in the Financial Plan and are mainly driven by the CIP and debt service coverage required both by the revenue bond covenants and by the LRWRC benchmarks for financial management. The parity revenue bond covenants require debt service coverage of 1.2 times or greater (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 Annual Comprehensive Financial Report for the fiscal year ended December 31, 2020. This was the seventeenth 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 Annual Comprehensive 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 Annual Comprehensive Financial Report for the year ended December 31, 2021, 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,

A handwritten signature in black ink, appearing to read 'Mike Rhoda', with a long horizontal flourish extending to the right.

Mike Rhoda  
Chief Financial Officer



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Little Rock Water Reclamation Authority  
Arkansas**

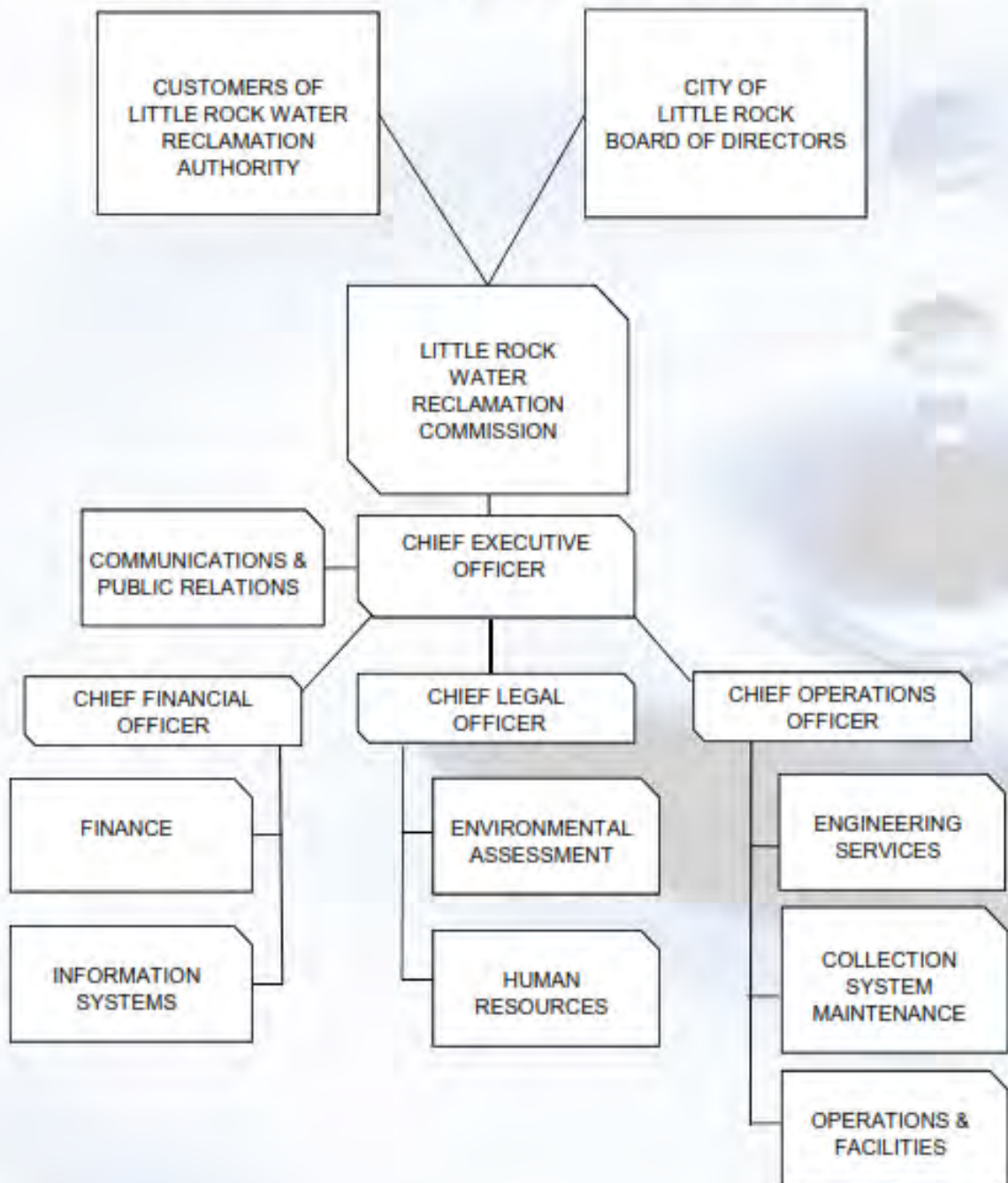
For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

December 31, 2020

*Christopher P. Morill*

Executive Director/CEO

# LITTLE ROCK WATER RECLAMATION AUTHORITY ORGANIZATIONAL CHART



# 2021 LITTLE ROCK WATER RECLAMATION COMMISSION

**Debbie Shock  
Secretary**



**Ganelle  
McBryde  
Chair**



**Schawnee  
Hightower  
Vice Chair**



**Richard Mays Jr.  
Commissioner**

**Jonathan  
Semans  
Commissioner**



**Chris Marsh  
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

Vacant – Environmental Assessment

Walter Collins, P.E. – Operations

## FINANCIAL SECTION



LITTLE ROCK

**Water Reclamation  
Authority**

ONE WATER.  
ONE FUTURE.



## **Independent Auditor's Report**

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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the 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, 2021 and 2020 and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activities of the Utility, as of December 31, 2021 and 2020, 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.

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS, we:

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

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



### ***Required Supplementary Information***

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

### ***Supplementary 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is 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. The 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*BKD, LLP*

Little Rock, Arkansas  
April 12, 2022

## MANAGEMENT'S DISCUSSION AND ANALYSIS

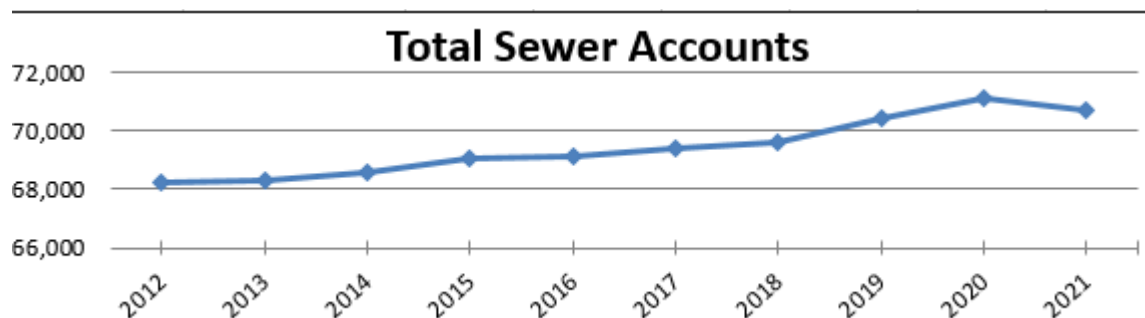
As management of Little Rock Water Reclamation Authority (LRWRA), we offer readers of LRWRA's financial statements this narrative overview and analysis of the financial activities of LRWRA for the fiscal year ended December 31, 2021. We encourage readers to consider the information presented here in 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 annual comprehensive financial report is made available via the internet ([www.lrwra.com](http://www.lrwra.com)). The use of the internet is consistent with LRWRA's objective to provide greater information to the public in a more efficient manner, reducing paperwork, labor, and communication costs.

### **Financial Highlights**

- Total Assets and Deferred Outflows of Resources at December 31, 2021, were \$653.0 million and exceeded Total Liabilities and Deferred Inflows of Resources that totaled \$418.2 million. Total Net Position was \$234.8 million, an increase of 6.7% from 2020. 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.
- Operating Revenue for fiscal year 2021 was \$65.6 million, which is an increase of \$6.5 million, or 11.0%, from fiscal year 2020. LRWRA implemented a rate increase of 4.75% in January 2021, and revenues increased from fiscal year 2020 due to higher usage by non-domestic customers. 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 Expenses, before Depreciation, for fiscal year 2021 were \$25.8 million, which is a decrease of \$3.3 million, or 11.2%, compared to fiscal year 2020. The decrease was primarily driven by a \$3.1 million reduction in pension expense. Operating Expenses, before Depreciation, for fiscal year 2020 were \$29.1 million, which is a decrease of \$1.1 million, or 3.7%, from 2019. The decrease was primarily driven by cost saving measures taken to respond to the COVID-19 pandemic.
- Operating Expenses, including Depreciation, for fiscal year 2021 were \$44.1 million, which is a decrease of \$2.8 million, or 6.0%, from fiscal year 2020. Operating Expenses, including Depreciation, for fiscal year 2020 were \$46.9 million, which was a decrease of \$293 thousand, or 0.62%, from fiscal year 2019.
- Debt Service Coverage was 2.54, 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 authorized a five-step annual sewer rate increase of 4.75% to be implemented January 2017, 2018, 2019, 2020 and 2021.

## General Trends

The number of LRWRA's customer accounts decreased as of December 31, 2021, from December 31, 2020, by 385, or 0.54%, and increased from 2019 by 659, or 0.94%. Over a 10-year period, the customer growth rate was 3.64%. As you can see from the chart below, annual customer growth has trended upward from 2012 to present.



Water Reclamation Authority Customers	2021	2020	2019
Beginning customer accounts	71,112	70,453	69,580
Additional customers (net)	-385	659	873
Ending customers	70,727	71,112	70,453

The following chart shows a sample monthly domestic customer bill based on a consumption of 6 CcF in 2021 and 2019 and 5 CcF in 2020. The changes in consumption are the results of usage patterns experienced during the pandemic. 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	2021	2020	2019
	\$ 41.73	\$ 35.26	\$ 38.03

Little Rock's Water Reclamation Authority rates remain moderately higher than neighboring utilities based on yearly rate surveys. The LRWRC the annual budget process allows LRWRA to conduct long range planning which reveals when future rate increase might be needed in conjunction the potential for new debt offerings.

### **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 1,412 miles of sewer lines. The National Association of Clean Water Agencies (NACWA) awarded all three LRWRA facilities in 2021. Adams Field was awarded a Platinum Peak Performance Award, which recognizes facilities with no permit violations for the entire calendar year, Fourche Creek was awarded a Platinum Peak Performance Award, and Little Maumelle was awarded a Gold Award, which recognizes facilities with consistent record of full compliance for a consecutive five-year period!

### **Adams Field Water Reclamation Facility (AFWRF)**

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. In 2007, the primary clarifiers were upgraded to include peak flow capabilities and a 14-million-gallon equalization basin was constructed at a cost of \$27.5 million. In an effort to further reduce wet-weather overflows, the facility was expanded in 2022 to increase the peak flow treatment capacity to 94 million gallons per day (MGD) for approximately \$30 million. This upgrade included the construction of cloth media filters and additional treatment facility upgrades that are operated in parallel with the existing activated sludge facilities to further aid in nutrient removal.



### **Fourche Creek Water Reclamation Facility (FCWRF)**

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 added to the facility in 1989 for a cost of approximately \$9 million. The FCWRF is also a two-stage, or secondary treatment facility. It has a rated biological treatment capacity of 16 MGD. The facility's average annual dry weather influent flow is 12 MGD. In 2020, the facility underwent a hydraulic upgrade to increase the wet-weather capacity from 36 MGD to 48 MGD and subsequent asset renewals for existing treatment processes at a cost of approximately \$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 constructed 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 workforce.

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 2019–2021 Financial Information**

### **Statement of Net Position**

Total Assets and Deferred Outflows of Resources increased by \$31.5 million in 2021 and increased \$32.6 million in 2020. This change was primarily due to the increase in Net Capital Assets, which increased \$17.4 million in 2021 and \$33.1 million in 2020. *Note 4* on page 42 provides a breakdown between classes of additions and retirements. Also, current assets increased \$11.5 million in 2021 and \$6.5 million in 2020. The 2021 increase was primarily due to the increase in cash and equivalents of \$11.4 million. 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.

Current Liabilities decreased 16.0%, or \$3.4 million, in 2021 and decreased 14.5%, or \$3.6 million, in 2020. The primary cause for the decrease in 2021 was the decrease in construction contracts payable. 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.

Noncurrent Liabilities increased 2.82%, or \$10.7 million, for 2021 due to an increase in bonds payable of \$24.7 million and offset by a decrease of \$15.0 million in net pension liability. The increase of 8.4%, or \$29.2 million, for 2020 was due to an increase in bonds payable of \$25.6 million and an increase of \$3.1 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 Page 77. Total Liabilities increased by \$7.3 million from 2020 and \$25.6 million from 2019.

In 2021, Total Net Position increased by \$14.8 million, or 6.7%, including an increase of \$8.6 million from income before contributions, and \$6.2 million from capital contributions and grants. In 2020, Total Net Position increased by \$7.4 million, or 3.5%, including a change of \$2.5 million from income before contributions and grants and \$4.9 million from capital contributions and grants.

	2021	Percent Change	2020	Percent Change	2019
<b>Assets</b>					
Current assets	\$ 65,542,788	21.21%	\$ 54,075,120	13.62%	\$ 47,594,978
Noncurrent unrestricted and restricted assets	5,505,741	-24.30%	7,273,011	-54.87%	16,113,998
Capital assets (net)	562,456,936	3.19%	545,064,352	6.47%	511,931,639
Total assets	633,505,465	4.47%	606,412,483	5.35%	575,640,615
<b>Deferred Outflows of Resources</b>					
Bond refunding	15,469,773	75.75%	8,802,109	6.24%	8,284,837
Pension funding	1,377,040	-66.19%	4,073,255	38.11%	2,949,378
OPEB	2,621,054	17.65%	2,227,895	10.37%	2,018,483
Total deferred outflows of resources	19,467,867	28.90%	15,103,259	13.96%	13,252,698
Total assets and deferred outflows of resources	\$ 652,973,332	5.06%	\$ 621,515,742	5.54%	\$ 588,893,313
<b>Liabilities</b>					
Current liabilities	\$ 17,673,723	-15.97%	\$ 21,033,351	-14.48%	\$ 24,595,168
Noncurrent liabilities	388,939,197	2.82%	378,287,621	8.36%	349,098,339
Total liabilities	406,612,920	1.83%	399,320,972	6.86%	373,693,507
<b>Deferred Inflows of Resources</b>					
Pension funding	10,070,308	1800.02%	530,012	-49.39%	1,047,211
OPEB	1,513,247	-11.60%	1,711,781	5.38%	1,624,459
Total deferred inflows of resources	11,583,555	416.71%	2,241,793	-16.09%	2,671,670
<b>Net Position</b>					
Net investment in capital assets	190,697,908	1.17%	188,499,492	3.68%	181,817,487
Restricted	4,972,898	-12.58%	5,688,547	-28.92%	8,002,459
Unrestricted	39,106,051	51.78%	25,764,938	13.46%	22,708,190
Total net position	234,776,857	6.74%	219,952,977	3.49%	212,528,136
Total liabilities, deferred inflows of resources and net position	\$ 652,973,332	5.06%	\$ 621,515,742	5.54%	\$ 588,893,313

## 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 increased from 2020 to 2021 by \$6.2 million, or 10.4%, and from 2019 to 2020 it decreased by \$2.3 million, or 3.7%. LRWRA implemented a rate increase of 4.75% in January 2021, revenues increased from fiscal year 2020 due to increased usage by non-domestic customers. 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 during the COVID-19 pandemic. Also, bad debt write-offs have increased in 2021 and 2020 as a result of the pandemic but are expected to decline in the future. The minimal growth in fiscal year 2020 from fiscal year 2019 resulted from a combination of the rate increase of 4.75% and offset by a decrease in usage by both domestic and non-domestic customers. The end user rate increase of 4.75% in January 2021 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. Customer Assessments and Industrial Surcharges increased in 2021 from 2020 by \$6.6 million and decreased in 2020 from 2019 by \$1.4 million. Nonoperating Revenue decreased by \$294,000 in 2021 and 2020 decreased by \$686,000 over 2019. The 2021 and 2020 decreases were primarily due to decreases in investment income driven by decreasing interest rates.

