



LITTLE ROCK, ARKANSAS

A Component Unit of the City of Little Rock, Arkansas

Comprehensive Annual

Financial Report

For The Year Ended December 31, 2009

Prepared by:

Little Rock Wastewater Finance Department

LITTLE ROCK WASTEWATER
Little Rock, Arkansas
A Component Unit of the City of Little Rock

Comprehensive Annual Financial Report
Year Ended December 31, 2009

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INTRODUCTORY SECTION



Little Rock
Wastewater

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March 16, 2010

To Little Rock Sanitary Sewer Committee,
Little Rock City Board of Directors, and
Little Rock Wastewater Customers

The staff of Little Rock Wastewater (“LRW”) is proud to present the Comprehensive Annual Financial Report (“CAFR”) for the fiscal year ended December 31, 2009. State law requires that 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, 2009. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with LRW. This CAFR was prepared by the Finance Division of LRW with the help of Cobb and Suskie, Ltd.

The CAFR is management’s representation of the finances of LRW. 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 it 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.

LRW’s financial statements have been audited by Cobb and Suskie, Ltd., a firm of licensed certified public accountants. Cobb and Suskie has issued an unqualified (“clean”) opinion on LRW’s financial statements for the year ended December 31, 2009. 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 auditors report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The 1933 Arkansas General Assembly enacted Act 132, authorizing all cities and towns in the state to levy user charges against property owners “to construct, own, equip, operate, maintain, and improve” sewage collection and treatment systems. In June 1935, a full-fledged Sanitary Sewer Committee was named and the City of Little Rock Sanitary Sewer System was created. The now five-member Little Rock Sanitary Sewer Committee (“LRSSC”) manages and controls the city’s sewer system. The LRSSC and LRW must seek approval of all sewer rate increases and long term financing through the City of Little Rock Board of Directors. The City of Little Rock Board of Directors appoints LRSSC members. The LRSSC in turn hires a Chief Executive Officer. The LRSSC meets on the third Wednesday of each month.

LRW provides wastewater service to its customers. For financial reporting purposes, LRW is considered a component unit of the City of Little Rock, Arkansas. The LRSSC operates and manages LRW with the City of Little Rock having the power to impose its will on LRW. LRW adopts an annual operating, capital, and debt service budget along with associated rates and fees for services; and also issues updates to its Rules and Regulations. LRW recovers the cost of providing wastewater services primarily through user charges and collects a 10.0% Franchise Fee for the City of Little Rock.

The LRSSC 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 LRW's financial planning and control. The budget is submitted by each department, consolidated and prepared by the Finance Division, and reviewed by the budget sub-committee before final approval from the LRSSC. Each month, financials are presented to the LRSSC to show that operations are being conducted according 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 with which the LRW operates.

Local Economy - The City of Little Rock currently enjoys a favorable economic environment and local indicators point to continued stability. The City of Little Rock 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 serving the state, a financial sector, information sector, and a variety of other sectors that are not cyclical. The City of Little Rock's financial stability and plans for the future have been viewed favorably by the two leading bond rating bodies. Moody's Investors Service assigned an A1 rating, while Standard & Poor's Investor Service raised its rating to an "A" (the rating had previously been "A-".) Moody's Investment Service has named Little Rock the second most diverse economy in America. Forbes magazine ranked Little Rock 22st out of 200 metropolitan areas on its list of the best places in America for business or careers. In 2005, Metro Little Rock Alliance household had a total effective buying income of \$16.2 billion, while total retail sales numbered \$12.5 billion. In 2009, the Little Rock-North Little Rock-Conway MSA ranked 4th strongest out of 40 by BusinessWeek.com.

The customer base has continued to grow but at a slower pace from previous years for the residential and commercial users of the Sewer System. The number of residential customer accounts has increased by 7.65% over the past ten years while commercial users have increased by 11.90% over the same time period. The overall growth of total customer accounts for the ten year period is 8.17%, a decrease of 2.63% from the 2008 audit.

Long-Term Financial Planning – In 2000, the LRSSC and LRW contracted with an engineering firm to evaluate LRW's sewer system capacity. The resulting report titled System Evaluation and Capacity Assurance Plan ("SECAP") was finalized in 2002. The report recommended implementing a \$171,000,000 capacity-related capital improvement program

over a fifteen year time period, 2003-2017. The recommended capital improvement program was incorporated into a Settlement Agreement between the LRSSC and the Sierra Club. After LRSSC authorized the SECAP, the Sierra Club filed a Complaint in Federal Court concerning non-capacity and capacity related sanitary sewer overflows. The aforementioned Settlement Agreement mandates LRW meet specific overflow performance standards. For non-capacity sanitary sewer overflows, the performance requirement of six per one-hundred miles of owned and operated sewer lines must be satisfied two consecutive years before 2008. For capacity related overflows, the performance requirement is no overflows unless precipitation amounts are extremely heavy (two-year return frequency); the deadline for this performance level is 2017.

With the lawsuit and SECAP being the driving force behind capital improvements, Engineering Services schedules projects using a five-year capital budget outlook. The next five-year construction phase will consist of the following major construction projects:

Little Maumelle Wastewater Treatment Facility

A new treatment facility is needed to serve existing customers and future growth in the Little Maumelle River Basin. The pump station that currently serves the area overloads gravity sewers in Murray Park during wet weather, resulting in numerous overflows. In 2006, Camp Dresser and McKee commenced preliminary design of the treatment facility and associated improvements. This year's budget allocates \$23,621,200 in 2010 for the completion of the construction of the facility, pump station, and conveyance. In 2007 LRW received a State and Tribal Assistance Grant (STAG) in the amount of \$477,900 for partial funding of design costs associated with this project. The remaining cost of this project is funded the 2007C and 2008A Sewer Revenue Bond issues. Construction is scheduled to be substantially complete at the end of 2010. Start up of this facility is scheduled to begin in early 2011 and as a result the Operations and Maintenance budget for 2010 does not include any costs for the operation of this facility.



Peak Flow Attenuation Facilities

The purpose of this project is to 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. The project consists of a 50 MGD pump station, 12,000 l.f. of 48-inch force main, two diversion structures, and a 30 million gallon storage facility. The detention basins will store volumes of water generated by wet weather events and discharge into the collection

system when flows return to normal. These facilities were placed in service mid-year 2009. The Arch Street Pump Station rehabilitation and hydraulic upgrade project is also included with the Peak Flow Attenuation Facilities project. These projects complement each other in that they both enhance the hydraulic conveyance capacity of the interceptor system through the Fourche Creek Bottoms, thereby reducing sanitary sewer overflows during wet weather events. The Arch Street project will increase the capacity of the station by 7 million gallons per day. To assure continuous service to the Fourche Creek Treatment Facility, a 30-inch redundant force main will also be included in this project. The redundant force main will also be employed during peak hydraulic flows from the Arch Street Pump Station to the Fourche Creek Treatment Facility. The existing 42-inch force main was not designed to withstand the increased pressures which will be created from the pump station hydraulic upgrade. Both the Arch Street Pump Station project and the redundant force main are scheduled to be substantially complete in 2010. This project is being funded by the 2007A and 2008A Sewer Revenue Bond issues and Revolving Loan (RLF) 9.

Fourche Creek Treatment Plant Hydraulic Upgrade

The hydraulic upgrade of the Arch Street Pump Station from 38 MGD to 45 MGD will necessitate the hydraulic upgrade of the Fourche Creek Treatment Facility to a minimum of 45 MGD. An assessment of future flows to the facility will be conducted as part of this project to see if the minimum hydraulic capacity will need to be greater than 45 MGD. The 2010 budget allocates \$16,538,500 for the commencement of construction of the disinfection and secondary clarification process. The five-year forecast includes an additional \$6,762,400 for the completion of the third phase of this project. This project is being funded from proceeds of the 2007A, 2007C, and 2008A Sewer Revenue Bond issues.

Collection System Rehabilitation Capacity Assurance Projects

Collection system rehabilitation and capacity assurance projects scheduled over the next five years are shown below on Table I. The majority of the projects have been extracted from the 15-year capital improvement plan outlined in the SECAP report. The total cost of work scheduled for 2010 is \$2,171,300. The 5-year forecast includes over \$74,260,000 for collection system rehabilitation and capacity assurance projects. Projects currently funded by an \$18,000,000 State Revolving Loan (RLF 8) acquired in 2007 will be completed in 2011. These projects include Jimmerson Creek OMP, Upper Hinson Outfall, Allsop South OMP, Barton OMP, Jimmerson West Outfall, and the Infiltration/Inflow Analysis.

There are five projects currently in design that will be funded with a Sewer Revenue Bond to be issued in 2011. The following projects will be constructed with funding from the 2011 bond issue: Allsop North/Country Club Rehabilitation, Echo Valley OMP, Pleasant Valley OMP, Allsop Park Outfall, and Country Club Outfall.

The remaining projects identified in the five year forecast will be funded through a series of Sewer Revenue Bond Issues totaling \$60,280,000.

Trenchless Sewerline Rehabilitation

Trenchless sewer line rehabilitation is for the renewal of structurally deteriorated line segments that contribute to non-capacity overflows. Trenchless methods include Cured in Place Pipe

(CIPP) and Pipe Bursting. Sewer line segments are identified through Sewer System Overflow (SSO) follow-up inspections and routine collection system inspections by LRW crews. The line segments slated for trenchless rehabilitation are typically located in areas where replacement by reconstruction is costly due to site restrictions. Lines identified by LRW as needing rehabilitation are added to the GLES (General Engineering Study) list of projects. Each line segment is evaluated and a ranking value is assigned based on criteria established by LRW. Utilizing the GLES list and ranking system, line segments are scheduled for rehabilitation.

LRW is entering the seventh year of using annual contracts for trenchless rehabilitation of existing sewer lines. For 2010, \$1,500,000 has been budgeted for trenchless rehabilitation work. LRW is continuing to see the value and results of the annual maintenance contracts as the number of non-capacity overflows continue to drop as well as the number of emergency calls due to line failures. LRW is projecting that \$1,500,000 will be needed each year from 2011 to 2014 for rehabilitation of sewer lines by trenchless methods as the lines are identified and added to the GLES list.

Cantrell Road Pump Station Hydraulic Upgrade

Currently, all wastewater flows from the Little Maumelle sewer basin and all sanitary sewerage from the area north of Cantrell Road, including the Allsop Park and Country Club areas, flow through the Rebsamen Interceptor. This interceptor and an area of the city bounded by the Dillard's corporate headquarters to Central High School, to the University of Arkansas Medical Center, back to the Dillard's headquarters, flow to the Cantrell Road Pump Station through the Rose Creek sewer basin. Despite the planned capital improvement project to remove flows generated by the Little Maumelle sewer basin from the Rebsamen Interceptor, hydraulic modeling associated with the development of the SECAP indicated that the pump station needs to be hydraulically upgraded from its existing capacity of 28 million gallons per day, to 40 million gallons per day, in order to address sanitary sewer overflows associated with wet weather events in the vicinity of the pump station.

Additionally, frequent pump cycles indicate that the wet well of the pump station is undersized. After the pump station was constructed in 1968, a bar screen was installed to protect pumping equipment from damaging debris, despite the fact the station was not designed for such a process. The purpose of this project is to address these maintenance concerns and to improve the hydraulic capacity of the collection system during wet weather, thereby reducing the occurrence of sanitary sewer overflows in the vicinity of the pump station.

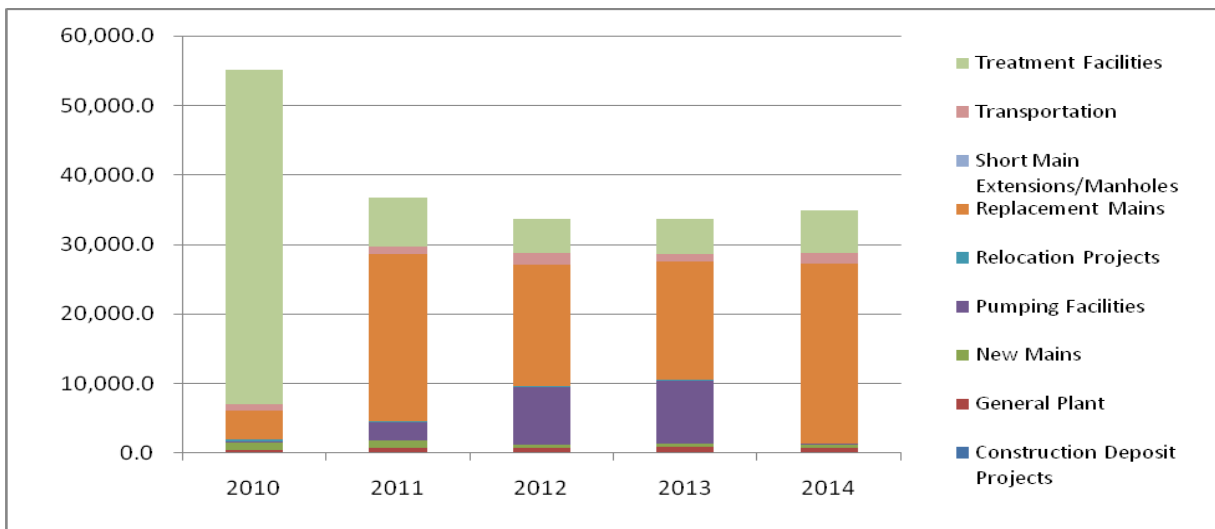
The 30-inch force main that conveys flows from the Cantrell Road Pump Station to the River Front Interceptor is a pre-stressed concrete cylinder force main that was installed circa 1968 and has been in service since. An engineering study of the force main needs to be performed to assess its existing condition as well as to determine the adequacy of the force main to withstand the additional pressures needed for the hydraulic upgrade of the pump station.

The five year forecast allocates project costs of \$2,570,000 in 2011, \$8,379,000 in 2012, and \$8,797,950 in 2013. The project is forecasted to be substantially completed in 2013 and will be funded thru a proposed Sewer Revenue Bond Issue.

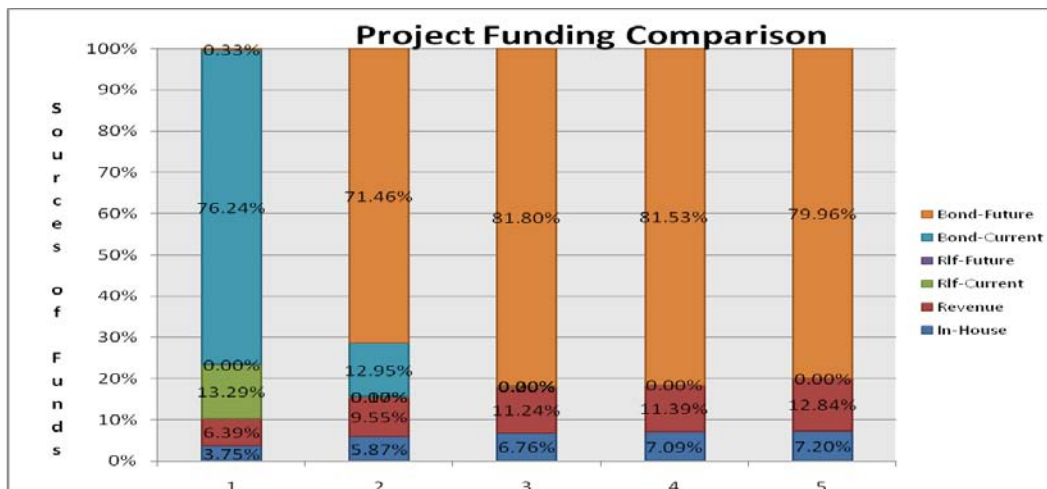
Fourche Creek Wastewater Treatment Facility Process Improvements

The hydraulic upgrade of the Arch Street Pump Station from 38 MGD to 45 MGD will necessitate the hydraulic upgrade of the Fourche Creek Treatment Facility to a minimum of 45 MGD. An assessment of future flows to the facility will be conducted as part of this project to see if the minimum hydraulic capacity will need to be greater than 45 MGD. The 2010 budget allocates \$16,538,500 for the commencement of construction of the disinfection and secondary clarification process. The five-year forecast includes an additional \$6,762,400 for the completion of the third phase of this project. This project is being funded from proceeds of the 2007A, 2007C, and 2008A Sewer Revenue Bond issues.

The Little Rock Wastewater capital strategic plan (shown on page 113) includes projects from 2010 through 2014 adjusted by an annual inflation allowance of 5%. Net expenditures of approximately \$194,000,000 are forecasted to be completed thru 2014.



Of that amount over \$11,400,000 will be completed by in-house construction, \$19,200,000 from revenues, \$7,500,000 from current State Revolving Loans, and \$156,300,000 from current and proposed revenue bond funds.



The City of Little Rock approved a rate ordinance on November 28, 2006 for the Little Rock Sanitary Sewer System. This step rate ordinance includes increases of 15% in January 2007, 8% in July 2007, 3% in January 2008, 4% in January 2009, and 5% in January 2010. In 2008 LRW contracted with Raftelis Financial Consultants, Inc. to review and update LRW's ancillary charges; to conduct a feasibility study of alternative system growth charges (System Development Fees); analyze LRW's cost of wastewater collection, treatment and disposal services; recommend adjustments to the wastewater rate structure; and conduct an asset management study of LRW's property, plant, and equipment. MWH Global assisted Raftelis with the asset management elements of this project. The results will be presented to the City of Little Rock Board of Directors in 2010.

Financial Policies

LRW is accounted for as an Enterprise Fund, which is a proprietary fund. Enterprise Funds are used to account for operations that are financed and operate in a manner similar to private business enterprises. The intent of the governing body is that the cost (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through 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 bond ordinance is #20,046. 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 so deposited in the Revenue Fund are pledged and applied in sequence to: (a) current expenses of maintenance and operations; (b) payment, pro rata, into the bond fund being maintained in connection with the Parity Bonds and any Additional Bonds that require monthly deposits; (c) payment, pro rata, into the bond fund being maintained in connection with the Subordinate Bonds; (d) payment into the Deprecation Fund (3% of System Revenues remaining after disbursement into a, b, and c from above; (e) any surplus in the Revenue Fund after making all disbursements and providing for all funds described above may be used for any lawful purpose related to the System authorized by the LRSSC.

Sewer Revenue Fund

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

Bond Fund

The following shall be deposited in the Bond Fund:

1. Such amounts, in equal monthly installments, by the 10th of the month following the month of Closing, and on or before the 10th of each month thereafter, as will be sufficient to pay the interest scheduled to come due on the bonds next 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.