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 \$3.3 million, or 11.2%, in 2021. Total Operating Expense decreased by \$1.1 million, or 3.7%, in 2020 from 2019. The major decreases in 2020 from 2019 were 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.

Nonoperating Expense increased by \$2.9 million, or 28.6%, in 2021 from 2020 and increased \$1.4 million, or 16.0%, in 2020 from 2019. The 2021 and 2020 increases were due to an increase in interest expense.

The Change in Net Position for fiscal year 2021 was \$14.8 million due primarily to Income Before Contributions of \$8.5 million and capital contributions and grants of \$6.2 million, as LRWRA continued receiving FEMA assistance related to the 2019 flood. Total Net Position – Ending increased by 6.7% compared to 2020. Change in Net Position for fiscal year 2020 was \$7.4 million due primarily to income before contributions of \$2.5 million and capital contributions and grants of \$4.9 million. Total Net Position – Ending increased by 3.5% compared to 2019.

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 78.

	2021	Percent Change	2020	Percent Change	2019
<b>Revenues</b>					
Operating revenues					
Customer assessments	\$ 63,528,673	11.37%	\$ 57,044,610	-2.48%	\$ 58,492,305
Industrial surcharges	1,451,120	7.49%	1,350,050	-14.64%	1,581,640
Other fees and income	647,241	-11.14%	728,358	7.44%	677,903
Nonoperating revenues	302,998	-49.22%	596,672	-53.48%	1,282,573
Total revenues	65,930,032	10.40%	59,719,690	-3.73%	62,034,421
<b>Expenses</b>					
Operating expense	25,807,731	-11.21%	29,065,004	-3.71%	30,184,369
Depreciation expense	18,277,820	2.35%	17,858,636	4.85%	17,032,333
Nonoperating expense	13,262,770	28.58%	10,314,916	16.03%	8,889,727
Total expense	57,348,321	0.19%	57,238,556	2.02%	56,106,429
<b>Income Before Contributions</b>	8,581,711	245.88%	2,481,134	-58.15%	5,927,992
<b>Capital Contributions and Grants</b>	6,242,169	26.26%	4,943,707	69.84%	2,910,835
<b>Change in Net Position</b>	14,823,880	99.65%	7,424,841	-16.00%	8,838,827
<b>Net Position – Beginning</b>	219,952,977	3.49%	212,528,136	4.34%	203,689,309
<b>Total Net Position – Ending</b>	\$ 234,776,857	6.74%	\$ 219,952,977	3.49%	\$ 212,528,136

## Capital Assets and Debt Administration

The additions to LRWRA's wastewater system capital improvements were \$36.6 million in fiscal year 2021. The capital expenditures were incurred for collection system projects in the amounts of \$21.7 million, pumping/treatment for \$2.7 million, transportation for \$0.6 million, mains/development at \$6.7 million, Adams Field WTF Parallel Treatment for \$3.9 million, and all other \$1.0 million. Additional information can be found on *Note 4* of this report.

The total long-term debt (less bond payable within one year) increased by \$28.7 million in 2021. 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	2021	2020	2019
2007B Sewer Revenue Bond	\$ 9,320,323	\$ 9,320,323	\$ 10,221,481
2009A Sewer Revenue Bond	4,983,950	4,983,950	5,365,824
2011 Sewer Revenue and Refunding Bond	2,430,000	4,780,000	7,030,000
2012 Sewer Revenue Bond	-	-	23,915,000
2013 Sewer Revenue Bond	30,027,946	30,027,946	31,571,435
2014 Sewer Refunding Revenue Bond	3,035,000	4,395,000	5,715,000
2015 Sewer Refunding Revenue Bond	35,660,000	135,455,000	139,915,000
2016A Sewer Revenue Bond	60,366,001	60,366,001	51,496,650
2016B Sewer Refunding Revenue Bond	15,375,000	16,045,000	16,700,000
2017 Sewer Revenue Bond	9,990,000	10,215,000	10,435,000
2018 Sewer Revenue Bond	56,597,570	48,160,483	28,793,214
2019 Sewer Revenue Bond	14,526,826	6,587,817	643,665
2020A Sewer Revenue Bond	9,327,564	1,060,885	-
2020B Sewer Revenue Bond	22,850,000	22,850,000	-
2020C Sewer Revenue Bond	876,306	16,000	-
2021 Sewer Refunding Revenue bond	107,970,000	-	-
Less debt payable, due within one year	(9,540,000)	(9,215,000)	(13,250,740)
Total long-term debt	\$ 373,796,486	\$ 345,048,405	\$ 318,551,529

## **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 2022 Budget, LRWRA's revenue projections in both domestic and non-domestic customers reflect a slight increase based on local economy re-opening from COVID-19 mandates. LRWRA evaluates the Average Winter Consumption (AWC) for residential customers in the March/April timeframe. The AWC trend of domestic water consumption shows a levelized annual usage over the past three years. LRWRA has one major customer that accounts for just over 1.00% of customer assessment revenues (see Schedule 13 – Ten Largest Customers).

The 10-year CIP set forth in the 2022 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 2022 budget primarily relate to wastewater collection, transmission, and treatment improvements. Total capital expenditures of \$43.7 million are planned for 2022. Of this amount, \$35.6 million relates to carryover projects and \$7.3 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 \$342.6 million.

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, 2021 and 2020

<b>Assets</b>	<b>2021</b>	<b>2020</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 47,231,964	\$ 35,804,284
Accounts and grants receivable (net of allowance for doubtful accounts of \$819,094 in 2021 and \$873,127 in 2020)	9,418,676	10,246,792
Inventories	1,268,123	1,442,586
Prepaid items	163,436	99,686
Construction receivable	713,389	91
Restricted current assets		
Bond requirements		
Cash and cash equivalents	6,009,407	6,012,516
Accrued interest receivable	7,078	2,058
Prepaid items	730,715	467,107
Total current assets	<u>65,542,788</u>	<u>54,075,120</u>
<b>Noncurrent Assets</b>		
Unrestricted noncurrent assets		
Workers' compensation fund investments	<u>598,445</u>	<u>604,765</u>
Total unrestricted noncurrent assets	<u>598,445</u>	<u>604,765</u>
<b>Restricted Noncurrent Assets</b>		
Investments – internally restricted	4,126,706	4,831,199
Cash and cash equivalents – capital projects	<u>780,590</u>	<u>1,837,047</u>
Total restricted noncurrent assets	<u>4,907,296</u>	<u>6,668,246</u>
<b>Capital Assets (Net of Accumulated Depreciation)</b>	<u>562,456,936</u>	<u>545,064,352</u>
Total noncurrent assets	<u>567,962,677</u>	<u>552,337,363</u>
Total assets	<u>633,505,465</u>	<u>606,412,483</u>
<b>Deferred Outflows of Resources</b>		
Deferred amounts on bond refunding	15,469,773	8,802,109
Deferred amounts on pension funding	1,377,040	4,073,255
Deferred amounts on OPEB	<u>2,621,054</u>	<u>2,227,895</u>
Total deferred outflows of resources	<u>19,467,867</u>	<u>15,103,259</u>
Total assets and deferred outflows of resources	<u><u>\$ 652,973,332</u></u>	<u><u>\$ 621,515,742</u></u>

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

**Little Rock Water Reclamation Authority**  
**Statements of Net Position (Continued)**  
**December 31, 2021 and 2020**

<b>Liabilities</b>	<b>2021</b>	<b>2020</b>
<b>Current Liabilities</b>		
Accounts payable	\$ 1,478,928	\$ 1,011,594
Franchise fee collections due to City of Little Rock	568,964	500,830
Sewer line replacement fee	868,505	771,645
Accrued wages payable and related liabilities	315,564	268,962
Accrued expenses and other	408,094	303,064
Unearned revenue	-	47,396
Compensated absences	1,111,070	1,112,187
Construction contracts payable	1,260,768	5,477,915
Accrued bond/note interest payable	2,121,830	2,324,758
Bonds payable – current	9,540,000	9,215,000
	<u>17,673,723</u>	<u>21,033,351</u>
<b>Noncurrent Liabilities</b>		
Bonds payable (net of unamortized premiums)	377,175,663	352,511,101
Compensated absences	128,368	127,420
Net pension liability	5,360,550	20,319,625
Net OPEB liability	6,274,616	5,329,475
	<u>388,939,197</u>	<u>378,287,621</u>
Total noncurrent liabilities	<u>388,939,197</u>	<u>378,287,621</u>
Total liabilities	<u>406,612,920</u>	<u>399,320,972</u>
<b>Deferred Inflows of Resources</b>		
Deferred amounts on pension funding	10,070,308	530,012
Deferred amount related to OPEB	1,513,247	1,711,781
	<u>11,583,555</u>	<u>2,241,793</u>
Total deferred inflows of resources	<u>11,583,555</u>	<u>2,241,793</u>
<b>Net Position</b>		
Net investment in capital assets	190,697,908	188,499,492
Restricted		
Debt service	4,972,898	5,688,547
Unrestricted	39,106,051	25,764,938
	<u>234,776,857</u>	<u>219,952,977</u>
Total net position	<u>234,776,857</u>	<u>219,952,977</u>
 Total liabilities, deferred inflows of resources and net position	 <u>\$ 652,973,332</u>	 <u>\$ 621,515,742</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, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Operating Revenues</b>		
Customer assessments	\$ 63,528,673	\$ 57,044,610
Industrial surcharges	1,451,120	1,350,050
Other fees and income	647,241	728,358
	<hr/>	<hr/>
Total operating revenues	65,627,034	59,123,018
	<hr/>	<hr/>
<b>Operating Expenses</b>		
Salaries and benefits	16,531,106	20,118,950
Supplies	2,239,201	2,355,208
Contract services	4,151,075	3,925,123
Vehicle expenses	402,299	234,418
Utilities	1,718,658	1,724,446
Administrative	765,392	706,859
	<hr/>	<hr/>
Total operating expenses	25,807,731	29,065,004
	<hr/>	<hr/>
<b>Provision for Depreciation</b>		
Building and improvements	4,250,319	4,204,223
Infrastructure – collections, pumping and treatments	10,358,781	9,794,366
Equipment	3,668,720	3,860,047
	<hr/>	<hr/>
Total provision for depreciation	18,277,820	17,858,636
	<hr/>	<hr/>
<b>Operating Income</b>	21,541,483	12,199,378
	<hr/>	<hr/>
<b>Nonoperating Income (Expense)</b>		
Interest income	462,920	519,039
Interest expense	(12,239,498)	(9,461,928)
Bond issuance costs	(1,042,590)	(388,325)
Gain (loss) on disposal of capital assets	19,318	(464,663)
Gain (loss) on investments	(51,703)	5,850
Other	(108,219)	71,783
	<hr/>	<hr/>
Net nonoperating expense	(12,959,772)	(9,718,244)
	<hr/>	<hr/>
<b>Increase in Net Position Before Capital Contributions and Grants</b>	8,581,711	2,481,134
	<hr/>	<hr/>
<b>Capital Contributions and Grants</b>		
Capital contributions (cash and noncash)	4,242,724	1,540,154
Federal and state grants	1,999,445	3,403,553
	<hr/>	<hr/>
Total capital contributions and grants	6,242,169	4,943,707
	<hr/>	<hr/>
<b>Change in Net Position</b>	14,823,880	7,424,841
	<hr/>	<hr/>
<b>Net Position, Beginning of Year</b>	219,952,977	212,528,136
	<hr/>	<hr/>
<b>Net Position, End of Year</b>	<u>\$ 234,776,857</u>	<u>\$ 219,952,977</u>