Reserve Fund

So long as the funds on deposit in the 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 of the Reserve Fund. However, should the 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, LRW shall transfer from the Net Revenues in the Revenue Fund and deposit to the credit of the Reserve Fund, by the 10th day of each month, such amounts in equal monthly installments to accumulate within at least a 24 month period equal to the Reserve Fund Requirement. The money on deposit in the Reserve Fund may be used to pay the principal of and interest on all bonds at any time there are not sufficient funds on deposit in the Bond Fund for such purpose.

Depreciation Fund

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

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

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

The initial capital budget will be prepared within each division within LRW, assimilated and reviewed by the Manager of Finance, and submitted for approval of the Manager of Engineering Services and Chief Executive Officers.

Subsequent to the CEO's approval the Capital Budget will be incorporated into the LRW Operating Plan and submitted to the LRSSC for approval.

Upon approval, all proposed expenditures included in the Capital Budget will be classified as "Planned Expenditures." Any capital expenditure proposed during the course of 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 capital expenditures. In general, expenses associated with additions, replacements, reconstructions, improvements, or betterments qualify as capital expenditures.

Due to state procurement laws and the nature of capital improvement expenditures, it generally takes more than one fiscal year to complete most capital improvement projects. Therefore many projects carry over from year to year before they are completed and placed into service. LRW does not award a project contract unless it is fully funded. However, many large projects have multiple year and/or multiple phase construction periods. LRW 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 – division heads formulate their requests for Operation and Maintenance (O&M) budgets as well as their capital budget requests for the upcoming budget year and the consecutive four years.
- September and October – department supervisors submit their budget requests, which are then combined into the first draft of the overall LRW budget. The Finance staff is responsible for combining them for each department's O&M and capital requests, budget revenues, and other expenditures.
- October and November – the CEO, division managers, and directors review the submitted budgets and establish priorities based on need and availability of funds. Any changes resulting from the management reviews are made at that time.
- November – one or more members of the LRSSC, serving as the Budget Subcommittee, review the budget document with LRW staff. Any revisions resulting from the Budget Subcommittee's review are made at that time. The budget is

presented at the regularly scheduled November or December LRSSC meeting. The budget for the coming year is considered for approval of that time.

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

Revenue Policy - Ordinance No. 19,647 also requires that the LRSSC maintain rates sufficient to produce or yield revenues to produce in each fiscal year an amount adequate to pay all expenses incurred for the operations and maintenance of the System as such expenses shall accrue during the year and to produce an additional amount equal to 120% of the aggregate amount required to be paid in such year for principal and interest and redemption premiums on bonds payable from the Bonds Funds. Another financial target that is used in preparing the five-year financial plan is maintaining a 90-day operating reserve fund balance.

LRW 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 similar to a private business enterprise, where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. All activities necessary to provide such services are accounted for in this fund, including (but not limited to) administration, operations, maintenance, financing and related debt service, and billing and collection. Because LRW operates in a proprietary manner, the major revenue sources are user charges for wastewater services. LRW's revenue requirements are based on cost of service. This includes operating costs, expenditures for capital improvements, and repayment of debt. The description and figures of the revenue sources are covered in the financial overview section of this budget.

Investment Policy - LRW also has an Investment Policy outlined in the bond ordinances that state available monies shall be invested and reinvested at the direction of the LRSSC in Eligible Investments. Those Eligible Investments shall be subject to redemption not later than seven (7) years after the date of investment. The primary objectives of the investment policy are 1) preservation of capital; 2) safety of LRW 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 and adoption of its investment policy and strategies.

"Eligible Investments" means any of the securities that are at the time legal for investment of City funds pursuant to Resolution No. 10,609 of the City and Arkansas Code Annotated (2007 Supp.) 14-58-309, as each may be amended from time to time. "Eligible Investments" include:

1. U.S. government obligations, U.S. government agency obligations, and U.S. government instrumentality obligations, which have a liquid market with a readily determinable market value;
2. Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities.

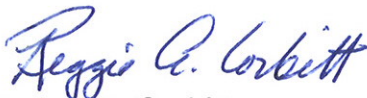
Debt Service Policy - Planned rate increases on a consistent basis are programmed in the Financial Plan, and are mainly driven by the capital improvement program and debt service coverage required both by the revenue bond covenants and by the LRSSC benchmarks for financial management. The parity revenue bond covenants require debt service coverage of 1.2 times (meaning 120% of the current year's debt service requirements must be available that fiscal year). LRW 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 the Little Rock Wastewater, Little Rock, Arkansas for its Comprehensive Annual Financial Report ("CAFR") for the fiscal year ended December 31, 2008. This was the fifth year in a row that LRW has received this prestigious award. In order to be awarded a Certificate of Achievement, LRW had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the LRW Finance Division.

Respectfully submitted,



Reggie A. Corbitt
Chief Executive Officer



James A. Barham
Manager of Finance

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

Little Rock Wastewater Arkansas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized handwritten signature in black ink, appearing to be "J.R. Emer".

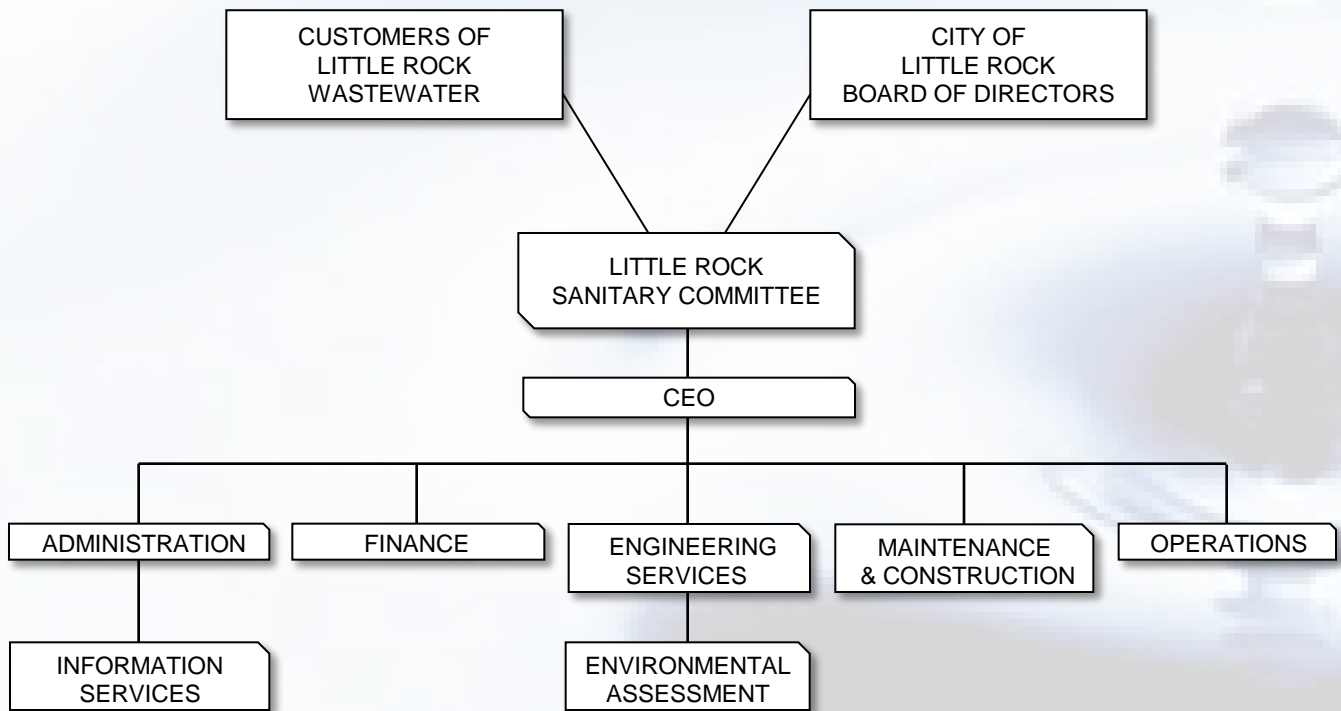
President

A handwritten signature in black ink, appearing to be "Jeffrey R. Emer".

Executive Director



Little Rock Wastewater



2009 LITTLE ROCK SANITARY SEWER COMMITTEE



Marilyn K. Perryman
Secretary



Cindy C. Miller
Chair



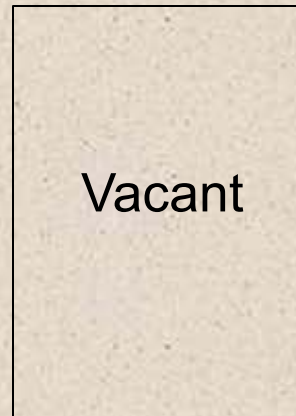
Ken Griffey
Vice Chair



Member



Reggie A. Corbitt, P.E.
Chief Executive Officer



Member

EXECUTIVE STAFF

Nancy Trotter – Administration Coordinator

Don Hamilton - General Counsel

John Jarratt – Administration and Community Relations

Jim Barham - Finance & Purchasing

Howell Anderson, P.E. - Engineering

Mack Vought - Maintenance

Stan Miller - Operations

Stanley Suel - Environmental Assessment

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OTHER REQUIRED REPORTS



Little Rock
Wastewater

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COBB AND SUSKIE, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

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Michael L. Cobb

Anne Suskie Pinyan

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

The Members of the Little Rock
Sanitary Sewer Committee
Little Rock, Arkansas

We have audited the financial statements of the business-type activities of Little Rock Wastewater (LRW), a component unit of the City of Little Rock, Arkansas, as of and for the year ended December 31, 2009, and have issued our report thereon dated March 12, 2010. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Little Rock Wastewater's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Utility's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Utility's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Utility's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Utility's financial statements that is more than inconsequential will not be prevented or detected by the Utility's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Utility's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Internal Control Over Compliance

The management of Little Rock Wastewater is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered LRW's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Little Rock Wastewater's internal control over compliance.

A *control deficiency* is an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

This report is intended solely for the information of the Sanitary Sewer Committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cobb and Sustie, Ltd.

Certified Public Accountants

March 12, 2010

COBB AND SUSKIE, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

One Financial Centre • Suite 400 • P. O. Box 21675 • Little Rock, Arkansas 72221-1675
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Michael L. Cobb

Anne Suskie Pinyan

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

The Members of the Little Rock
Sanitary Sewer Committee
Little Rock, Arkansas

Compliance

We have audited the compliance of Little Rock Wastewater (LRW), a component unit of the City of Little Rock, Arkansas, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. Little Rock Wastewater's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Little Rock Wastewater's management. Our responsibility is to express an opinion on the LRW's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "*Audits of States, Local Governments, and Non-Profit Organizations*." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Little Rock Wastewater's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on LRW's compliance with those requirements.

In our opinion, Little Rock Wastewater complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2009.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Little Rock Wastewater's financial statements are free of 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 determination of financial statement amounts. 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*.

This report is intended solely for the information of the Sanitary Sewer Committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cobb and Suskie, Ltd.

Certified Public Accountants
March 12, 2010

LITTLE ROCK WASTEWATER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH OMB CIRCULAR A-133
FOR THE YEAR ENDED DECEMBER 31, 2009

SECTION I: SUMMARY OF AUDITORS' RESULTS

1. Type of Report Issued, Financial Statements
The independent auditors' report expresses an unqualified opinion on the basic financial statements.
2. Significant Deficiencies, Financial Statements
No significant deficiencies were disclosed during the audit of the basic financial statements.
3. Material Noncompliance, Financial Statements
No instances of noncompliance material to the financial statements were disclosed during the audit.
4. Significant Deficiencies, Major Programs
No significant deficiencies were disclosed during the audit of the major federal award programs.
5. Type of Report Issued, Compliance
The auditors' report on compliance for the major federal award programs expresses an unqualified opinion.
6. Audit Findings Under Section 510(a)
As reported below, there were no audit findings relative to the major federal award programs.
7. Major Programs
Environmental Protection Agency CFDA Number 66.458.
8. Threshold between Type A and Type B Programs
The threshold for distinguishing Type A and B programs was \$555,634.
9. Type of Auditee
Little Rock Wastewater qualified as a low-risk auditee as that term is defined by OMB Circular A-133.

Section II: FINANCIAL STATEMENT FINDINGS

1. Significant Deficiencies
None
2. Significant Deficiencies – Prior Year
None

Section III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

1. Significant Deficiencies
None
2. Significant Deficiencies – Prior Year
None

FINANCIAL SECTION



Little Rock
Wastewater

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Michael L. Cobb

Anne Suskie Pinyan

Independent Auditors' Report

The Members of the Little Rock
Sanitary Sewer Committee
Little Rock, Arkansas

We have audited the accompanying financial statements of the business-type activities of Little Rock Wastewater (LRW), a component unit of the City of Little Rock, Arkansas, as of and for the years ended December 31, 2009 and 2008, which collectively comprise Little Rock Wastewater's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the LRW's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Little Rock Wastewater as of December 31, 2009 and 2008, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2010, on our consideration of the LRW's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary information on pages 21 through 28 and 57, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Members of the Little Rock
Sanitary Sewer Committee
Page Two

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Little Rock Wastewater's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying information in the statistical section as listed in the table of contents has not been subjected to the procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it. The accompanying supplementary information included in the schedules of budgetary comparison, operating expenses, and debt service requirements are prepared for the purpose of additional analysis and are not a requirement of the basic financial statements. The schedule of expenditures of federal awards is prepared for purposes of additional analysis, as required by U.S. Office of Management and Budget Circular A-133 "Audits of State, Local Governments, and Non-Profit Organizations," and is also not a required part of the basic financial statements of Little Rock Wastewater. Such supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cobb and Suskie, Ltd.

Certified Public Accountants
March 12, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Little Rock Wastewater (LRW), we offer readers of LRW's financial statements this narrative overview and analysis of the financial activities of LRW for the fiscal year ended December 31, 2009. We encourage readers to consider the information presented here in conjunction with additional information that is provided in our letter of transmittal, which can be found on pages 3 through 13 of this report. The comprehensive annual financial report is made available via the Internet (www.lrwu.com). The use of the Internet is consistent with LRW's objective to provide greater information to the public in a more efficient manner, reducing paperwork, labor, and communication costs.

Financial Highlights

- The City of Little Rock passed an ordinance in November 2006 increasing sewer rates with a five phase process beginning in 2007. Phases one and two, 15% and 8%, were implemented in 2007. The third phase, 3%, started on January 1, 2008. The fourth phase of 4%, started on January 1, 2009. The fifth and final stage of 5% will start on January 1, 2010.
- Little Rock Wastewater had two new bonds issued for 2009. A 2009A Revolving Fund Loan in the amount of \$8,000,000 for improvements to the Arch Street Pump Station and 2009B Revenue Bond Issue in the amount of \$6,665,000 for additional costs related to the construction for improvements to the hydraulic flows of the Fourche Creek Wastewater Treatment Facility as well as other construction projects associated with the Consent Administration Order and the Sierra Club Settlement.
- Total assets at year-end were \$432.6 million and exceeded liabilities in the amount of \$276.7 million. Total net assets were \$155.9 million, an increase of 0.6% from 2008 and an increase of 5.8% from 2007. The majority of the changes are a result of two sewer revenue bond issues and an increase in rates in 2008 and 2009.
- Operating revenue increased to \$39.8 million in 2009. This was an increase of 2.3% or \$885.1 thousand from 2008 and a decrease of 3.6% as compared to the 2009 budget projections.
- Operating expenses, before depreciation, decreased by \$293,943 or 1.2%, compared to fiscal year 2008 and a decrease of \$102,399 from 2007. Operating expenses, increased by \$222,980 or 0.7% from 2008, which includes depreciation.
- Debt service coverage was 130%, which exceeds the 120% required by the Bond Covenant. In the Statistical Data Section, Schedule 10 – Pledged-Revenue Coverage provides more information on debt service coverage.

General Trends

LRW's customer accounts declined from 2008 by 173 or .26%. Over a ten year period, the customer growth rate averaged 1.0%.

Wastewater Customers	2009	2008	2007
Beginning Customer Accounts	67,628	67,033	65,770
Additional Accounts (net)	(173)	595	1,263
Ending Customer Accounts	67,455	67,628	67,033

LRW began its 5-phase rate adjustment that was approved by the City of Little Rock Board of Directors on November 28, 2006. The first and second phase started in 2007 with rate increases of 15% on January 1 and 8% on July 1. The third phase started on January 1, 2008 for a 3% increase. The fourth phase of 4% began on January 1, 2009, and fifth phase of 5% is scheduled to begin on January 1, 2010.

The following chart shows a residential bill based on a consumption of 8 Ccf as of December 31 of each year. These amounts do not include a 10.0% franchise fee that is collected for and paid to the City of Little Rock.

Residential Bill	2009	2008	2007
	\$32.27	\$31.05	\$30.10

Little Rock's wastewater rates remain moderately higher than neighboring utilities. The Little Rock Sanitary Sewer Committee (LRSSC) and LRW have a continual budget plan that allows LRW to project rate adjustments in conjunction with major capital construction and debt issuance.

Little Rock Wastewater System

LRW is regulated by the United States Environmental Protection Agency (EPA) and Arkansas Department of Environmental Quality (ADEQ). These agencies issue permits to LRW for discharge of treated wastewater. Currently, LRW has 28 remote, unattended pumping stations, two secondary treatment plants with another scheduled to be substantially complete at the end of 2010, a peak flow attenuation facility, a maintenance facility, and an administration building. The collection system includes over 124 square miles containing approximately 1,312 miles of sewer lines. LRW has received awards from the EPA and the Association of Metropolitan Sewerage Agencies (AMSA). LRW's two wastewater treatment plants have been awarded the AMSA Gold award for 100% Permit Compliance for the years 1999-2000. A list of all awards can be viewed on LRW's website.

The Adams Field Wastewater Treatment Plant has been in operation since 1961 and was Little Rock's first wastewater treatment plant. The plant was put into operation at a cost of \$3.5 million and was only equipped with primary treatment. Secondary treatment facilities were added in the early 1970's at a cost of \$6.2 million. Upgrade construction over the past three

years at a cost of \$27.5 million was completed in 2007. The construction consisted of upgrading the primary clarifiers for peak flow and building an equalization basin to hold up to 14 million gallons. The plant has a new Hydraulic Peak Capacity with the maximum capacity consisting of 94 Million Gallons per Day (MGD). The plant is a complete-mix activated sludge plant, serving approximately 70% of the City of Little Rock, and is a two-stage secondary treatment plant, designed to reduce the pollutant load by approximately 90% through a combination of physical and biological processes. Starting in 2007, this treatment facility added the Ultra-Violet disinfection process.