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

**Little Rock Water Reclamation Authority**  
**Statements of Cash Flows**  
**Years Ended December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Cash Flows from Operating Activities</b>		
Cash received from customers	\$ 64,731,258	\$ 58,367,964
Cash received City of Little Rock franchise fees	6,717,193	6,273,842
Other receipts	539,022	800,141
Payments to employees	(19,012,367)	(17,615,706)
Payments to suppliers	(1,597,404)	(1,810,003)
Payments for contractual services	(4,151,075)	(3,925,123)
Payments for utilities	(1,718,658)	(1,724,446)
Payments to City of Little Rock franchise fees	(6,649,059)	(6,250,008)
Other payments	(1,231,441)	(1,436,465)
Net cash provided by operating activities	<u>37,627,469</u>	<u>32,680,196</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Bond issuance costs	(1,042,590)	(388,325)
Acquisition and construction of capital assets	(36,433,372)	(49,913,673)
Cash donations	-	293,666
Grant proceeds	3,125,560	210,503
Proceeds from disposal of property and equipment	94,565	63,753
Principal paid on indebtedness	(116,031,643)	(112,541,685)
Interest paid on indebtedness	(12,442,426)	(10,816,760)
Proceeds from issuance of indebtedness	134,353,541	134,485,549
Net cash used in capital and related financing activities	<u>(28,376,365)</u>	<u>(38,606,972)</u>
<b>Cash Flows from Investing Activities</b>		
Interest on investments	457,900	543,299
Proceeds from sale of investments	12,806,201	10,406,556
Purchase of investments	(12,147,091)	(6,637,827)
Net cash provided by investing activities	<u>1,117,010</u>	<u>4,312,028</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 10,368,114</u>	<u>\$ (1,614,748)</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, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Cash and Cash Equivalents</b>		
Beginning of year	\$ 43,653,847	\$ 45,268,595
Net increase (decrease) in cash and cash equivalents	<u>10,368,114</u>	<u>(1,614,748)</u>
End of year	<u><u>\$ 54,021,961</u></u>	<u><u>\$ 43,653,847</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating income	\$ 21,541,483	\$ 12,199,378
Adjustments		
Depreciation	18,277,820	17,858,636
Other	(108,219)	71,783
Changes in operating assets and liabilities		
Accounts receivable	(345,395)	(69,775)
Inventories	174,463	57,648
Prepaid items and other assets	(327,358)	203,057
Deferred outflows on pensions	2,696,215	(1,123,877)
Deferred outflows on OPEB	(393,159)	(209,412)
Accounts payable	564,194	530,636
Accrued expenses	151,463	16,169
City of Little Rock franchise fees	68,134	23,834
Net pension liability	(14,959,075)	3,136,075
Net OPEB liability	945,141	415,921
Deferred inflows on pensions	9,540,296	(517,199)
Deferred inflows on OPEB	<u>(198,534)</u>	<u>87,322</u>
Net cash provided by operating activities	<u><u>\$ 37,627,469</u></u>	<u><u>\$ 32,680,196</u></u>
<b>Reconciliation of Total Cash and Cash Equivalents</b>		
Current assets – cash and cash equivalents	\$ 47,231,964	\$ 35,804,284
Restricted for bond requirements	6,009,407	6,012,516
Restricted for construction and improvement	<u>780,590</u>	<u>1,837,047</u>
Total cash and cash equivalents	<u><u>\$ 54,021,961</u></u>	<u><u>\$ 43,653,847</u></u>
<b>Supplemental Schedule of Noncash Investing, Capital and Financing Activities</b>		
Donated sewer lines capitalized	\$ 4,242,724	\$ 1,246,488
Acquisition and construction of capital assets and improvements in accounts payable	\$ 1,260,768	\$ 5,477,915

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



**Little Rock Water Reclamation Authority**  
**Statements of Fiduciary Net Position**  
**December 31, 2021 and 2020**

	<b>OPEB Trust Fund 2021</b>	<b>OPEB Trust Fund 2020</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 9,780	\$ 355,202
Investments – at fair value	<u>1,294,290</u>	<u>977,995</u>
Total assets	<u>1,304,070</u>	<u>1,333,197</u>
<b>Net Position</b>		
Restricted		
Postemployment benefits other than pensions	<u>1,304,070</u>	<u>1,333,197</u>
Total net position	<u><u>\$ 1,304,070</u></u>	<u><u>\$ 1,333,197</u></u>

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, 2021 and 2020**

	<b>OPEB Trust Fund 2021</b>	<b>OPEB Trust Fund 2020</b>
<b>Additions</b>		
Employer contributions	\$ 139,464	\$ 117,702
Investment income		
Investment income	(24,484)	16,666
Less trustee fee	(4,643)	(4,579)
Net investment income (loss)	(29,127)	12,087
Total additions	110,337	129,789
<b>Deductions</b>		
Benefit payments	139,464	117,702
Total deductions	139,464	117,702
<b>Net Increase (Decrease) in Net Position</b>	(29,127)	12,087
<b>Net Position, Beginning of the Year</b>	1,333,197	1,321,110
<b>Net Position, End of the year</b>	\$ 1,304,070	\$ 1,333,197

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

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2021 and 2020

### 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 wastewater 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 70,727 and 71,112 customers at December 31, 2021 and 2020, respectively. LRWRA is financially accountable to the City of Little Rock, as 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, 2021 and 2020

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. Revenues which stem from capital, financing or investing related activities 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, 2021 and 2020, are more fully explained in *Note 3*.

# **Little Rock Water Reclamation Authority**

## **Notes to Financial Statements**

**December 31, 2021 and 2020**

### ***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 purpose.

### ***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 adjusted proportionately such that the net decrease equals the impairment loss.

No asset impairment was recognized during the years ended December 31, 2021 and 2020.

### ***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, 2021 and 2020

- 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 between actual and expected experience, 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, difference in expected and actual experience, 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 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, 2021 and 2020**

### ***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, 2021.

### ***Adoption of New Accounting Standard***

#### ***GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period***

The Utility implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, in 2021. This statement requires that interest costs incurred before the end of a construction period be recognized as expenses in the period in which the costs are incurred. As a result, the interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset. This change was applied prospectively and had no impact on previously reported total change in net position.

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2021 and 2020

### 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, 2021 and 2020, follows:

	December 31, 2021			
	Cash	Cash Equivalents	Total Cash and Cash Equivalents	Investments
Unrestricted assets	\$ 47,231,964	\$ -	\$ 47,231,964	\$ 598,445
Restricted assets				
Bond requirements	253,793	5,755,614	6,009,407	4,126,706
Construction and improvements	-	780,590	780,590	-
Total restricted assets	253,793	6,536,204	6,789,997	4,126,706
Total	<u>\$ 47,485,757</u>	<u>\$ 6,536,204</u>	<u>\$ 54,021,961</u>	<u>\$ 4,725,151</u>

	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>

### 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 \$48,305,820 at December 31, 2021, and \$36,896,521 at December 31, 2020. The Utility had deposits on books of \$47,485,757 at December 31, 2021, and \$36,613,438 at December 31, 2020. 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, 2021 and 2020

As of December 31, 2021 and 2020, 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 that is 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, 2021, were subject to custodial credit risk.

Cash equivalents and investments at December 31, 2021 and 2020, 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 \$11,261,355 and \$12,476,373, respectively. Net unrealized gain (loss) for each of the years ended December 31, 2021 and 2020, was (\$51,703) and \$5,850 respectively.

December 31, 2021				
Investment Type	Fair Value	Less than 1 year	1-5 years	Credit Rating
<b>Cash Equivalents and Investments</b>				
Cash equivalents:				
Federated treasury obligation	\$ 6,536,204	\$ 6,536,204	\$ -	AA+/Aaa
Investments:				
Federal Farm Credit Bank	2,907,205	-	2,907,205	AA+/Aaa
Federal Home Loan Mortgage	1,817,946	-	1,817,946	AA+/Aaa
	4,725,151	-	4,725,151	
	<u>\$ 11,261,355</u>	<u>\$ 6,536,204</u>	<u>\$ 4,725,151</u>	

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2021 and 2020

December 31, 2020				
Investment Type	Fair Value	Less than 1 year	1–5 years	Credit Rating
<b>Cash Equivalents and Investments</b>				
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>	

### 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, 2021 and 2020, 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, 2021:

- Federated Treasury Obligations of \$6.5 million are valued using quoted market prices (Level 1 inputs).
- U.S. Treasury Securities (Federal Farm Credit Bank and Federal Home Loan) of \$4.7 million are valued using a matrix pricing model (Level 2 inputs).

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2021 and 2020

LRWRA had 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).

### Note 3: Accounts and Grants Receivable

Accounts receivable at December 31, 2021 and 2020, consisted of the following:

	2021	2020
Trade receivables – billed, current	\$ 4,206,845	\$ 4,343,980
Trade receivables – unbilled	3,187,119	2,709,491
Trade receivables, past due	776,871	826,002
Grants receivable	2,066,935	3,240,446
Total	10,237,770	11,119,919
Allowance for uncollectibles, beginning of year	(873,127)	(465,979)
Write off of uncollectibles	1,661,246	925,292
Provision for bad debt expense	(1,607,213)	(1,332,440)
Allowance for uncollectibles, end of year	(819,094)	(873,127)
Accounts receivable, net of allowance for uncollectibles	9,418,676	10,246,792
Current accounts receivable	\$ 9,418,676	\$ 10,246,792

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

### December 31, 2021 and 2020

#### Note 4: Capital Assets

Capital asset activity for the years ended December 31, 2021 and 2020, was as follows:

2021	Balance 12/31/2020	Additions	Retirements	Transfers	Balance 12/31/21
Capital assets not being depreciated					
Land and right-of-way	\$ 5,434,140	\$ -	\$ -	\$ -	\$ 5,434,140
Construction in progress	117,239,227	35,469,531	75,336	(16,260,209)	136,373,213
Total capital assets not being depreciated	122,673,367	35,469,531	75,336	(16,260,209)	141,807,353
Capital assets being depreciated					
Building and improvements	137,444,652	-	-	46,075	137,490,727
Infrastructure – collection and treatment	431,023,396	-	-	15,606,237	446,629,633
Equipment	80,997,237	1,105,107	1,423,683	607,897	81,286,558
Total capital assets being depreciated	649,465,285	1,105,107	1,423,683	16,260,209	665,406,918
Less accumulated depreciation for					
Buildings and improvements	50,685,788	4,250,319	-	-	54,936,107
Infrastructure – collections and treatment	135,585,010	10,358,781	-	-	145,943,791
Equipment	40,803,502	3,668,720	594,785	-	43,877,437
Total accumulated depreciation	227,074,300	18,277,820	594,785	-	244,757,335
Capital assets, net	<u>\$ 545,064,352</u>	<u>\$ 18,296,818</u>	<u>\$ 904,234</u>	<u>\$ -</u>	<u>\$ 562,456,936</u>
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	<u>\$ 511,931,639</u>	<u>\$ 33,626,551</u>	<u>\$ 493,838</u>	<u>\$ -</u>	<u>\$ 545,064,352</u>

Construction in progress at December 31, 2021 and 2020, included capitalized construction period interest of \$0 and \$1,852,718 that was incurred in each respective year.

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2021 and 2020

The decrease/retirements in construction in progress in 2021 and 2020 represent abandoned projects of \$75,336 and \$482,015, respectively.

Depreciation expense was \$18,277,820 and \$17,858,636 for the years ended December 31, 2021 and 2020, respectively.

### Note 5: Contributions in Aid of Construction

Contributions in aid of construction, consisting of cash donations and sewer lines/pump stations from private contractors and individuals, were \$4,242,724 and \$1,540,154 for the years ended December 31, 2021 and 2020, respectively.

### Note 6: Long-Term Debt

Long-term debt consists of Sewer Revenue Bonds for which the changes in the years ended December 31, 2021 and 2020, are as follows:

December 31, 2021					
	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within One Year
Sewer revenue bonds	\$ 193,740,000	\$ 107,970,000	\$ 104,400,000	\$ 197,310,000	\$ 9,540,000
Sewer revenue bonds – direct placement	160,523,405	25,503,081	-	186,026,486	-
Unamortized bond premium	7,462,696	880,460	4,963,979	3,379,177	-
	<u>\$ 361,726,101</u>	<u>\$ 134,353,541</u>	<u>\$ 109,363,979</u>	<u>\$ 386,715,663</u>	<u>\$ 9,540,000</u>
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>

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2021 and 2020

Sewer revenue bonds payable consist of the following:

Series	Interest Rate	Year of Maturity	December 31, 2021	Amount Due Within One Year
<b>Revenue Bonds</b>				
2011	3.50%	2022	\$ 2,430,000	\$ 2,430,000
2014	3.00% to 4.00%	2025	3,035,000	1,400,000
2015	3.125% to 5.00%	2037	35,660,000	4,780,000
2016B	3.00% to 4.00%	2038	15,375,000	695,000
2017	3.00% to 4.00%	2047	9,990,000	235,000
2020B	0.89% to 2.92%	2042	22,850,000	-
2021	0.812% to 2.376%	2037	107,970,000	-
			<u>\$ 197,310,000</u>	<u>\$ 9,540,000</u>
<b>Revenue Bonds – Direct Placement</b>				
2007B	0.00% to 2.75%	2032	\$ 9,320,323	\$ -
2009A	0.00% to 2.00%	2035	4,983,950	-
2013	0.00% to 2.25%	2039	30,027,946	-
2016A	0.00% to 2.72%	2053	60,366,001	-
2018	0.00% to 2.00%	2053	56,597,570	-
2019	0.00% to 3.00%	2053	14,526,826	-
2020A	2.25%	2053	9,327,564	-
2020C	1.75%	2044	876,306	-
Total			<u>\$ 186,026,486</u>	<u>\$ -</u>

The Arkansas Natural Resource Commission (ARNC) currently administers federal and state programs that provided aid through loans and grants for water and wastewater projects. These revenue bonds (Revolving Loan Funds – RLFs) are issued to LRWRA for financing construction costs for 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 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.

# **Little Rock Water Reclamation Authority**

## **Notes to Financial Statements**

**December 31, 2021 and 2020**

### **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.

# **Little Rock Water Reclamation Authority**

## **Notes to Financial Statements**

**December 31, 2021 and 2020**

### **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 collection system, 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 Bonds. 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.



# **Little Rock Water Reclamation Authority**

## **Notes to Financial Statements**

**December 31, 2021 and 2020**

### **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 collection system, and to pay the cost of issuing the 2018 Bond. Draws totaled \$56,597,570 as of December 31, 2021. 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 2021 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 collection system, and to pay the cost of issuing the 2019 Bond. Draws totaled \$14,526,826 as of December 31, 2021. 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 2023. 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 collection system, and to pay the cost of issuing the 2020A Bond. Draws totaled \$9,327,564 as of December 31, 2021. 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.

# **Little Rock Water Reclamation Authority**

## **Notes to Financial Statements**

**December 31, 2021 and 2020**

### **2020C Sewer Revenue Bond**

The Series 2020C Bond was issued in October 2020 in the amount of \$7,500,000 to finance repairs to the sewer collection system caused by the 2019 flooding event, and to pay the cost of issuing the 2020C Bond. Draws totaled \$876,306 as of December 31, 2021. 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.

### **2021 Sewer Revenue Refunding Bond**

The Series 2021 Bond was issued in September 2021 in the amount of \$107,970,000 and partially advance refunded the 2015 Sewer Revenue Bond. \$109,209,465 was deposited into an irrevocable trust with an escrow agent for all future debt payments on a portion of the 2015 series bonds. As a result, the 2015 series bonds are considered to be partially defeased, and the liability for that portion of the bonds has been removed from the statement of net position. 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 October 1 starting in 2025, and interest payments are due annually on October 1 starting in 2022. The final payment is scheduled for October 2037. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$6,061,492. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to interest expense through the year 2037 using the effective-interest method. The Utility completed the advance refunding to reduce its total debt service payments over the next 16 years by \$6,933,771 and to obtain an economic gain or difference between the present values of the old and new debt service payments of \$7,071,857.