The Fourche Creek Wastewater Treatment Plant has been providing wastewater treatment to the Fourche Creek Valley since 1983, when it was placed in service at a cost of \$19.6 million. The step-feed activated sludge section was brought on line in 1989 at a cost of \$9 million. The plant is also a two-stage, or secondary treatment facility. It has an installed treatment capacity of 16 MGD, or a population equivalent of 120,000 persons. The plant's annual average dry weather influent sewage flow is 12 MGD. This treatment plant is currently in the construction stages of being upgraded to accommodate higher peak wet weather flows from the original 36 MGD to approximately 55 MGD in an effort to further mitigate collection system surcharging.

The Little Maumelle Wastewater Treatment Plant is in the final stages of construction. The land site was selected in April 2005 and purchased in December 2005. This activated sludge treatment plant is expected to cost \$79.2 million for land, engineering, construction, administration expenses, and contingencies. Construction is scheduled to be substantially complete at the end of 2010.

The Clearwater Maintenance Facility is the operations/maintenance complex on a 36 acre tract that was built in 1989. LRW jointly owns the building with Central Arkansas Water and the two utilities operate a Fleet Maintenance Department together for the maintenance and repair of vehicles and equipment. About 100 LRW employees in the Maintenance Division work from this facility, making it the home base for the majority of LRW work force.

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

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to LRW's basic financial statements. LRW's basic financial statements are: 1) Statement of Net Assets, 2) Statement of Revenues, Expenses, and Changes in Net Assets, and 3) Statement of Cash Flows.

The Statement of Net Assets presents information on all of LRW's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of LRW is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets reflect the results of the business activities over the course of the most recent fiscal year and information as to how the

net assets changed during the year. All changes in net assets 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 Year 2007-2009 Financial Information

Statement of Net Assets

Total Assets increased by \$1.0 million from 2008 and \$8.5 million from 2007, as a result of a five phase rate increase plan, a Revolving Fund Loan in 2009, one small revenue bond issue in 2008, and one small revenue bond issue in 2009. Current Assets show a decrease of 47.5% from 2008. Noncurrent Assets reflect an increase of 11.3% from 2008. The decrease in Current Assets was due to ongoing major construction projects that began in 2006. These projects are at or close to completion resulting in a reduction in Cash and Cash Equivalents at December 31, 2009. Noncurrent Assets increased by \$71.9 million from 2008 with changes coming from the continued capital improvements to the Fourche Creek Wastewater Treatment Facility, sewer line rehabilitation, unsewered areas, Peak Flow Attenuation Facilities, and the Little Maumelle Wastewater Treatment Plant. Another major category was the reduction of investments due to the expenditures on construction costs for infrastructure. Restricted for Construction and Improvements Investments reduced from \$80.6 million in 2008 to \$48.5 million in 2009.

Current Liabilities showed an increase of 43.8% or \$6.7 million. The major change from 2008 to 2009 was an increase of Construction Contract Payable in the amount of \$5.7 million. The major change from 2007 to 2008 was also an increase in Construction Contract Payable in the amount of \$3.3 million. Noncurrent Liabilities showed a jump of 4.4% or \$10.6 million for 2009. This change is related to the new debt on the 2009A Revolving Fund Loan and the 2009B Revenue Bond Issue. LRW's bond information can be found in Note 7 on page 43. Total Liabilities increased by \$18.4 million for 2009.

Total Net Assets had an increase of 0.6% while Total Liabilities and Net Assets showed an increase of 4.4% in 2009. The Restricted Assets decreased by 60.9% from 2008 but Invested in Capital Assets, Net of Related Debt increased 32.2% or \$34.0 million. Unrestricted decreased by 89.9% or \$8.7 million. Additional information can be found in Note 5 on page 43 and schedule 1 on page 27 of this report.

	2009	Percent Change	2008	Percent Change	2007
ASSETS					
Current Assets	\$ 25,429,619	-52.5%	\$ 48,390,420	62.2%	\$ 29,836,219
Noncurrent Assets	407,183,015	11.3%	365,844,122	3.2%	354,409,733
Total Assets	432,612,634	4.44%	414,234,542	7.8%	384,245,952
LIABILITIES					
Current Liabilities	22,143,378	43.8%	15,396,890	35.5%	11,366,422
Noncurrent Liabilities	254,584,097	4.4%	243,943,083	8.2%	225,472,445
Total Liabilities	276,727,475	6.7%	259,339,973	9.5%	236,838,887
NET ASSETS					
Restricted Assets	15,459,117	-60.9%	39,501,133	-3.4%	40,869,855
Invested in Capital Assets, Net of Related Debt	139,750,917	32.15%	105,750,500	8.9%	97,102,727
Unrestricted Assets	675,125	-93.0%	9,642,936	2.2%	9,434,483
Total Net Assets	155,885,159	0.6%	154,894,569	5.1%	147,407,065
Total Liabilities and Net Assets	\$ 432,612,634	4.4%	\$ 414,234,542	7.8%	\$ 384,245,952

Statement of Revenues, Expenses, and Changes in Net Assets

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

The Total Revenue decreased from 2009 to 2008 by \$3.13 million or 7.12%. The sewer rates were increased by 3% on January 1, 2008 and 4% on January 1, 2009. Assessments Levied had a 1.4% increase from 2008 but was below projects by 4.8% as a result of declining commercial customer accounts and usage. Industrial Surcharge increased by 29.3% as Other Fees and Income increased as well by 26.4%. A few large industrial customers have moved to the Little Rock area resulting in the increase in Industrial Surcharge and Other Fees and Income. Non-Operating Revenue showed a decrease of 79.3% which is reflected in interest earned and unrealized gain on investments. With the construction of several large projects, LRW's funds available for investment has decreased resulting in decreased interest earned. Interest income has decreased by \$3.8 million or 69.4% from 2008. This number is expected to

decrease over the next few years as the bond monies are spent for construction of infrastructure.

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

Total Expense increased just by \$1.4 million in 2009. Operating Expense decreased by 1.2% or \$294,000. The staff at LRW made a unified effort to reduce personnel and costs but yet provide the citizens of Little Rock a great service in every department within IRW.

Non-Operating Expense had an increase of 12.5% or \$1.2 million in 2009. The increase in Interest Expense totaled \$1.2 million. This number is expected to grow over the next few years due to needed bond issues to fund capital improvements required to meet demands set forth in Consent Administration Order (CAO) in eliminating sewer overflows.

Change in Net Assets represents a decrease of \$6.5 million or 86.8% from 2008 and the change in the ending total net assets of \$990,588 thousand from last year shows a 0.6% growth.

Additional information can be found on the Statement of Revenues, Expenses, and Changes in Net Assets on page 34 and Schedule of Operating Expenses by Department on page 59.

	2009	Percent Change	2008	Percent Change	2007
<u>Revenues:</u>					
Operating Revenues:					
Assessments Levied	\$ 38,199,675	1.4%	\$ 37,658,159	6.4%	\$ 35,385,796
Industrial Surcharge	894,224	29.2%	691,625	10.3%	626,807
Other Fees and Income	675,149	26.4%	534,124	53.5%	347,976
Non-Operating Revenue	1,048,689	-79.2%	5,062,891	66.4%	3,042,187
Total Revenues:	40,817,737	11.5%	43,946,799	11.5%	39,402,766
<u>Expenses:</u>					
Operating Expense	23,437,164	-1.2%	23,731,107	0.8%	23,539,563
Depreciation Expense	6,895,913	8.1%	6,378,990	3.2%	6,179,107
Non-Operating Expense	10,916,970	12.4%	9,708,064	75.2%	5,541,995
Total Expense:	41,250,047	3.6%	39,818,161	12.9%	35,260,665
Income (Loss) Before Contributions	-432,310	-111.4%	4,128,638	-0.3%	4,142,101
Capital Contributions	1,422,898	-57.6%	3,358,866	2.6%	3,274,658
Change in Net Assets	990,588	-86.7%	7,487,504	4.8%	7,146,759
Total Net Assets – Beginning	154,894,569	5.0%	147,407,065	5.3%	139,990,306
Total Net Assets – Ending	\$ 155,885,157	0.6%	\$ 154,894,569	5.1%	\$ 147,407,065

Capital Assets and Debt Administration

The cash outflow for LRW on wastewater system capital improvements was \$68.4 million in fiscal year 2009. The major construction project dollars spent on improvements include the Unsewered Area projects at \$.4 million, Collection System Overflow Mitigation projects at \$7.2 million, Peak Flow Attenuation Facilities at \$16.5 million, Trenchless Sewerline Rehabilitation at \$1.6 million, Little Maumelle WWTP at \$36.5 million, Fourche Creek WWTP Engine Generator Replacement at \$1.8 million, and Fourche Creek WWTP Hydraulic Upgrades at \$2.4 million. The remaining classifications of new sewer mains, replacement sewer mains, sewer pumping and treatment plant, transportation, and general plant make up the remaining \$2.0 million spent on capital assets. Additional information on LRW's capital assets can be found in Note 5 on page 43 of this report.

The current long-term loans (2004C, 2007B, and 2009A), received through Arkansas Natural Resources Commission, were for the remaining unsewered areas in the City of Little Rock, Collection System Overflow Mitigation projects, and Arch Street Pump Station Improvements. Currently the Collection System Overflow Mitigation projects and the Arch Street Pump Station Improvements are still ongoing. The Unsewered Area projects completed September, 2009. These loans are in the amounts of \$13 million, \$18 million, and \$8 million respectively. Usually LRW has a three year period to draw on the loans up to the designated amounts but LRW received an extension on the 2004C for six months and the 2007B for one year. The payment of principal and interest began on April 15, 2009 for the 2007C loan and will begin on April 15, 2010 for the 2007B loan. The payment of principal and interest on the 2009A will begin when the project is completed or when the three year window is reached, whichever comes first. Little Rock Wastewater also issued one sewer revenue bond issue (2009B) for additional cost to Fourche Creek Hydraulic Upgrades at \$6.665 million. The total long-term debt (less bond payable within one year) increased by \$10.9 million in 2009.

Long-Term Debt	2009	2008	2007
1990 Sewer Revenue	\$ 2,088,637	\$ 2,504,359	\$ 2,903,938
1991 Sewer Revenue	1,790,259	2,146,593	2,489,090
1996 Sewer Revenue	3,366,974	3,661,056	3,945,105
1999 Sewer Revenue	8,766,681	9,281,621	9,777,783
2001 Sewer Revenue	19,040,000	19,465,000	19,870,000
2004A Sewer Revenue	20,958,921	21,836,114	22,685,477
2004B Sewer Revenue	12,970,335	13,493,466	13,908,792
2004C Sewer Revenue	12,529,648	12,062,175	8,118,984
2005 Sewer Revenue	8,550,000	8,930,000	9,300,000
2007A Sewer Revenue	60,905,000	62,000,000	63,050,000
2007B Sewer Revenue	13,796,147	5,993,094	459,256
2007C Sewer Revenue	71,085,000	71,085,000	71,085,000
2008 Sewer Revenue	15,760,000	16,000,000	-
2009A Sewer Revenue	2,371,794	-	-
2009B Sewer Revenue	6,655,000	-	-
Less Debt Payable, due within one year	<u>\$ (6,821,384)</u>	<u>\$ (5,591,753)</u>	<u>\$ (4,703,185)</u>
Total Long-Term Debt	<u>\$ 253,813,012</u>	<u>\$ 242,866,725</u>	<u>\$ 222,890,240</u>

Additional information on LRW's long-term debt can be found in Note 7 on page 43 of this report.

Economic Factors and Next Year's Budget and Rates

LRW believes that the customer base for its services will continue to grow at a normal pace of 1.0%. With the current economical and mortgage situation, LRW believes that revenue will maintain a steady increase year over year. There is not one major customer that is over 1% of total revenues (see schedule 12 – Ten Largest Customers). In order for LRW to meet obligations and timelines for capacity and non-capacity overflow litigation, there were several major projects in design or under construction in 2009. The Peak Flow Attenuation Facilities (projected at \$52.3 million) and the Little Maumelle Wastewater Treatment Plant (projected at \$79.7 million) and the Fourche Creek Treatment Facility Hydraulic Upgrade (projected at \$27.2) have been funded by revenue bond issues. LRW will need to raise additional capital either thru new bond issues via the Arkansas Revolving Loan Fund Program or loans/grants from The American Recovery and Reinvestment Act (ARRA) of 2009 for the future projects designated under the CAO.

The third phase of a five phase rate increase in the amount of 3% began in 2008. The fourth phase at 4% began on January 1, 2009 and the fifth phase at 5% is scheduled to begin on January 1, 2010. LRW has the intention of increasing rates on an annual basis for the next ten years. Based on a rate study that was completed by Raftelis Financial Consultants, Inc in 2008, the rates will range from 3% to 5% each year along with a modified rate structure between residential users and commercial users of the sewer system.

With the implementation of GASB Statement 45, LRW has reviewed its health care policies

and continues to reduce costs by changing the health care plans. Another factor consists of the Federal Bank lowering interest rates at a time when LRW budgeted in the rate model for larger interest earnings based on the sewer revenue bond proceeds being invested in 2009 and 2010.

Request for Information

This financial report is designed to provide a general overview of LRW'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 Manager of Finance, P.O. Box 45090, Little Rock, AR 72214-45090.

LITTLE ROCK WASTEWATER
BALANCE SHEETS
DECEMBER 31, 2009 AND 2008

ASSETS	2009	2008
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 9,771,485	\$ 14,781,609
Accounts Receivable (Net of Allowance for Doubtful Accounts of \$302,608 in 2009 and \$260,819 in 2008)	2,409,761	2,344,118
Inventories	1,316,178	1,261,084
Prepaid Items	615,221	124,540
Restricted Current Assets		
Restricted for Bond Requirements		
Cash and Cash Equivalents	3,331,878	3,118,953
Accrued Interest Receivable	538,505	658,615
Prepaid Items	1,110,766	931,664
Restricted for Construction and Improvement		
Cash and Cash Equivalents	6,334,646	25,168,659
Construction Receivable	1,179	1,179
Total Current Assets	<u>25,429,619</u>	<u>48,390,421</u>
<u>NONCURRENT ASSETS</u>		
Accounts Receivable	39,604	55,445
Prepaid Other Post-Employment Benefits	<u>334,526</u>	<u>93,859</u>
Total Unrestricted Noncurrent Assets	<u>374,130</u>	<u>149,304</u>
Restricted for Workers' Compensation Fund		
Investments	589,770	-
Restricted for Bond Requirements		
Investments	7,766,800	7,112,373
Restricted for Construction and Improvements		
Investments	<u>48,526,079</u>	<u>80,643,015</u>
Total Restricted Noncurrent Assets	<u>56,882,649</u>	<u>87,755,388</u>
Capital Assets (Net of Accumulated Depreciation)	<u>349,926,236</u>	<u>277,939,429</u>
Total Noncurrent Assets	<u>407,183,015</u>	<u>365,844,121</u>
TOTAL ASSETS	<u>\$ 432,612,634</u>	<u>\$ 414,234,542</u>

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

LIABILITIES	2009	2008
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 567,300	\$ 546,698
Franchise Fee Collections due to City of Little Rock	312,521	294,426
Accrued Wages Payable and Related Liabilities	161,479	501,531
Accrued Expenditures and Other	155,236	283,456
Compensated Absences	713,657	760,425
Current Liabilities Payable from Restricted Assets		
Construction Contracts Payable	10,854,406	5,178,813
Accrued Bond/Note Interest Payable	2,557,395	2,223,959
Bond/Note Payable - Current	<u>6,821,384</u>	<u>5,607,582</u>
Total Current Liabilities	<u>22,143,378</u>	<u>15,396,890</u>
<u>NONCURRENT LIABILITIES</u>		
Bonds/Note Payable (net of unamortized premiums and discount)	254,443,989	243,727,316
Compensated Absences	<u>140,108</u>	<u>215,767</u>
Total Noncurrent Liabilities	<u>254,584,097</u>	<u>243,943,083</u>
Total Liabilities	<u>276,727,475</u>	<u>259,339,973</u>
<u>NET ASSETS</u>		
Restricted		
For Debt Service	9,032,548	8,140,653
For Construction Improvements	5,836,799	30,756,378
Workers' Compensation	<u>589,770</u>	<u>604,102</u>
Total Restricted	15,459,117	39,501,133
Invested in Capital Assets, Net of Related Debt	139,750,917	105,750,500
Unrestricted	<u>675,125</u>	<u>9,642,936</u>
Total Net Assets	<u>155,885,159</u>	<u>154,894,569</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 432,612,634</u>	<u>\$ 414,234,542</u>

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

**LITTLE ROCK WASTEWATER
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
<u>OPERATING REVENUES</u>		
Sewer Charges	\$ 38,199,675	\$ 37,658,159
Industry Surcharges	894,224	691,625
Connection Fees	35,330	148,913
Other	<u>639,819</u>	<u>385,211</u>
Total Operating Revenues	<u>39,769,048</u>	<u>38,883,908</u>
<u>OPERATING EXPENSES</u>		
Salaries and Benefits	15,349,829	15,499,290
Supplies	1,864,595	2,196,815
Contract Services	3,030,367	2,662,093
Vehicle Expenses	327,482	571,793
Utilities	1,839,100	1,683,070
Administrative	<u>1,025,790</u>	<u>1,118,046</u>
Total Operating Expenses	<u>23,437,163</u>	<u>23,731,107</u>
<u>PROVISION FOR DEPRECIATION</u>		
Building and Improvements	784,180	783,292
Infrastructure - Collections, Pumping, & Treatments	4,394,321	3,924,366
Equipment	<u>1,717,411</u>	<u>1,671,332</u>
Total Provision for Depreciation	<u>6,895,912</u>	<u>6,378,990</u>
OPERATING INCOME	<u>9,435,973</u>	<u>8,773,811</u>
<u>NONOPERATING INCOME (EXPENSE)</u>		
Interest Income	1,659,792	5,421,585
Interest Expense	(10,585,725)	(9,340,837)
Amortization of Bond Issuance Costs	(218,686)	(206,391)
Gain (Loss) on Disposal of Capital Assets	(102,683)	(155,503)
Gain (Loss) on Investments	(650,101)	(382,174)
Other	<u>29,122</u>	<u>18,148</u>
Total Nonoperating Income (Expense)	<u>(9,868,281)</u>	<u>(4,645,172)</u>
INCREASE (DECREASE) IN NET ASSETS BEFORE CAPITAL CONTRIBUTIONS	<u>(432,308)</u>	<u>4,128,639</u>
CAPITAL CONTRIBUTIONS	<u>1,422,898</u>	<u>3,358,865</u>
CHANGE IN NET ASSETS	990,590	7,487,504
NET ASSETS, BEGINNING OF YEAR	<u>154,894,569</u>	<u>147,407,065</u>
NET ASSETS, END OF YEAR	<u>\$ 155,885,159</u>	<u>\$ 154,894,569</u>