In addition to the \$383,336,486 balance of Sewer Revenue Bonds outstanding at December 31, 2021, an additional \$57,171,734 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 \$440,508,220.

The 2007B, 2009A, 2013, 2016A, 2018, 2019, 2020A, and 2020C Series Sewer Revenue Bonds are subordinate to the 2011, 2014, 2015, 2016B, 2017, 2020B, and 2021 Series Revenue Bonds.

During the year and in prior years, the Utility defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the Utility's financial statements. At December 31, 2021 and 2020, \$117,670,000 and \$23,210,000, respectively, of bonds outstanding are considered defeased.

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

### December 31, 2021 and 2020

The annual requirements to amortize sewer revenue bond indebtedness outstanding and scheduled, including interest, as of December 31, 2021, are as follows:

Year Ending December 31,	Revenue Bonds		Revenue Bonds – Direct Placement		Total
	Principal	Interest	Principal	Interest	
2022	\$ 9,540,000	\$ 5,049,838	\$ -	\$ 4,396,580	\$ 18,986,418
2023	6,560,000	4,738,386	-	4,683,052	15,981,438
2024	7,625,000	4,472,287	6,253,085	4,739,077	23,089,449
2025	8,705,000	4,176,153	6,439,164	4,576,579	23,896,896
2026	10,735,000	3,849,696	6,611,596	4,398,599	25,594,891
2027 to 2031	59,970,000	15,109,487	35,290,631	19,259,962	129,630,080
2032 to 2036	70,165,000	8,289,473	34,168,411	14,877,664	127,500,548
2037 to 2041	19,335,000	1,864,007	29,367,298	10,792,765	61,359,070
2042 to 2046	4,110,000	405,893	28,246,643	6,836,531	39,599,067
2047 to 2051	565,000	19,073	29,804,251	2,342,364	32,730,688
2052 to 2053	-	-	9,845,407	39,887	9,885,294
Total	<u>\$ 197,310,000</u>	<u>\$ 47,974,293</u>	<u>\$ 186,026,486</u>	<u>\$ 76,943,060</u>	<u>\$ 508,253,839</u>

#### **Notes from Direct Placements**

The Utility's outstanding notes from direct placements of \$186,026,486 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, 2021 and 2020, are as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due Within One Year
2021	<u>\$ 1,239,607</u>	<u>\$ 1,463,875</u>	<u>\$ 1,464,044</u>	<u>\$ 1,239,438</u>	<u>\$ 1,111,070</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>

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2021 and 2020

### 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. 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.

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2021 and 2020

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>.

### ***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, 2020 and 2021, is \$34.0 million and \$20.2 million, respectively. As of December 31, 2021, the estimated amount of capital expenditures required to complete the remaining settlement agreement requirements was \$19.3 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 \$27.6 million at December 31, 2021, 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. LRWRA's and the employee's percent contribution is calculated on an employee's base salary and years of service for full-time employees.

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2021 and 2020

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 2021 and 2020, respectively.

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

On January 17, 2018, the LRWRC passed Resolution 2018-03 to establish the LRWRA Retirement Plans Committee (LRWRARPC), adopt the LRWRARPC Charter, and delegate specific administrative duties to the LRWRARPC. Any changes in contribution rates would require LRWRC approval. Any amendments to the plan would be approved 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.

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2021 and 2020

**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.

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2021 and 2020

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 2021 and 2020, employers contributed 15.32% and 15.32%, respectively, of compensation. Contributions to the pension plan from LRWRA were \$2,136,687 and \$2,224,081 for the years ended December 31, 2021 and 2020, respectively.

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

At December 31, 2021 and 2020, LRWRA reported a liability of \$5,360,550 and \$20,319,625, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and 2020, 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, 2021, LRWRA's proportion was 0.69723272%, which was a decrease of 0.01235433% from its proportion measured as of June 30, 2020, of 0.70958705%.

For the years ended December 31, 2021 and 2020, LRWRA recognized pension expense of \$586,995 and \$3,719,331, respectively. At December 31, 2021 and 2020, LRWRA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 122,685	\$ 343,793
Changes in proportion and differences between employer contributions and proportionate share	108,668	279,378
Changes of assumptions	-	37,550
Net difference between projected and actual earnings on pension plan investments	-	9,409,587
Contributions subsequent to the measurement date	1,145,687	-
Total	\$ 1,377,040	\$ 10,070,308



# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2021 and 2020

	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	<u>\$ 4,073,255</u>	<u>\$ 530,012</u>

The \$1,145,687 reported as deferred outflows of resources at December 31, 2021, 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, 2022. 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:	
2022	\$ (2,374,827)
2023	(2,189,811)
2024	(2,418,793)
2025	(2,855,524)
	<u>\$ (9,838,955)</u>

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2021 and 2020

**Actuarial Assumptions:** The total pension liability, net pension liability and certain sensitivity information was determined by an actuarial valuation as of June 30, 2021. 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, 2021, are summarized in the following paragraphs.

**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

## Notes to Financial Statements

December 31, 2021 and 2020

### 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%
\$ 16,035,518	\$ 5,360,550	\$ (3,455,436)

**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, 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	3.95–9.85%, 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

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2021 and 2020

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, are summarized in the following paragraph.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Broad domestic equity	37%	6.22%
International equity	24%	6.69%
Real assets	16%	4.81%
Absolute return	5%	3.05%
Domestic fixed	18%	0.57%
Total	100%	
Total real rate of return		4.93%
Plus: price inflation – actuary assumption		2.50%
Net expected return		7.43%

**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

## Notes to Financial Statements

December 31, 2021 and 2020

### 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

### 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. This postemployment health care plan is administered by Regions Bank Trust Department. LRWRAHP does not issue a stand-alone financial report.

For inquiries 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, 2021 and 2020**

### ***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 annually and review by the LRWRC in conjunction with annual budget approval process. 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, 2021, in LRWRA's financial statements using an actuarial valuation as of December 31, 2021, as the total OPEB liability, less the amount of the plan's fiduciary net position. A single discount rate of 2.17% and 2.31% was used to measure the total OPEB liability as of December 31, 2021 and 2020, respectively. This single discount rate was based on an expected rate of return on OPEB plan investments. The projection of cash flows used to determine the discount rate assumed that the Utility contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make future benefit payments through 2027 for current and inactive employees. Therefore, the long-term expected rate of return on OPEB Plan investments was applied through 2027, and a 20-year, tax-exempt municipal bond rate of 2.05 percent, obtained from 20-Bond Go Index rate, was applied to the remaining projected benefit payments to determine the total OPEB liability.

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2021 and 2020

The components of the December 31, 2021, net OPEB liability of LRWRA as determined by an actuarial valuation as of that date were as follows:

	<b>2021</b>
Total OPEB liability – ending	\$ 7,578,686
Plan fiduciary net position – ending	<u>1,304,070</u>
Net OPEB Liability – ending	<u><u>\$ 6,274,616</u></u>
Plan fiduciary net position as % of total OPEB liability	17.21%

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:

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

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2021 and 2020

### Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
<b>Balances on January 1, 2020</b>	<u>\$ 6,234,664</u>	<u>\$ 1,321,110</u>	<u>\$ 4,913,554</u>
Changes recognized for 2020:			
Service cost	190,747	-	190,747
Interest on total OPEB liability	178,598	-	178,598
Changes of benefit terms	-	-	-
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)
Net investment income	-	16,737	(16,737)
Administrative expense	-	(4,651)	4,651
Net changes	<u>428,008</u>	<u>12,087</u>	<u>415,921</u>
<b>Balances on December 31, 2020</b>	<u>6,662,672</u>	<u>1,333,197</u>	<u>5,329,475</u>
Changes recognized for 2021:			
Service cost	208,993	-	208,993
Interest on total OPEB liability	151,516	-	151,516
Differences between expected and actual experience	572,166	-	572,166
Change of assumptions	122,803	-	122,803
Benefit payments	(139,464)	(139,464)	-
Contributions – employer	-	139,464	(139,464)
Contributions – Employee	-	-	-
Net investment income	-	(24,484)	24,484
Administrative expense	-	(4,643)	4,643
Net changes	<u>916,014</u>	<u>(29,127)</u>	<u>945,141</u>
<b>Balances on December 31, 2021</b>	<u><u>\$ 7,578,686</u></u>	<u><u>\$ 1,304,070</u></u>	<u><u>\$ 6,274,616</u></u>



# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2021 and 2020

**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, 2021	1% Lower 1.17%	Current 2.17%	1% Higher 3.17%
Utility's net OPEB liability	<u>\$ 7,225,724</u>	<u>\$ 6,274,616</u>	<u>\$ 5,448,995</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, 2021	1% Lower Rates	Current Rates	1% Higher Rates
Utility's net OPEB liability	<u>\$ 5,316,300</u>	<u>\$ 6,274,616</u>	<u>\$ 7,424,121</u>

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2021 and 2020

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

The Utility recognized OPEB expense of \$483,846 and \$411,534 for the years ended December 31, 2021 and 2020, respectively. Below is a table providing the deferred inflows and outflows of resources related to OPEB from the following sources as of December 31:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 520,151	\$ 1,513,247
Changes of assumptions	2,029,650	-
Net difference between projected and actual earnings on OPEB assets	71,253	-
Total	<u>\$ 2,621,054</u>	<u>\$ 1,513,247</u>

	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	<u>\$ 2,227,895</u>	<u>\$ 1,711,781</u>

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2021 and 2020

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB as of December 31, 2021, will be recognized in OPEB expense as follows for the year ended December 31:

2022	\$ (122,531)
2023	(122,531)
2024	(122,531)
2025	(122,532)
Thereafter	<u>(617,682)</u>
	<u>\$ (1,107,807)</u>

### Actuarial Assumptions at December 31, 2021:

**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-2021.

**Discount Rate:** 2.17% 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>
2022	7.0%
2023	6.5%
2024	6.0%
2025	5.5%
2026	5.0%
2027 and later	4.5%

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2021 and 2020

**Membership Data:** The membership data used in the calculation is based on data as of December 31, 2021. 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)	148	47.5	15.1
Active members (elected medical and employed after 7/1/2017)	38	38.9	2
Retired members under Age 65 (elected benefits)	26	61.5	N/A

**Employer-Paid Medical Premiums:** The retiree medical plan is currently fully insured. Employer-paid monthly premiums are set yearly, with 2021 ranging from \$264 to \$1,046, 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, 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:

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

# Little Rock Water Reclamation Authority

## Notes to Financial Statements

December 31, 2021 and 2020

**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).

Status	Number	Average Age	Average Years of Service
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

**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.

**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, 2021 and 2020, the annual money-weighted rate of return for the investments, net of investment expense, was (2.23)% and 1.6%, respectfully.

Assuming that the plan sponsor continues to contribute in similar levels as in recent years (the average of all years since 2010). The expected fund value would be projected to be at \$0 by the end of 2028 if the funds were used for its designated retiree benefits.

### Note 12: Payments to Central Arkansas Water

The Utility pays Central Arkansas Water for billing and collection services provided by that entity. Such payments amounted to \$880,791 and \$844,761 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020**

### **Note 13: Risk Management**

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

### **Note 14: 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 LRWRA Post Retiree Healthcare Plan's (the Plan) 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, 2021, 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, 2021 and 2020

The Plan had the following investments and maturities\*:

December 31, 2021				
Investment Type	Fair Value	Less than 1 year	1–5 years	Credit Rating
<b>Cash Equivalents and Investments</b>				
Cash equivalents				
Federated treasury obligation	\$ 9,780	\$ 9,780	\$ -	AA+/Aaa
Investments				
Agency bonds	1,294,290	-	1,294,290	AA+/Aaa
	1,294,290	-	1,294,290	
Total Cash Equivalents and Investments	\$ 1,304,070	\$ 9,780	\$ 1,294,290	
December 31, 2020				
Investment Type	Fair Value	Less than 1 year	1–5 years	Credit Rating
<b>Cash Equivalents and Investments</b>				
Cash equivalents:				
Federated treasury obligation	\$ 355,202	\$ 355,202	\$ -	AA+/Aaa
Investments:				
Federal Farm Credit Bank	977,995	-	977,995	AA+/Aaa
	977,995	-	977,995	
	\$ 1,333,197	\$ 355,202	\$ 977,995	

\*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, 2021 and 2020

### Disclosures About Fair Value of Assets and Liabilities

The following tables present the fair value measurements of assets recognized in the accompanying statements 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:

	<b>Total Fair Value</b>	<b>Significant Other Observable Inputs (Level 2)</b>
<b>December 31, 2021</b>		
<b>Investments</b>		
Agency bonds	\$ 1,294,290	\$ 1,294,290
	<u>\$ 1,294,290</u>	<u>\$ 1,294,290</u>
<b>December 31, 2020</b>		
<b>Investments</b>		
Federal Farm Credit Bank	\$ 1,273,415	\$ 1,273,415
	<u>\$ 1,273,415</u>	<u>\$ 1,273,415</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, 2021 and 2020

### Note 14: Future Change in Accounting Principle

GASB Statement No. 87 – *Leases* (GASB 87): GASB 87 addresses the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognizing inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activity. This statement is effective for periods beginning after June 15, 2021.

GASB Statement No 96 – *Subscription-Based Information Technology Arrangements*: This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This statement is effective for periods beginning after June 15, 2022, with earlier application encouraged.