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

LITTLE ROCK WASTEWATER
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash Received from Customers	\$ 39,141,965	\$ 38,623,654
Other Receipts	453,120	385,211
Payments to Employees	(17,125,483)	(16,902,047)
Payments to Suppliers	(2,155,009)	(2,133,017)
Payments for Contractual Services	(2,899,623)	(2,849,182)
Payments for Utilities	(1,725,114)	(1,683,070)
Other Payments	<u>(961,357)</u>	<u>(1,689,839)</u>
Net Cash Provided by (Used by) Operating Activities	<u>14,728,499</u>	<u>13,751,710</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Acquisition and Construction of Capital Assets	(72,334,909)	(46,386,919)
Proceeds from Disposal of Property and Equipment	227,205	410,998
Principal Paid on Indebtedness	(5,591,748)	(6,703,185)
Interest Paid on Indebtedness	(10,251,289)	(10,091,094)
Net Proceeds from Issuance of Indebtedness	<u>17,767,672</u>	<u>27,568,237</u>
Net Cash Provided by (Used by) Capital and Related Financing Activities	<u>(70,183,069)</u>	<u>(35,201,963)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest on Investments	1,779,902	4,725,787
Proceeds from Sale of Investments	30,872,739	35,543,174
Purchase of Investments	<u>(829,283)</u>	<u>(703,611)</u>
Net Cash Provided by (Used by) Investing Activities	<u>31,823,358</u>	<u>39,565,350</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (23,631,212)</u>	<u>\$ 18,115,097</u>

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

LITTLE ROCK WASTEWATER
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<u>CASH AND CASH EQUIVALENTS</u>		
Beginning of Year	\$ 43,069,221	\$ 24,954,124
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(23,631,212)</u>	<u>18,115,097</u>
End of Year	<u>\$ 19,438,009</u>	<u>\$ 43,069,221</u>
 <u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED FROM OPERATING ACTIVITIES:</u>		
Operating Income	\$ 9,435,973	\$ 8,773,811
Adjustments:		
Depreciation	6,895,912	6,378,990
Change in Operating Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(49,802)	36,997
(Increase) Decrease in Inventories	(55,094)	(11,727)
(Increase) Decrease in Prepaid Items and Other Assets	(910,450)	(187,089)
Increase (Decrease) in Accounts Payable	38,697	209,501
Increase (Decrease) in Accrued Expenses	<u>(590,737)</u>	<u>(1,448,773)</u>
Net Cash Provided by Operating Activities	<u>\$ 14,728,499</u>	<u>\$ 13,751,710</u>
 <u>RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS</u>		
Current Assets - Cash and Cash Equivalents	\$ 9,771,485	\$ 14,781,609
Restricted for Bond Requirements	3,331,878	3,118,953
Restricted for Contruction and Improvement	<u>6,334,646</u>	<u>25,168,659</u>
Total Cash and Cash Equivalents	<u>\$ 19,438,009</u>	<u>\$ 43,069,221</u>

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING
ACTIVITIES:

During 2009 and 2008, the Utility received donated sewer lines capitalized in the amount of \$1,422,898 and \$3,358,865, respectively.

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

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. **Reporting Entity**

The financial statements of the Little Rock Wastewater (LRW), a component unit (Enterprise Fund) of the City of Little Rock, conform to generally accepted accounting principles for state and local governments. The Utility provides sewer services for the greater Little Rock area. These services primarily consist of treatment and disposal of sewer water, inspection of sewer lines, and construction of sewer treatment plants, rehabilitation projects, and spot repairs. The vast majority of the Utility's customers are residential; however, the Utility also services commercial businesses. The Utility had 67,455 and 67,628 customers at December 31, 2009 and 2008, respectively. LRW is financially accountable to the City of Little Rock because the City's Board of Directors must approve any rate adjustments and debt issuances.

B. **Basis of Accounting**

LRW is a proprietary fund of the City 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. In accordance with paragraph 7 of Governmental Accounting Standards Board (GASB) Statement No. 20, the Utility applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

As a component unit of the City of Little Rock, LRW has adopted the provisions of Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments." Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net assets, a statement of activities and changes in net assets, and a statement of cash flows. It requires the classification of net assets into three components; restricted; invested in capital assets, net of related debt, and unrestricted.

Restricted – Consists of constraints placed on net asset 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.

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. **Basis of Accounting** (Continued)

Restricted – Consists of constraints placed on net asset 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.

Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets

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

As a component unit of the City of Little Rock, LRW applies the provisions of Governmental Accounting Standards Board Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions.” This statement requires that capital contributions to LRW by presented as a change in net assets.

LRW’s accounting and financial reporting practices are similar to those used for business enterprises; therefore, the accrual basis of accounting is utilized. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Revenues from assessments levied, industrial surcharges, connection fees, and other sewer fees are reported as operating revenues. Transactions which are capital, financing, or investing related are reported 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.

C. **Cash and Cash Equivalents**

LRW 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 considered to be cash or cash equivalents.

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. **Investments**

Investments are stated at fair value and consist of debt securities with original maturities in excess of three months when purchased. Unrealized gains and losses are included as nonoperating income (expense) in the accompanying statements of income.

E. **Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current 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, 2009 and 2008 are more fully explained in Note 4.

F. **Inventory**

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

G. **Restricted Assets**

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

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

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

H. **Unamortized Bond Issuance Costs**

Costs associated with the issuance of bonds are capitalized as bond issuance costs and amortized over the life of the related bonds.

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. **Capital Assets and Capital Contributions**

These assets, consisting primarily of donated sewer lines, are recorded at the donor's cost (which approximates fair market value at the transfer date for those assets). Capital assets are defined by LRW as assets with an initial, individual cost of at least \$5,000 and an estimated useful life in excess of 1 year. Depreciation is computed using the straight-line method of depreciation with estimated useful lives of 10 to 50 years for buildings and improvements, 5 to 25 years for machinery and equipment, and 50 years for collection systems (primarily sewer lines). Capital Assets consist of property, plant and equipment and include assets which have been

J. **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, funeral, illness, etc. There are no restrictions on how much PTO can be accrued and no deadline to use the time accrued (rolls over from year to year). Employees accumulate PTO each pay period based on length of service. The rate of accrual for any given year in the first twelve months is 18 days, one through five years accrue 20 days, six through fifteen years accrue 25 days, sixteen through twenty-five years accrue 30 days, and twenty-five years and up accrue 35 days. Net changes in the liability for compensated absences are summarized in Note 8.

K. **Pension Plan**

The provision for retirement pension costs are recorded when the related payroll is accrued and the obligation is incurred.

L. **Other Post Employment Benefits**

Effective for the year beginning January 1, 2007 the Utility implemented Government Accounting Standards Board Statement No. 45, "Accounting and Financial Reporting by Employees for Post Employment Benefits Other Than Pensions." This statement establishes standards for the measurement, recognition, and display of other post employment benefits (OPEB) expenses and related liabilities. The effect of GASB 45 is more fully explained in Note 12.

M. **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.

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Reclassifications

Amounts have been reclassified in the 2008 financial statements to conform to the presentation in the 2009 and 2008 comparative financial statements.

NOTE 2: CASH AND CASH EQUIVALENTS

A reconciliation of cash per the statement of cash flows to the balance sheets as of December 31, 2009 and 2008, respectively, follows:

	<u>2009</u>		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash at Beginning of Year	\$ 14,781,609	\$ 28,287,612	\$ 43,069,221
Net Increase (Decrease)	<u>(5,010,124)</u>	<u>(18,621,088)</u>	<u>(23,631,212)</u>
Cash at End of Year	<u>\$ 19,791,733</u>	<u>\$ 9,666,524</u>	<u>\$ 19,438,009</u>

	<u>2008</u>		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash at Beginning of Year	\$ 3,843,481	\$ 21,110,643	\$ 24,954,124
Net Increase (Decrease)	<u>10,938,128</u>	<u>7,176,969</u>	<u>18,115,097</u>
Cash at End of Year	<u>\$ 14,781,609</u>	<u>\$ 28,287,612</u>	<u>\$ 43,069,221</u>

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. Arkansas law requires collateralization of all municipal deposits by federal depository insurance (FDIC) and qualified pledged securities consisting of obligations of the U.S. Treasury and U.S. agencies.

Included in the Utility's total cash balances of \$19,438,029 and \$43,069,221 (restricted and unrestricted) at December 31, 2009 and 2008, respectively, are deposits with financial institutions of \$20,521,004 at December 31, 2009 and \$43,420,569 at December 31, 2008. These deposits were fully covered by FDIC insurance and appropriate collateralization at these respective dates.

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 3: INVESTMENTS

Investments at December 31, 2009 and 2008 consisted of U.S. Government obligations, stated at fair values of \$56,882,649 and \$87,755,388, respectively. Net unrealized gain (loss) for each of the years ended December 31, 2009 and 2008, was \$(650,101) and \$(382,174), respectively.