## REQUIRED SUPPLEMENTARY INFORMATION



**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, 2021**

	2021	2020	2019	2018	2017
<b>Total OPEB Liability</b>					
Service costs	\$ 208,993	\$ 190,747	\$ 180,168	\$ 153,267	\$ 145,382
Interest on total OPEB liabilities	151,516	178,598	262,223	203,573	189,015
Difference between expected and actual experience	572,166	(285,946)	(1,468,285)	(362,437)	280,979
Change in assumptions	122,803	462,311	714,624	1,641,979	-
Benefit payments	(139,464)	(117,702)	(131,835)	(137,515)	(97,466)
Net changes in total OPEB liability	916,014	428,008	(443,105)	1,498,867	517,910
Total OPEB liability – beginning	6,662,672	6,234,664	6,677,769	5,178,902	4,660,992
Total OPEB liability – ending	7,578,686	6,662,672	6,234,664	6,677,769	5,178,902
<b>Plan Fiduciary Net Position</b>					
Contributions – employer	139,464	117,703	131,834	137,515	97,466
Net investment income	(24,484)	16,737	37,126	20,317	13,346
Benefit payments	(139,464)	(117,702)	(131,835)	(137,515)	(97,466)
Administrative expenses	(4,643)	(4,651)	(4,566)	(4,449)	(4,449)
Net changes in plan fiduciary net position	(29,127)	12,087	32,559	15,868	8,897
Plan fiduciary net position – beginning	1,333,197	1,321,110	1,288,551	1,272,683	1,263,786
Plan fiduciary net position – ending	1,304,070	1,333,197	1,321,110	1,288,551	1,272,683
Net OPEB liability	\$ 6,274,616	\$ 5,329,475	\$ 4,913,554	\$ 5,389,218	\$ 3,906,219
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	17.2%	20.0%	21.2%	19.3%	24.6%
<b>Covered Employee Payroll</b>	\$ 14,890,407	\$ 15,242,051	\$ 14,406,068	\$ 13,867,243	\$ 13,606,281
<b>Net OPEB Liability as a Percentage of Covered Payroll</b>	42.1%	35.0%	34.1%	38.9%	28.7%

**Little Rock Water Reclamation Authority**  
**Schedule of Changes in Net Other Postemployment Benefits**  
**Liability and Related Ratios (GASB 74 and GASB 75) (Continued)**  
**Year Ended December 31, 2021**

	<u>2016</u>
Service costs	\$ 141,691
Interest on total OPEB liabilities	177,331
Difference between expected and actual experience	(57,544)
Change in assumptions	-
Benefit payments	<u>(88,394)</u>
Net changes in total OPEB liability	173,084
 Total OPEB liability – beginning	 <u>4,487,908</u>
Total OPEB liability – ending	<u>4,660,992</u>
 <b>Plan Fiduciary Net Position</b>	
Contributions – employer	88,394
Net investment income	(11,061)
Benefit payments	(88,394)
Administrative expenses	<u>(4,450)</u>
Net changes in plan fiduciary net position	(15,511)
 Plan fiduciary net position – beginning	 <u>1,279,297</u>
Plan fiduciary net position – ending	<u>1,263,786</u>
 Net OPEB liability	 <u>\$ 3,397,206</u>
 <b>Plan Fiduciary Net Position as a Percentage of</b>	
<b>Total OPEB Liability</b>	27.1%
 <b>Covered Employee Payroll</b>	 \$ 13,312,297
 <b>Net OPEB Liability as a Percentage of</b>	
<b>Covered Payroll</b>	25.5%

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

**Changes in Assumption:**

December 31, 2021 – The mortality improvement scale has been changed from MP-2020 to MP-2021.

December 31, 2020 – 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%  
12/31/2021 – 2.17%

**Little Rock Water Reclamation Authority**  
**Schedule of Contributions**  
**Other Postemployment Benefits (GASB 74 and GASB 75)**  
**Year Ended December 31, 2021**

<b>Year Ended December 31,</b>	<b>Actuarially Determined Contributions</b>	<b>Actual Contributions</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Employee Payroll</b>	<b>Actual Contribution as a % of Covered Payroll</b>
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%
2021	113,000	139,464	(26,464)	14,890,407	0.94%

**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:	2.17%
Inflation:	2.5%
Investment Rate of Return:	4.0%
Mortality:	RP-2014 Mortality Table with Improvement Scale MP-2021
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, 2021**

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

<b>Fiscal Year Ended</b>	<b>Money-Weighted Rate of Return</b>
12/31/2016	-1.21%
12/31/2017	0.70%
12/31/2018	1.23%
12/31/2019	2.50%
12/31/2020	1.60%
12/31/2021	-2.23%

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

**Little Rock Water Reclamation Authority**  
**Schedule of Contributions**  
**Arkansas Public Employees Retirement System**  
**Year Ended December 31, 2021**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Contractually required contributions	\$ 2,132,994	\$ 2,120,847	\$ 2,088,432	\$ 1,920,103	\$ 1,870,073
Contributions in relation to the contractually required contributions	<u>2,134,121</u>	<u>2,121,097</u>	<u>2,088,142</u>	<u>1,917,096</u>	<u>1,869,906</u>
Contribution deficiency (excess)	<u>\$ (1,127)</u>	<u>\$ (250)</u>	<u>\$ 290</u>	<u>\$ 3,007</u>	<u>\$ 167</u>
LRWRA's covered payroll	\$ 14,093,424	\$ 13,865,115	\$ 13,629,820	\$ 12,981,831	\$ 12,955,527
Contributions as a percentage of covered payroll	15.1%	15.3%	15.3%	14.8%	14.4%
	<b>2016</b>	<b>2015</b>	<b>2014</b>		
Contractually required contributions	\$ 1,838,797	\$ 1,720,285	\$ 1,790,896		
Contributions in relation to the contractually required contributions	<u>1,838,797</u>	<u>1,759,530</u>	<u>1,703,752</u>		
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (39,245)</u>	<u>\$ 87,144</u>		
LRWRA's covered payroll	\$ 12,674,419	\$ 12,115,376	\$ 11,658,706		
Contributions as a percentage of covered payroll	14.5%	14.5%	14.6%		

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

**Note:** Investment rate of return was 7.15% and salary increases started at 3.25% through the June 30, 2021, 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, 2021**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
LRWRA's proportion of the net pension liability	0.69723272%	0.70958705%	0.71226298%	0.69388988%	0.71552208%
LRWRA's proportionate share of the net pension liability	\$ 5,360,550	\$ 20,319,625	\$ 17,183,550	\$ 15,306,760	\$ 18,490,096
LRWRA's covered payroll	\$ 14,727,761	\$ 15,025,831	\$ 14,238,087	\$ 13,661,710	\$ 13,352,218
LRWRA's proportionate share of the net pension liability as a percentage of its covered payroll	36.40%	135.23%	120.69%	112.04%	138.48%
Plan fiduciary net position as a percentage of the total pension liability	93.57%	75.38%	78.55%	79.59%	75.65%
APERS discount rate	7.15%	7.15%	7.15%	7.15%	7.15%

	<b>2016</b>	<b>2015</b>
LRWRA's proportion of the net pension liability	0.68334170%	0.67188745%
LRWRA's proportionate share of the net pension liability	\$ 16,341,079	\$ 12,374,375
LRWRA's covered payroll	\$ 12,321,987	\$ 11,905,159
LRWRA's proportionate share of the net pension liability as a percentage of its covered payroll	132.62%	103.94%
Plan fiduciary net position as a percentage of the total pension liability	75.50%	80.39%
APERS discount rate	7.50%	7.50%

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



## SUPPLEMENTARY INFORMATION



LITTLE ROCK

**Water Reclamation  
Authority**

ONE WATER.  
ONE FUTURE.

# Little Rock Water Reclamation Authority

## Budgetary Comparison Schedule

### Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance Over (Under)
<b>Operating Revenue</b>			
Customer assessments	\$ 59,429,126	\$ 63,528,673	\$ 4,099,547
Industrial surcharges	1,229,346	1,451,120	221,774
Other fees and income	775,075	647,241	(127,834)
Total operating revenue	<u>61,433,547</u>	<u>65,627,034</u>	<u>4,193,487</u>
<b>Operating Expenses Excluding Depreciation</b>			
Water reclamation commission	68,057	38,920	(29,137)
Utility management	1,449,191	1,142,146	(307,045)
Finance and administration	2,838,460	2,601,949	(236,511)
Engineering	2,232,718	1,785,162	(447,556)
Information systems	2,275,480	2,147,420	(128,060)
Collection system maintenance	8,465,040	7,217,348	(1,247,692)
Operations	5,653,976	5,061,449	(592,527)
Environmental assessment	1,746,411	1,429,296	(317,115)
Facilities/maintenance	4,064,846	3,659,401	(405,445)
Legal/HR	816,636	724,640	(91,996)
Total operating expenses, excluding depreciation	<u>29,610,815</u>	<u>25,807,731</u>	<u>(3,803,084)</u>
<b>Operating Income Before Depreciation</b>	<u>31,822,732</u>	<u>39,819,303</u>	<u>7,996,571</u>
Provision for depreciation			
Building and improvements	4,461,925	4,250,319	(211,606)
Infrastructure – collections, pumping and treatments	10,394,720	10,358,781	(35,939)
Equipment	4,096,652	3,668,720	(427,932)
Total provision for depreciation	<u>18,953,297</u>	<u>18,277,820</u>	<u>(675,477)</u>
<b>Operating Income</b>	<u>12,869,435</u>	<u>21,541,483</u>	<u>8,672,048</u>
<b>Nonoperating Income (Expense)</b>			
Interest income	282,043	462,920	180,877
Interest expense	(12,575,697)	(12,239,498)	336,199
Bond issuance costs	-	(1,042,590)	(1,042,590)
Gain (loss) on disposal of capital assets	40,000	19,318	(20,682)
Gain (loss) on investments	-	(51,703)	(51,703)
Other	80,000	(108,219)	(188,219)
Net nonoperating income (expense)	<u>(12,173,654)</u>	<u>(12,959,772)</u>	<u>(786,118)</u>
<b>Increase in Net Position Before Capital Contributions</b>	<u>\$ 695,781</u>	<u>\$ 8,581,711</u>	<u>\$ 7,885,930</u>

**Little Rock Water Reclamation Authority**  
**Schedule of Operating Expenses by Department**  
**Excluding Depreciation**  
**Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>Water Reclamation Commission</b>		
Commission expense reimbursement	\$ 322	\$ 124
Insurance	847	948
Other	<u>37,751</u>	<u>52,126</u>
Total	<u>38,920</u>	<u>53,198</u>
<b>Utility Management</b>		
Salaries	668,080	657,702
Employee benefits	178,616	323,703
Supplies	7,042	6,009
Contract services	114,485	144,176
Vehicle maintenance	17,014	16,174
Utilities	10,602	12,748
Insurance	1,745	1,816
Training and administration	<u>144,562</u>	<u>179,370</u>
Total	<u>1,142,146</u>	<u>1,341,698</u>
<b>Finance and Administration</b>		
Salaries	1,090,583	1,109,031
Employee benefits	275,264	574,554
Supplies	25,550	114,343
Contract services	1,035,429	1,028,214
Vehicle maintenance	8,002	7,985
Utilities	6,030	5,581
Insurance	3,474	11,617
Training and administration	<u>157,617</u>	<u>68,576</u>
Total	<u>2,601,949</u>	<u>2,919,901</u>
<b>Engineering</b>		
Salaries	1,371,817	1,255,400
Employee benefits	(12,653)	386,570
Supplies	35,267	28,790
Contract services	261,194	275,172
Vehicle maintenance	45,327	27,137
Utilities	17,970	16,597
Insurance	8,392	8,919
Training and administration	<u>57,848</u>	<u>38,304</u>
Total	<u>1,785,162</u>	<u>2,036,889</u>

**Little Rock Water Reclamation Authority**  
**Schedule of Operating Expenses by Department**  
**Excluding Depreciation (Continued)**  
**Years Ended December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Information Systems</b>		
Salaries	920,544	890,311
Employee benefits	243,014	458,894
Supplies	221,621	159,117
Contract services	550,346	672,118
Vehicle maintenance	6,626	3,642
Utilities	194,279	177,091
Insurance	2,676	2,863
Training and administration	8,314	6,295
	<hr/>	<hr/>
Total	2,147,420	2,370,331
	<hr/>	<hr/>
<b>Collection System Maintenance</b>		
Salaries	\$ 4,327,472	\$ 4,435,013
Employee benefits	1,183,923	2,522,125
Supplies	589,386	600,123
Contract services	826,716	666,764
Vehicle maintenance	196,070	96,473
Utilities	38,164	37,917
Insurance	39,542	44,413
Training and administration	16,075	14,079
	<hr/>	<hr/>
Total	7,217,348	8,416,907
	<hr/>	<hr/>
<b>Operations – Adams, Fourche, Maumelle, and Industrial Monitoring</b>		
Salaries	1,983,510	1,957,327
Employee benefits	532,560	1,041,155
Supplies	432,191	703,486
Contract services	605,060	636,301
Vehicle maintenance	24,956	16,289
Utilities	1,305,983	1,350,689
Insurance	98,958	98,315
Training and administration	78,231	70,024
	<hr/>	<hr/>
Total	5,061,449	5,873,586
	<hr/>	<hr/>
<b>Environmental Assessment</b>		
Salaries	977,948	993,137
Employee benefits	275,777	614,970
Supplies	90,682	91,956
Contract services	48,285	61,067
Vehicle maintenance	17,531	11,311
Utilities	7,057	7,204
Insurance	4,855	5,258
Training and administration	7,161	4,093
	<hr/>	<hr/>
Total	1,429,296	1,788,996
	<hr/>	<hr/>

**Little Rock Water Reclamation Authority**  
**Schedule of Operating Expenses by Department**  
**Excluding Depreciation (Continued)**  
**Years Ended December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
<b>Facilities/Maintenance</b>		
Salaries	\$ 1,446,879	\$ 1,356,739
Benefits	445,444	758,868
Supplies	833,823	647,538
Contract services	645,049	443,528
Vehicle expenses	79,573	48,507
Utilities	136,343	115,112
Insurance	66,614	66,869
Other	5,676	8,889
	<hr/>	<hr/>
Total	3,659,401	3,446,050
	<hr/>	<hr/>
<b>Legal/HR</b>		
Salaries	474,584	494,609
Benefits	103,965	236,592
Supplies	3,639	3,846
Contract services	100,690	39,783
Vehicle expenses	7,200	6,900
Utilities	2,230	1,507
Insurance	585	677
Other	31,747	33,534
	<hr/>	<hr/>
Total	724,640	817,448
	<hr/>	<hr/>
Total operating expenses	\$ 25,807,731	\$ 29,065,004
	<hr/>	<hr/>

**Little Rock Water Reclamation Authority**  
**Schedule of Bonded Indebtedness**  
**December 31, 2021**

**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,	
2022	2.75%	\$ -	\$ -	\$ 115,420	\$ 108,922	\$ 224,342
2023	2.75%	-	-	102,333	95,655	197,988
2024	2.75%	499,163	506,027	88,885	82,021	1,176,096
2025	2.75%	512,984	520,038	75,064	68,010	1,176,096
2026	2.75%	527,188	534,437	60,860	53,611	1,176,096
2027	2.75%	541,786	549,235	46,262	38,813	1,176,096
2028	2.75%	556,788	564,444	31,260	23,604	1,176,096
2029	2.75%	572,205	580,048	15,843	7,975	1,176,071
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>\$ 535,927</u>	<u>\$ 478,611</u>	<u>\$ 10,334,861</u>

<sup>a</sup> 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, 2021**

**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,	
2022	2.00%	\$ -	\$ -	\$ 45,944	\$ 43,968	\$ 89,912
2023	2.00%	-	-	41,790	39,954	81,744
2024	2.00%	-	-	37,916	35,860	73,776
2025	2.00%	205,729	207,785	33,782	31,682	478,978
2026	2.00%	209,863	211,963	29,564	27,422	478,812
2027	2.00%	214,081	216,223	25,260	23,076	478,640
2028	2.00%	218,385	220,569	20,870	18,642	478,466
2029	2.00%	222,775	225,003	16,392	14,120	478,290
2030	2.00%	227,253	229,525	11,826	9,506	478,110
2031	2.00%	231,819	234,139	7,166	4,800	477,924
2032	2.00%	236,479	238,845	2,412	-	477,736
2033	2.00%	241,223	193,805	-	-	435,028
2034	0.00%	195,743	197,701	-	-	393,444
2035	0.00%	199,677	201,675	-	-	401,352
2036	0.00%	203,690	-	-	-	203,690
		<u>\$ 2,606,717</u>	<u>\$ 2,377,233</u>	<u>\$ 272,922</u>	<u>\$ 249,030</u>	<u>\$ 5,505,902</u>

<sup>a</sup> 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, 2021**

**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,	
2022	3.50%	\$ 1,205,000	\$ 1,225,000	\$ 42,525	\$ 21,438	\$ 2,493,963
		<u>\$ 1,205,000</u>	<u>\$ 1,225,000</u>	<u>\$ 42,525</u>	<u>\$ 21,438</u>	<u>\$ 2,493,963</u>



**Little Rock Water Reclamation Authority**  
**Schedule of Bonded Indebtedness (Continued)**  
**December 31, 2021**

**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,	
2022	2.250%	\$ -	\$ -	\$ 320,058	\$ 311,029	\$ 631,087
2023	2.250%	-	-	301,898	292,666	594,564
2024	2.250%	839,277	848,720	283,329	273,886	2,245,212
2025	2.250%	858,267	867,922	264,339	254,684	2,245,212
2026	2.250%	877,687	887,561	244,919	235,045	2,245,212
2027	2.250%	897,546	907,643	225,060	214,963	2,245,212
2028	2.250%	917,854	928,181	204,752	194,455	2,245,242
2029	2.250%	938,622	949,182	183,984	173,424	2,245,212
2030	2.250%	959,860	970,659	162,746	151,947	2,245,212
2031	2.250%	981,578	992,621	141,028	129,985	2,245,212
2032	2.250%	1,003,788	1,015,081	118,818	107,525	2,245,212
2033	2.250%	1,026,500	1,038,049	96,106	84,557	2,245,212
2034	2.250%	1,049,726	1,061,536	72,880	61,070	2,245,212
2035	2.250%	1,073,476	1,085,555	49,228	37,051	2,245,310
2036	2.250%	1,097,768	1,110,103	24,838	12,489	2,245,198
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>\$ 2,693,983</u>	<u>\$ 2,534,776</u>	<u>\$ 35,256,705</u>

<sup>a</sup> 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, 2021**

**Sewer Revenue Bonds (Series 2014)**

<b>Year of Maturity</b>	<b>Interest Rate</b>	<b>Principal Payable</b>		<b>Interest Payable</b>		<b>Total Annual Requirement</b>
		<b>May 1,</b>	<b>November 1,</b>	<b>May 1,</b>	<b>November 1,</b>	
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>\$ 1,675,000</u>	<u>\$ 1,360,000</u>	<u>\$ 113,549</u>	<u>\$ 83,363</u>	<u>\$ 3,231,912</u>

**Little Rock Water Reclamation Authority**  
**Schedule of Bonded Indebtedness (Continued)**  
**December 31, 2021**

**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,	
2022	3.500%	\$ 2,375,000	\$ 2,405,000	\$ 680,897	\$ 645,272	\$ 6,106,169
2023	4.000%	2,460,000	2,495,000	597,172	560,272	6,112,444
2024	4.000%	2,775,000	2,820,000	497,897	456,272	6,549,169
2025	4.000%	2,890,000	2,935,000	385,772	342,422	6,553,194
2026	4.375%	3,355,000	3,430,000	269,047	195,656	7,249,703
2027	4.500%	-	-	120,625	120,625	241,250
2028	4.700%	-	-	120,625	120,625	241,250
2029	3.125%	3,830,000	3,890,000	120,625	60,781	7,901,406
		<u>\$ 17,685,000</u>	<u>\$ 17,975,000</u>	<u>\$ 2,792,660</u>	<u>\$ 2,501,925</u>	<u>\$ 40,954,585</u>

**Little Rock Water Reclamation Authority**  
**Schedule of Bonded Indebtedness (Continued)**  
**December 31, 2021**

**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,	
2022	2.720%	\$ -	\$ -	\$ 886,040	\$ 876,096	\$ 1,762,136
2023	2.720%	-	-	866,002	855,757	1,721,759
2024	2.720%	703,641	714,195	845,358	834,804	3,097,998
2025	2.720%	724,908	735,782	824,091	813,217	3,097,998
2026	2.720%	746,818	758,021	799,181	790,978	3,094,998
2027	2.720%	769,391	780,932	779,608	768,067	3,097,998
2028	2.720%	792,646	804,536	756,353	744,463	3,097,998
2029	2.720%	816,603	828,852	732,396	720,147	3,097,998
2030	2.720%	841,285	853,905	707,714	695,094	3,097,998
2031	2.720%	866,713	879,714	682,286	669,285	3,097,998
2032	2.720%	892,910	906,303	656,089	642,696	3,097,998
2033	2.720%	919,898	933,696	629,101	615,303	3,097,998
2034	2.720%	947,702	961,917	601,297	587,082	3,097,998
2035	2.720%	976,346	990,991	572,653	558,008	3,097,998
2036	2.720%	1,005,856	1,020,944	543,143	528,055	3,097,998
2037	2.720%	1,036,258	1,051,802	512,741	497,197	3,097,998
2038	2.720%	1,067,579	1,083,593	481,420	465,406	3,097,998
2039	2.720%	1,099,847	1,116,345	449,152	432,654	3,097,998
2040	2.720%	1,133,089	1,150,086	415,910	398,913	3,097,998
2041	2.720%	1,167,337	1,184,847	381,662	364,152	3,097,998
2042	2.720%	1,202,620	1,220,659	346,379	328,340	3,097,998
2043	2.720%	1,238,969	1,257,554	310,030	291,445	3,097,998
2044	2.720%	1,276,417	1,295,563	272,582	253,436	3,097,998
2045	2.720%	1,314,996	1,334,721	234,003	214,278	3,097,998
2046	2.720%	1,354,743	1,375,064	194,256	173,935	3,097,998
2047	2.720%	1,395,690	1,416,625	153,309	132,374	3,097,998
2048	2.720%	1,437,874	1,459,443	111,125	89,556	3,097,998
2049	2.720%	1,481,334	1,503,554	67,665	45,445	3,097,998
2050	2.720%	1,526,115	643,509	22,892	-	2,192,516
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>\$ 14,834,438</u>	<u>\$ 14,386,183</u>	<u>\$ 89,586,622</u>

<sup>a</sup> 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, 2021**

**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,	
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>\$ 15,375,000</u>	<u>\$ 2,560,152</u>	<u>\$ 2,560,152</u>	<u>\$ 20,495,304</u>

**Little Rock Water Reclamation Authority**  
**Schedule of Bonded Indebtedness (Continued)**  
**December 31, 2021**

**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,	
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>\$ 9,990,000</u>	<u>\$ 2,621,773</u>	<u>\$ 2,621,773</u>	<u>\$ 15,233,546</u>

**Little Rock Water Reclamation Authority**  
**Schedule of Bonded Indebtedness (Continued)**  
**December 31, 2021**

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

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		April 15,	October 15,	April 15,	October 15,	
2022	2.000%	\$ -	\$ -	\$ 848,964	\$ 840,140	\$ 1,689,104
2023	2.000%	-	-	831,184	822,094	1,653,278
2024	2.000%	588,243	597,066	812,867	803,502	2,801,678
2025	2.000%	606,022	615,113	793,996	784,348	2,799,479
2026	2.000%	624,339	633,704	774,555	764,615	2,797,213
2027	2.000%	643,210	652,858	754,527	744,286	2,794,881
2028	2.000%	662,651	672,591	733,893	723,343	2,792,478
2029	2.000%	682,680	692,920	712,635	701,766	2,790,001
2030	2.000%	703,314	713,863	690,735	679,538	2,787,450
2031	2.000%	724,571	735,440	668,173	656,637	2,784,821
2032	2.000%	746,472	757,669	644,929	633,044	2,782,114
2033	2.000%	769,034	780,569	620,982	608,739	2,779,324
2034	2.000%	792,278	804,162	596,312	583,698	2,776,450
2035	2.000%	816,224	828,468	570,896	557,901	2,773,489
2036	2.000%	840,895	853,508	544,711	531,324	2,770,438
2037	2.000%	866,311	879,305	517,736	503,944	2,767,296
2038	2.000%	892,495	905,882	489,945	475,736	2,764,058
2039	2.000%	919,471	933,263	461,314	446,675	2,760,723
2040	2.000%	947,262	961,471	431,817	416,737	2,757,287
2041	2.000%	975,893	990,531	401,429	385,893	2,753,746
2042	2.000%	1,005,389	1,020,470	370,123	354,117	2,750,099
2043	2.000%	1,035,777	1,051,313	337,871	321,381	2,746,342
2044	2.000%	1,067,083	1,083,089	304,643	287,655	2,742,470
2045	2.000%	1,099,336	1,115,826	270,411	252,909	2,738,482
2046	2.000%	1,132,563	1,149,552	235,145	217,114	2,734,374
2047	2.000%	1,166,795	1,184,297	198,813	180,237	2,730,142
2048	2.000%	1,202,061	1,220,092	161,382	142,245	2,725,780
2049	2.000%	1,238,394	1,256,969	122,820	103,105	2,721,288
2050	2.000%	1,275,824	1,294,961	83,093	62,781	2,716,659
2051	2.000%	1,314,386	1,334,102	42,165	21,240	2,711,893
2052	0.000%	1,354,110	1,374,425	-	-	2,728,535
2053	0.000%	1,395,041	1,415,967	-	-	2,811,008
		<u>\$ 28,088,124</u>	<u>\$ 28,509,446</u>	<u>\$ 15,028,066</u>	<u>\$ 14,606,744</u>	<u>\$ 86,232,380</u>

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

<sup>b</sup> 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, 2021**

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

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		April 15,	October 15,	April 15,	October 15,	
2022	3.000%	\$ -	\$ -	\$ 914,397	\$ 904,649	\$ 1,819,046
2023	3.000%	-	-	894,755	884,713	1,779,468
2024	3.000%	689,715	700,061	874,520	864,174	3,128,470
2025	3.000%	710,561	721,220	853,674	843,015	3,128,470
2026	3.000%	732,038	743,019	832,197	821,216	3,128,470
2027	3.000%	754,164	765,476	810,071	798,759	3,128,470
2028	3.000%	776,959	788,613	787,276	775,622	3,128,470
2029	3.000%	800,442	812,449	763,793	751,786	3,128,470
2030	3.000%	824,636	837,005	739,599	727,230	3,128,470
2031	3.000%	849,560	862,304	714,675	701,931	3,128,470
2032	3.000%	875,238	888,367	688,997	675,868	3,128,470
2033	3.000%	901,692	915,218	662,543	649,017	3,128,470
2034	3.000%	928,946	942,880	635,289	621,355	3,128,470
2035	3.000%	957,023	971,378	607,212	592,857	3,128,470
2036	3.000%	985,949	1,000,739	578,286	563,496	3,128,470
2037	3.000%	1,015,750	1,030,986	548,485	533,249	3,128,470
2038	3.000%	1,046,450	1,062,147	517,785	502,088	3,128,470
2039	3.000%	1,078,079	1,094,251	486,156	469,984	3,128,470
2040	3.000%	1,110,665	1,127,324	453,570	436,911	3,128,470
2041	3.000%	1,144,235	1,161,398	420,000	402,837	3,128,470
2042	3.000%	1,178,819	1,196,501	385,416	367,734	3,128,470
2043	3.000%	1,214,449	1,232,666	349,786	331,569	3,128,470
2044	3.000%	1,251,155	1,269,923	313,080	294,312	3,128,470
2045	3.000%	1,288,972	1,308,306	275,263	255,929	3,128,470
2046	3.000%	1,327,931	1,347,850	236,304	216,385	3,128,470
2047	3.000%	1,368,068	1,388,588	196,167	175,647	3,128,470
2048	3.000%	1,409,417	1,430,558	154,818	133,677	3,128,470
2049	3.000%	1,452,017	1,473,797	112,218	90,438	3,128,470
2050	3.000%	1,495,904	1,518,343	68,331	45,892	3,128,470
2051	3.000%	1,541,138	640,235	23,117	-	2,204,490
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>\$ 15,897,780</u>	<u>\$ 15,432,340</u>	<u>\$ 92,930,120</u>

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

<sup>b</sup> 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, 2021**

**Sewer Revenue Bonds (Series 2019)<sup>a</sup>**

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		April 15,	October 15,	April 15,	October 15,	
2023	3.000%	\$ -	\$ -	\$ 217,902	\$ 215,638	\$ 433,540
2024	3.000%	150,984	153,248	213,339	211,006	728,577
2025	3.000%	155,547	157,880	208,638	206,234	728,299
2026	3.000%	160,248	162,652	203,794	201,318	728,012
2027	3.000%	165,092	167,568	198,804	196,253	727,717
2028	3.000%	170,082	172,633	193,663	191,035	727,413
2029	3.000%	175,223	177,851	188,367	185,659	727,100
2030	3.000%	180,519	183,226	182,911	180,121	726,777
2031	3.000%	185,975	188,764	177,290	174,416	726,445
2032	3.000%	191,596	194,470	171,499	168,538	726,103
2033	3.000%	197,387	200,348	165,533	162,483	725,751
2034	3.000%	203,353	206,403	159,387	156,244	725,387
2035	3.000%	209,499	212,642	153,055	149,817	725,013
2036	3.000%	215,831	219,069	146,531	143,196	724,627
2037	3.000%	222,355	225,690	139,810	136,374	724,229
2038	3.000%	229,076	232,512	132,887	129,347	723,822
2039	3.000%	235,999	239,539	125,753	122,107	723,398
2040	3.000%	243,132	246,779	118,405	114,648	722,964
2041	3.000%	250,481	254,238	110,834	106,963	722,516
2042	3.000%	258,052	261,923	103,034	99,047	722,056
2043	3.000%	265,852	269,839	94,999	90,891	721,581
2044	3.000%	273,887	277,995	86,721	82,488	721,091
2045	3.000%	282,165	286,398	78,192	73,832	720,587
2046	3.000%	290,694	295,054	69,406	64,914	720,068
2047	3.000%	299,480	303,972	60,354	55,726	719,532
2048	3.000%	308,532	313,160	51,029	46,261	718,982
2049	3.000%	317,857	322,625	41,422	36,510	718,414
2050	3.000%	327,464	332,376	31,524	26,464	717,828
2051	3.000%	337,360	342,422	21,327	16,114	717,223
2052	3.000%	347,558	352,772	10,822	5,451	716,603
2053	0.000%	358,063	363,435	-	-	721,498
		<u>\$ 7,209,343</u>	<u>\$ 7,317,483</u>	<u>\$ 3,857,232</u>	<u>\$ 3,749,095</u>	<u>\$ 22,133,153</u>

<sup>a</sup> The available proceeds of Series 2019 is \$18,000,000.

<sup>b</sup> 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, 2021**

**Sewer Revenue Bonds (Series 2019) – Fully Amortized<sup>a</sup>**

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		April 15,	October 15,	April 15,	October 15,	
2023	3.000%	\$ -	\$ -	\$ 270,000	\$ 267,194	\$ 537,194
2024	3.000%	192,737	195,628	264,345	261,454	914,164
2025	3.000%	198,562	201,540	258,520	255,542	914,164
2026	3.000%	204,563	207,632	252,519	249,450	914,164
2027	3.000%	210,746	213,908	246,336	243,174	914,164
2028	3.000%	217,116	220,373	239,966	236,709	914,164
2029	3.000%	223,679	227,034	233,403	230,048	914,164
2030	3.000%	230,439	233,896	226,643	223,186	914,164
2031	3.000%	237,404	240,965	219,678	216,117	914,164
2032	3.000%	244,580	248,249	212,502	208,833	914,164
2033	3.000%	251,972	255,752	205,110	201,330	914,164
2034	3.000%	259,588	263,482	197,494	193,600	914,164
2035	3.000%	267,434	271,445	189,648	185,637	914,164
2036	3.000%	275,517	279,650	181,565	177,432	914,164
2037	3.000%	283,845	288,103	173,237	168,979	914,164
2038	3.000%	292,424	296,810	164,658	160,272	914,164
2039	3.000%	301,262	305,782	155,820	151,300	914,164
2040	3.000%	310,368	315,024	146,714	142,058	914,164
2041	3.000%	319,749	324,545	137,333	132,537	914,164
2042	3.000%	329,414	334,355	127,668	122,727	914,164
2043	3.000%	339,370	344,461	117,712	112,621	914,164
2044	3.000%	349,628	354,872	107,454	102,210	914,164
2045	3.000%	360,195	365,598	96,887	91,484	914,164
2046	3.000%	371,082	376,648	86,000	80,434	914,164
2047	3.000%	382,298	388,032	74,784	69,050	914,164
2048	3.000%	393,853	399,761	63,229	57,321	914,164
2049	3.000%	405,757	411,843	51,325	45,239	914,164
2050	3.000%	418,021	424,292	39,061	32,790	914,164
2051	3.000%	430,656	437,116	26,426	19,966	914,164
2052	3.000%	443,672	450,303	13,410	6,755	914,140
2053	0.000%	187,082	189,888	-	-	376,970
		<u>\$ 8,933,013</u>	<u>\$ 9,066,987</u>	<u>\$ 4,779,447</u>	<u>\$ 4,645,449</u>	<u>\$ 27,424,896</u>

<sup>a</sup> The available proceeds of Series 2019 is \$18,000,000.

<sup>b</sup> 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, 2021**

**Sewer Revenue Bonds (Series 2020A)<sup>a</sup>**

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		April 15,	October 15,	April 15,	October 15,	
2024	2.250%	\$ 109,691	\$ 110,925	\$ 104,935	\$ 103,701	\$ 429,252
2025	2.250%	112,173	113,435	102,453	101,191	429,252
2026	2.250%	114,711	116,001	99,915	98,625	429,252
2027	2.250%	117,306	118,626	97,320	96,000	429,252
2028	2.250%	119,960	121,310	94,665	93,316	429,251
2029	2.250%	122,675	124,055	91,951	90,571	429,252
2030	2.250%	125,450	126,862	89,175	87,764	429,251
2031	2.250%	128,289	129,732	86,337	84,894	429,252
2032	2.250%	131,192	132,668	83,434	81,958	429,252
2033	2.250%	134,160	135,669	80,466	78,956	429,251
2034	2.250%	137,196	138,739	77,430	75,887	429,252
2035	2.250%	140,300	141,878	74,326	72,747	429,251
2036	2.250%	143,474	145,089	71,151	69,537	429,251
2037	2.250%	146,721	148,371	67,905	66,254	429,251
2038	2.250%	150,041	151,729	64,585	62,897	429,252
2039	2.250%	153,436	155,162	61,190	59,464	429,252
2040	2.250%	156,907	158,672	57,719	55,953	429,251
2041	2.250%	160,458	162,263	54,168	52,363	429,252
2042	2.250%	164,088	165,934	50,538	48,692	429,252
2043	2.250%	167,801	169,689	46,825	44,937	429,252
2044	2.250%	171,598	173,528	43,028	41,098	429,252
2045	2.250%	175,480	177,454	39,146	37,171	429,251
2046	2.250%	179,451	181,470	35,175	33,156	429,252
2047	2.250%	183,511	185,576	31,115	29,050	429,252
2048	2.250%	187,663	189,775	26,962	24,851	429,251
2049	2.250%	191,910	194,069	22,716	20,557	429,252
2050	2.250%	196,252	198,460	18,374	16,166	429,252
2051	2.250%	200,689	202,950	13,934	11,676	429,249
2052	2.250%	205,233	207,542	9,393	7,084	429,252
2053	2.250%	209,877	212,238	4,749	2,388	429,252
		<u>\$ 4,637,693</u>	<u>\$ 4,689,871</u>	<u>\$ 1,801,080</u>	<u>\$ 1,748,904</u>	<u>\$ 12,877,548</u>

<sup>a</sup> The available proceeds of Series 2020A is \$51,400,000.

**Little Rock Water Reclamation Authority**  
**Schedule of Bonded Indebtedness (Continued)**  
**December 31, 2021**

**Sewer Revenue Bonds (Series 2020A)<sup>a</sup> – 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>

<sup>a</sup> The available proceeds of Series 2020A is \$51,400,000.

**Little Rock Water Reclamation Authority**  
**Schedule of Bonded Indebtedness (Continued)**  
**December 31, 2021**

**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,	
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	86,185	1,582,370
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>\$ 3,789,977</u>	<u>\$ 3,789,977</u>	<u>\$ 30,429,954</u>

**Little Rock Water Reclamation Authority**  
**Schedule of Bonded Indebtedness (Continued)**  
**December 31, 2021**

**Sewer Revenue Bonds (Series 2020C)<sup>a</sup>**

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		April 15,	October 15,	April 15,	October 15,	
2024	1.750%	\$ -	\$ 18,392	\$ -	\$ 7,668	\$ 26,060
2025	1.750%	18,553	18,715	7,507	7,344	52,119
2026	1.750%	18,879	19,044	7,181	7,015	52,119
2027	1.750%	19,211	19,379	6,849	6,681	52,120
2028	1.750%	19,548	19,719	6,511	6,340	52,118
2029	1.750%	19,892	20,066	6,168	5,994	52,120
2030	1.750%	20,241	20,419	5,818	5,641	52,119
2031	1.750%	20,597	20,777	5,462	5,282	52,118
2032	1.750%	20,959	21,143	5,100	4,917	52,119
2033	1.750%	21,328	21,514	4,732	4,545	52,119
2034	1.750%	21,703	21,892	4,357	4,167	52,119
2035	1.750%	22,084	22,277	3,975	3,782	52,118
2036	1.750%	22,472	22,669	3,587	3,391	52,119
2037	1.750%	22,867	23,067	3,192	2,992	52,118
2038	1.750%	23,269	23,473	2,790	2,587	52,119
2039	1.750%	23,678	23,885	2,381	2,174	52,118
2040	1.750%	24,094	24,305	1,965	1,754	52,118
2041	1.750%	24,518	24,732	1,542	1,327	52,119
2042	1.750%	24,949	25,167	1,111	892	52,119
2043	1.750%	25,386	25,609	672	450	52,117
2044	1.750%	25,834	-	226	-	26,060
		<u>\$ 440,062</u>	<u>\$ 436,244</u>	<u>\$ 81,126</u>	<u>\$ 84,943</u>	<u>\$ 1,042,375</u>

<sup>a</sup> The available proceeds of Series 2020C is \$7,500,000.

<sup>b</sup> 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, 2021**

**Sewer Revenue Bonds (Series 2020C)<sup>a</sup> – 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>

<sup>a</sup> The available proceeds of Series 2020C is \$7,500,000.

<sup>b</sup> 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, 2021**

**Sewer Revenue Bonds (Series 2021)**

Years of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		April 1,	October 1,	April 1,	October 1,	
2022	1.960%	\$ -	\$ -	\$ -	\$ 2,117,146	\$ 2,117,146
2023	1.960%	-	-	-	2,117,146	2,117,146
2024	1.960%	-	-	-	2,117,146	2,117,146
2025	0.812%	-	440,000	-	2,117,146	2,557,146
2026	0.935%	-	1,790,000	-	2,113,573	3,903,573
2027	2.000%	-	8,810,000	-	2,096,836	10,906,836
2028	2.000%	-	8,985,000	-	1,920,636	10,905,636
2029	1.491%	-	1,495,000	-	1,740,936	3,235,936
2030	1.616%	-	10,540,000	-	1,718,646	12,258,646
2031	1.716%	-	10,715,000	-	1,548,320	12,263,320
2032	1.836%	-	10,890,000	-	1,364,450	12,254,450
2033	1.946%	-	11,100,000	-	1,164,510	12,264,510
2034	2.036%	-	11,315,000	-	948,504	12,263,504
2035	2.156%	-	11,550,000	-	718,130	12,268,130
2036	2.256%	-	11,805,000	-	469,112	12,274,112
2037	2.376%	-	8,535,000	-	202,792	8,737,792
		<u>\$ -</u>	<u>\$ 107,970,000</u>	<u>\$ -</u>	<u>\$ 24,475,029</u>	<u>\$ 132,445,029</u>



## STATISTICAL DATA



## Statistical Section – Contents and Explanations (Unaudited)

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

### A – Financial Trends Information

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

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### B – Revenue Capacity Information

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Non-Domestic Sewer Rates (Outside City)	113

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### C – Debt Capacity Information

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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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**E – Operating Information**

These schedules contain information about LRWRA's operational activities.

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

		Fiscal Year				
		2017	2018 <sup>b</sup>	2019	2020	2021
<b>Primary Government</b>						
Net investment in capital assets	\$	175,449,301	\$ 178,984,742	\$ 181,817,487	\$ 188,499,492	\$ 190,697,908
Restricted						
Debt service		6,868,935	7,147,197	8,002,459	5,688,547	4,972,898
Postemployment benefits		1,640,581	-	-	-	-
Total restricted		<u>8,509,516</u>	<u>7,147,197</u>	<u>8,002,459</u>	<u>5,688,547</u>	<u>4,972,898</u>
<b>Unrestricted</b>		<u>14,968,883</u>	<u>17,557,370</u>	<u>22,708,190</u>	<u>25,764,938</u>	<u>39,106,051</u>
Total primary governmental net position	\$	<u><u>198,927,700</u></u>	<u><u>203,689,309</u></u>	<u><u>212,528,136</u></u>	<u><u>219,952,977</u></u>	<u><u>234,776,857</u></u>
		Fiscal Year				
		2012	2013	2014	2015 <sup>a</sup>	2016
<b>Primary Government</b>						
Net investment in capital assets	\$	153,882,712	\$ 160,379,889	\$ 163,269,445	\$ 166,962,094	\$ 174,925,069
Restricted						
Debt service		9,941,067	11,937,387	11,841,110	12,534,544	6,310,592
Postemployment benefits		-	-	-	-	1,571,149
Total restricted		<u>9,941,067</u>	<u>11,937,387</u>	<u>11,841,110</u>	<u>12,534,544</u>	<u>7,881,741</u>
<b>Unrestricted</b>		<u>15,273,085</u>	<u>13,122,816</u>	<u>20,338,501</u>	<u>8,232,798</u>	<u>11,394,435</u>
Total primary governmental net position	\$	<u><u>179,096,864</u></u>	<u><u>185,440,092</u></u>	<u><u>195,449,056</u></u>	<u><u>187,729,436</u></u>	<u><u>194,201,245</u></u>

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

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

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

<b>Fiscal Year</b>	<b>Operating Revenue</b>	<b>Operating Expense</b>	<b>Depreciation Expense</b>	<b>Total Nonoperating Revenues (Expenses)</b>	<b>Income Before Capital Contributions</b>	<b>Capital Contributions and Grants</b>	<b>Change in Net Position</b>
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
2021	65,627,034	(25,807,731)	(18,277,820)	(12,959,772)	8,581,711	6,242,169	14,823,880

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

<b>Fiscal Year</b>	<b>Customer Assessments</b>	<b>Industrial Surcharges<sup>a</sup></b>	<b>Connection Fees</b>	<b>Other Income<sup>b</sup></b>	<b>Total</b>
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
2021	63,528,673	1,451,120	33,020	614,221	65,627,034

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

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

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

<b>Fiscal Year</b>	<b>Employment Costs</b>	<b>Supplies</b>	<b>Contract Services</b>	<b>Vehicle Maintenance</b>	<b>Utilities</b>	<b>Administrative Costs<sup>a</sup></b>	<b>Subtotal Expense Before Depreciation</b>	<b>Depreciation</b>	<b>Total Operating Expense</b>
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
2021	16,531,106	2,239,201	4,151,075	402,299	1,718,658	765,392	25,807,731	18,277,820	44,085,551

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

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

<b>Fiscal Year</b>	<b>Interest Expense</b>	<b>Interest Income</b>	<b>Bond Issuance Costs</b>	<b>Gain (Loss) on Disposal Capital Assets</b>	<b>Gain (Loss) on Investments</b>	<b>Other</b>	<b>Total Nonoperating Revenue (Expense)</b>
2012	\$ (11,035,424)	\$ 338,699	\$ -	\$ (885,759)	\$ (102,535)	\$ 699,369	\$ (10,985,650)
2013 <sup>a</sup>	(13,337,916)	52,567	-	111,517	(131,603)	32,067	(13,273,368)
2014	(9,691,040)	172,864	(179,941)	(18,413)	148,019	65,629	(9,502,882)
2015	(8,363,483)	154,003	(1,528,933)	(2,331,935)	(20,707)	24,696	(12,066,359)
2016	(8,945,303)	149,846	(250,674)	62,262	(47,473)	85,807	(8,945,535)
2017	(9,197,384)	295,084	(297,558)	96,011	(4,942)	73,541	(9,035,248)
2018	(9,087,059)	739,314	-	(803,812)	40,402	177,843	(8,933,312)
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)
2021	(12,239,498)	462,920	(1,042,590)	19,318	(51,703)	(108,219)	(12,959,772)

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



# Little Rock Water Reclamation Authority

## New Construction/Inspections Completed

### Schedule 6

#### Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Residential</b>	<b>Commercial</b>	<b>Total New Construction Permits/ Inspections Completed</b>
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
2021	534	130	664

# Little Rock Water Reclamation Authority

## Number of Sewer Customers by Type

### Schedule 7

### Last Ten Fiscal Years

Fiscal Year <sup>a</sup>	Non-Domestic				Total
	Domestic	Commercial	Industrial	Other <sup>b</sup>	
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	63,367	6,644	29	413	70,453
2020	63,968	6,728	28	388	71,112
2021 <sup>c</sup>	63,542	7,127	58	0	70,727

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

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

<sup>c</sup> Billing system software conversion eliminated Other category

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

<b>Base Rate<sup>a</sup></b> <b>(Meter Size)</b>	<b>Fiscal Year Ended</b>				
	<b>2017<sup>d</sup></b>	<b>2018<sup>d</sup></b>	<b>2019<sup>d</sup></b>	<b>2020<sup>d</sup></b>	<b>2021<sup>d</sup></b>
5/8"	\$ 10.78	\$ 11.29	\$ 11.81	\$ 12.36	\$ 12.93
3/4"	13.88	14.54	15.23	15.95	16.71
1"	20.99	21.99	23.03	24.13	25.07
Volumetric rate <sup>b</sup>					
Operations volumetric rate <sup>b</sup>	1.84	1.93	2.02	2.12	2.22
Debt repayment rate <sup>b</sup>	2.14	2.24	1.35	2.46	2.58

<b>Base Rate<sup>a</sup></b> <b>(Meter Size)</b>	<b>Fiscal Year Ended</b>				
	<b>2012<sup>c</sup></b>	<b>2013<sup>c</sup></b>	<b>2014<sup>c</sup></b>	<b>2015</b>	<b>2016</b>
5/8"	\$ 9.24	\$ 9.89	\$ 10.29	\$ 10.29	\$ 10.29
3/4"	11.91	12.74	13.25	13.25	13.25
1"	18.01	19.27	20.04	20.04	20.04
Volumetric rate <sup>b</sup>					
Operations volumetric rate <sup>b</sup>	1.58	1.69	1.76	1.76	1.76
Debt repayment rate <sup>b</sup>	1.81	1.81	1.81	1.81	2.04

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

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

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

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

Note: No rate increase in 2015 or 2016. 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**

<b>Base Rate<sup>a</sup></b> <b>(Meter Size)</b>	<b>Fiscal Year Ended</b>				
	<b>2017<sup>d</sup></b>	<b>2018<sup>d</sup></b>	<b>2019<sup>d</sup></b>	<b>2020<sup>d</sup></b>	<b>2021<sup>d</sup></b>
5/8"	\$ 16.17	\$ 16.94	\$ 17.75	\$ 18.59	\$ 18.59
3/4"	20.82	21.81	22.85	23.93	23.93
1"	31.49	32.98	34.55	36.19	36.19
Volumetric Rate <sup>b</sup>					
Operations Volumetric Rate <sup>b</sup>	2.77	2.90	3.03	3.18	3.18
Debt Repayment Rate <sup>b</sup>	3.22	3.37	3.53	3.70	3.70

<b>Base Rate<sup>a</sup></b> <b>(Meter Size)</b>	<b>Fiscal Year Ended</b>				
	<b>2012<sup>c</sup></b>	<b>2013<sup>c</sup></b>	<b>2014<sup>c</sup></b>	<b>2015</b>	<b>2016</b>
5/8"	\$ 13.86	\$ 14.84	\$ 15.44	\$ 15.44	\$ 15.44
3/4"	17.87	19.11	19.88	19.88	19.88
1"	27.02	28.91	30.03	30.03	30.03
Volumetric rate <sup>b</sup>					
Operations volumetric rate <sup>b</sup>	2.37	2.54	2.64	2.64	2.64
Debt repayment rate <sup>b</sup>	2.72	2.72	2.72	2.72	3.07

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

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

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

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

Note: No rate increase in 2015 or 2016. Increases in sewer rates must be approved by the City of Little Rock Board of Directors.

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

Base Rate <sup>a</sup> (Meter Size)	Fiscal Year Ended				
	2017 <sup>d</sup>	2018 <sup>d</sup>	2019 <sup>d</sup>	2020 <sup>d</sup>	2021 <sup>d</sup>
5/8"	\$ 10.78	\$ 11.29	\$ 11.83	\$ 12.39	\$ 12.98
3/4"	13.88	14.54	15.23	15.95	16.71
1"	20.99	21.99	23.03	24.13	25.27
1.5"	37.06	38.82	40.66	42.60	44.62
2"	57.51	60.24	63.10	66.10	69.24
3"	105.11	110.10	115.33	120.81	126.54
4"	173.30	181.53	190.15	199.19	208.65
6" or larger	343.71	360.03	377.13	395.05	413.81
Operations volumetric rate <sup>b</sup>	2.88	3.02	3.16	3.31	3.47
Debt repayment rate <sup>b</sup>	2.51	2.63	2.76	2.89	3.03

Base Rate <sup>a</sup> (Meter Size)	Fiscal Year Ended				
	2012 <sup>c</sup>	2013 <sup>c</sup>	2014 <sup>c</sup>	2015	2016
5/8"	\$ 9.24	\$ 9.89	\$ 10.29	\$ 10.29	\$ 10.29
3/4"	11.91	12.74	13.25	13.25	13.25
1"	18.01	19.27	20.04	20.04	20.04
1.5"	31.79	34.02	35.38	35.38	35.38
2"	49.34	52.79	54.90	54.90	54.90
3"	90.17	96.48	100.34	100.34	100.34
4"	148.67	159.08	165.44	165.44	165.44
6" or larger	294.86	315.50	328.12	328.12	328.12
Volumetric rate <sup>b</sup>					
Operations volumetric rate <sup>b</sup>	1.85	2.59	2.75	2.75	2.75
Debt repayment rate <sup>b</sup>	2.12	2.12	2.12	2.12	2.40

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

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

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

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

Note: No rate increase in 2015 or 2016. Increases in sewer rates must be approved by the City of Little Rock Board of Directors.

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

Base Rate <sup>a</sup> (Meter Size)	Fiscal Year Ended				
	2017 <sup>d</sup>	2018 <sup>d</sup>	2019 <sup>d</sup>	2020 <sup>d</sup>	2021
5/8"	\$ 16.17	\$ 16.94	\$ 17.75	\$ 18.59	\$ 19.47
3/4"	20.82	21.81	22.85	23.93	25.07
1"	31.49	32.98	34.55	36.19	37.91
1.5"	55.59	58.23	61.00	63.89	66.93
2"	86.26	90.36	94.65	99.15	103.86
3"	157.66	165.15	172.99	181.21	189.82
4"	259.95	272.30	285.23	298.78	312.97
6" or larger	515.56	540.05	565.70	592.57	620.72
Volumetric rate <sup>b</sup>					
Operations volumetric rate <sup>b</sup>	4.33	4.53	4.75	4.97	5.21
Debt repayment rate <sup>b</sup>	3.78	3.96	4.15	4.35	4.55

Base Rate <sup>a</sup> (Meter Size)	Fiscal Year Ended				
	2012 <sup>c</sup>	2013 <sup>c</sup>	2014 <sup>c</sup>	2015	2016
5/8"	\$ 13.86	\$ 14.84	\$ 15.44	\$ 15.44	\$ 15.44
3/4"	17.87	19.11	19.88	19.88	19.88
1"	27.02	28.91	30.06	30.06	30.06
1.5"	47.69	51.03	53.07	53.07	53.07
2"	74.01	79.19	82.35	82.35	82.35
3"	135.26	144.72	150.51	150.51	150.51
4"	223.01	238.62	248.16	248.16	248.16
6" or larger	442.29	473.25	492.18	492.18	492.18
Volumetric rate <sup>b</sup>					
Operations volumetric rate <sup>b</sup>	2.78	3.44	4.13	4.13	4.13
Debt repayment rate <sup>b</sup>	3.19	3.19	3.19	3.19	3.61

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

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

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

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

Note: No rate increase in 2011, 2015 or 2016. 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

	Principal Only				Total		
Fiscal Year	Revenue Bonds	Revenue Bonds <sup>a</sup> Direct Placement	Unamortized Bond Premium	Amount	Per Capita	As a Share of Personal Income	
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%	
2021	197,310,000	186,026,486	3,379,177	386,715,663	1,909	3.83%	

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

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

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

# Little Rock Water Reclamation Authority

## Pledged-Revenue Coverage

### Schedule 11

### Last Ten Fiscal Years

Fiscal Year	Gross Revenue <sup>a</sup>	Direct Operating Expense <sup>b</sup>	Net Revenue Available for Debt Service	At December 31, Fiscal Year			Coverage
				Total Outstanding Debt <sup>c</sup>	# of Years of Outstanding Debt	Avg. Yearly Outstanding Debt	
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
2021	66,089,954	(25,807,731)	40,282,223	508,253,839	32	15,882,932	2.54

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

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

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

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

<sup>c</sup> Amount contains construction draws only for 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**

<b>Calendar Year</b>	<b>Population<sup>a</sup></b>	<b>Personal Income<sup>b</sup></b>	<b>Per Capita Personal Income</b>	<b>Unemployment Percentage Rate</b>
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%
2021	202,591	10,096,527,667	49,837	3.1%

<sup>a</sup> Population of Little Rock, AR using 2010 Census for 2012–2020 and 2020 Census for 2021

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

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

# Little Rock Water Reclamation Authority

## Ten Largest Sewer Customers

### Schedule 13

### Current Year and Nine Years Ago

Fiscal Year 2021		
Customer	Amount	Percent
1. University of Arkansas Medical Sciences	\$ 731,040	1.15%
2. Baptist Medical Center	556,398	0.88
3. Central Arkansas Water	511,421	0.81
4. Little Rock Quick Rice Foods	459,337	0.72
5. Veterans Administration Hospital	425,063	0.67
6. Hiland Dairy	358,086	0.56
7. St. Vincent's Hospital	341,612	0.54
8. Arkansas Children's Hospital	272,217	0.43
9. Summit House LLC	210,526	0.33
10. Little Rock Housing	181,234	0.29
Subtotal	4,046,934	6.38
Balance from other customers	59,481,739	93.62%
Grand totals <sup>a</sup>	\$ 63,528,673	100.00%

Fiscal Year 2012		
Customer	Amount	Percent
1. University of Arkansas Medical Science	\$ 561,439	1.34%
2. Baptist Medical Center	447,490	1.06
3. Odom Sausage	441,495	1.05
4. Sage V Foods	337,273	0.80
5. Central Arkansas Water	316,953	0.75
6. V.A. Hospital	190,165	0.45
7. St. Vincents Infirmary	187,473	0.45
8. Statehouse Convention Center	177,049	0.42
9. Arkansas Children's Hospital	167,592	0.40
10. Coleman/Turner Dairy	123,013	0.29
Subtotal	2,949,942	7.02
Balance from other customers	39,099,191	92.98%
Grand total <sup>a</sup>	\$ 42,049,133	100.00%

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

# Little Rock Water Reclamation Authority

## Principal Employers

### Schedule 14

### Current Year and Nine Years Ago

Employer	2021			2012		
	Employees	Percentage of Total	Rank	Employees	Percentage of Total	Rank
State of Arkansas (within the MSA)	35,200	10.08%	1	32,200	9.46%	1
Local Government (within the MSA)	26,500	7.59%	2	28,800	8.46%	2
Federal Government (within the MSA)	10,200	2.92%	3	9,200	2.70%	3
University of Arkansas Medical Sciences	9,700	2.78%	4	8,500	2.50%	4
Baptist Health	7,340	2.10%	5	7,000	2.06%	5
Little Rock Air Force Base	4,500	1.29%	6	4,500	1.32%	6
Arkansas Children's Hospital	4,370	1.25%	7			
Central Arkansas Veterans Health Care	4,000	1.15%	8	3,500	1.03%	9
Little Rock School District	3,970	1.14%	9	3,511	1.03%	8
CHI St. Vincent	3,000	0.86%	10			
Entergy				2,738	0.80%	10
Acxiom				4,388	1.29%	7
Total	108,780	31%		104,337	31%	

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

Little Rock/North Little Rock MSA 349,105 340,380

# 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										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Administration										
Executive Administrator	1	1	1	1	1	1	1	1	1	1
Safety & Communications	3	3	4	4	5	4	5	5	5	5
Human Resources	2	2	2	2	2	3	3	3	3	3
Finance/Accounting	8	9	12	12	12	11	12	12	12	11
Information Services	9	10	11	11	12	13	11	11	11	11
Legal	-	-	-	-	1	1	1	1	1	1
Clerical	7	7	7	7	5	4	5	5	2	2
Engineering	20	23	20	20	23	22	23	25	26	29
Sewer Plant Maintenance	22	23	24	24	25	19	24	24	23	22
Sewer Systems Maintenance	81	87	82	82	81	88	88	87	86	85
Sewer Plant Operations	21	18	22	22	22	22	24	24	25	24
Environmental Assessment	17	23	24	24	23	22	17	16	16	15
Total Employees	191	206	209	209	212	210	214	214	211	209

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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Wastewater treatment										
Miles of sewer	1,353	1,359	1,368	1,375	1,384	1,386	1,393	1,400	1,404	1,412
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	156.0	156.0
Daily engineering maximum plant capacity (MGD)	31.04	33.91	34.17	37.04	32.40	29.34	35.83	38.18	33.76	32.06
Unused capacity (MGD)	24.96	22.09	21.83	18.96	23.60	26.66	20.17	17.82	22.24	23.94
Percent of capacity utilized	55%	61%	61%	66%	58%	52%	64%	68%	60%	57%

Note: MGD = millions of gallons per day.