All of the Utility's investments carry the explicit guarantee of the U.S. Government. In accordance with its investment policy the Utility manages its exposure to fair value losses arising from increasing interest rates by purchasing investments with a maturity of five years or less, and it uses weighted average maturity limitations.

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 obligation of the U.S. Government.

All of the Utility's investments at December 31, 2009 and 2008 are insured or registered and held by the Utility or its agent in the Utility's name. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Utility will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2009 and 2008 consisted of the following:

	2009	2008
Trade Receivables, Current	\$ 2,449,365	\$ 2,271,622
Trade Receivables, Past Due	302,608	388,760
Total	<u>2,751,973</u>	<u>2,660,382</u>
Allowance for Uncollectibles, Beginning of Year	(260,819)	(269,184)
Writeoff of Uncollectibles	273,981	270,670
Provision for Bad Debt Expense	(315,770)	(262,305)
Allowance for Uncollectibles, End of Year	<u>(302,608)</u>	<u>(260,819)</u>
Accounts Receivables, Net of Allowance for Uncollectibles	2,449,365	2,399,563
Less Noncurrent Amount	<u>39,604</u>	<u>55,445</u>
Current Accounts Receivable	<u>\$ 2,409,761</u>	<u>\$ 2,344,118</u>

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 5: CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2009 and 2008 was as follows:

2009	Balance 12/31/08	Additions	Retirements	Balance 12/31/09
Capital assets not being depreciated:				
Land	\$ 3,110,501	\$ 15,390	\$ -	\$ 3,125,891
Construction in Progress	96,931,550	75,931,986	42,756,283	130,107,253
Total capital assets not being depreciated	<u>100,042,051</u>	<u>75,947,376</u>	<u>42,756,283</u>	<u>133,233,144</u>
Capital assets being depreciated:				
Building and Improvements	39,539,998	15,469,842	99,805	54,910,035
Infrastructure-Collection & Treatment	205,364,007	18,745,960	1,011,885	223,098,082
Equipment	27,727,308	12,041,895	30,967	39,738,236
Total capital assets being depreciated	<u>272,631,313</u>	<u>46,257,697</u>	<u>1,142,657</u>	<u>317,746,353</u>
Less accumulated depreciation for:				
Buildings and Improvements	20,099,513	784,180	33,768	20,849,925
Infrastructure-Collections & Treatment	55,256,414	4,394,321	2,705	59,648,030
Equipment	19,378,008	1,717,411	540,113	20,555,306
Total accumulated depreciation	<u>94,733,935</u>	<u>6,895,912</u>	<u>576,586</u>	<u>101,053,261</u>
Capital Assets, Net	<u>\$ 277,939,429</u>	<u>\$ 115,309,161</u>	<u>\$ 43,322,354</u>	<u>\$ 349,926,236</u>

2008	Balance 12/31/07	Additions	Retirements	Balance 12/31/08
Capital assets not being depreciated:				
Land	\$ 2,825,974	\$ 284,527	\$ -	\$ 3,110,501
Construction in Progress	68,303,865	53,123,277	24,495,592	96,931,550
Total capital assets not being depreciated	<u>71,129,839</u>	<u>53,407,804</u>	<u>24,495,592</u>	<u>100,042,051</u>
Capital assets being depreciated:				
Building and Improvements	39,494,239	45,759	-	39,539,998
Infrastructure-Collection & Treatment	184,524,105	20,992,690	152,788	205,364,007
Equipment	25,419,571	3,172,616	864,879	27,727,308
Total capital assets being depreciated	<u>249,437,915</u>	<u>24,211,065</u>	<u>1,017,667</u>	<u>272,631,313</u>
Less accumulated depreciation for:				
Buildings and Improvements	19,316,221	783,292	-	20,099,513
Infrastructure-Collections & Treatment	51,372,186	3,924,366	40,138	55,256,414
Equipment	18,135,852	1,671,332	429,176	19,378,008
Total accumulated depreciation	<u>88,824,259</u>	<u>6,378,990</u>	<u>469,314</u>	<u>94,733,935</u>
Capital Assets, Net	<u>\$ 231,743,495</u>	<u>\$ 71,239,879</u>	<u>\$ 25,043,945</u>	<u>\$ 277,939,429</u>

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 5: CAPITAL ASSETS (CONTINUED)

Construction in Progress at December 31, 2009 and 2008 included capitalized construction period interest of \$205,120 and \$320,558 that was incurred in each respective year.

Depreciation expense was \$6,895,912 and \$6,378,990 for the years ended December 31, 2009 and 2008, respectively.

NOTE 6: CONTRIBUTIONS IN AID OF CONSTRUCTION

Contributions in aid of construction, as a result of acceptance of sewer lines from private contractors and individuals, were \$1,422,898 and \$3,358,865 for the years ended December 31, 2009 and 2008, respectively.

NOTE 7: LONG-TERM DEBT

Long-term debt consists of Sewer Revenue Bonds for which the changes in the years ended December 31, 2009 and 2008 are as follows:

	<u>2009</u>				Amount Due Within One Year
	Beginning Balance	Increases	Decreases	Ending Balance	
Sewer Revenue Bonds	\$ 248,458,477	\$ 17,767,672	\$ 5,591,748	\$ 260,634,401	\$ 6,614,886
Unamortized Bond Premium (Discount)	876,421	-	245,449	630,972	206,948
	<u>\$ 249,334,898</u>	<u>\$ 17,767,672</u>	<u>\$ 5,837,197</u>	<u>\$ 261,265,373</u>	<u>\$ 6,821,834</u>
	<u>2008</u>				
	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within One Year
Sewer Revenue Bonds	\$ 227,593,425	\$ 27,568,237	\$ 6,703,185	\$ 248,458,477	\$ 5,591,753
Unamortized Bond Premium (Discount)	1,442,749	199,419	765,747	876,421	15,829
	<u>\$ 229,036,174</u>	<u>\$ 27,767,656</u>	<u>\$ 7,468,932</u>	<u>\$ 249,334,898</u>	<u>\$ 5,607,582</u>

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 7: LONG-TERM DEBT (CONTINUED)

Sewer revenue bonds payable consist of the following:

Series	Interest Rate	Outstanding at Maturity Date	December 31, 2009	Amount Due Within One Year
1990	4.0%	2008 to 2014	\$ 2,088,637	\$ 432,517
1991	4.0%	2008 to 2014	1,790,260	370,729
1996	3.5%	2008 to 2019	3,366,976	304,463
1999	3.5%	2008 to 2022	8,766,680	534,433
2001	4.00% to 5.125%	2008 to 2022	19,040,000	440,000
2004A	3.25%	2008 to 2027	20,958,921	905,932
2004B	3.25%	2008 to 2027	12,970,336	540,270
2004C	3.25%	2008 to 2027	12,529,648	485,763
2005	3.00% to 4.375%	2008 to 2025	8,550,000	390,000
2007A	%	2008 to 2037	60,905,000	1,135,000
2007B	%	2008 to 2029	13,796,149	685,779
2007C	%	2008 to 2037	71,085,000	-
2008	3.50% to 5.75%	2008 to 2038	15,760,000	265,000
2009A	2.00%	2012 to 2032	2,371,794	-
2009B	2.00%	2010 to 2039	6,655,000	125,000
Total			<u>\$ 260,634,401</u>	<u>\$ 6,614,886</u>

Payment dates for the revenue bonds are as follows:

<u>Series</u>	<u>Principal and Interest</u>
1990	April 15 and October 15
1991	April 15 and October 15
1996	April 15 and October 15
1999	April 15 and October 15
2001	February 1 and August 1
2004A	April 15 and October 15
2004B	April 15 and October 15
2004C	April 15 and October 15
2005	May 1 and November 1
2007A	June 1 and December 1
2007B	April 15 and October 15
2007C	April 1 and October 1
2008	April 1 and October 1
2009A	April 15 and October 15
2009B	June 1 and December 1

The Arkansas Natural Resource Commission (ANRC) has issued certain revenue bonds, the proceeds of which have been loaned to the City of Little Rock, Arkansas, for the purpose of financing costs of constructing extensions, betterments, and improvements to the sewer system.

LITTLE ROCK WASTEWATER
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 7: LONG-TERM DEBT (CONTINUED)

The City of Little Rock has passed these funds to the Utility for such purpose as follows:

<u>Sewer Revenue Bond Issue</u>	<u>Bond Issue</u>
Series 1990 (December, 1990)	\$ 7,000,000
Series 1991 (April, 1991)	\$ 6,000,000
Series 1996 (January, 1996)	\$ 6,000,000
Series 1999 (July 1999)	\$ 12,000,000
Series 2004A (March, 2004)	\$ 23,100,000
Series 2004B (March 2004)	\$ 14,000,000
Series 2004C (March 2004)	\$ 13,000,000
Series 2007B (February 2007)	\$ 18,000,000
Series 2009A (March 2009)	\$ 8,000,000

In October, 2001, the City of Little Rock, Arkansas, issued \$22,680,000 of Sewer Refunding and Construction Revenue Bonds, Series 2001, for the purpose of financing certain costs of constructing extensions, betterments, and improvements to the sewer system and to advance refund the Series 1993 Bonds.

In March, 2004, the City of Little Rock, Arkansas authorized a Sewer Revenue Bond issue of \$23,100,000, \$14,000,000, and \$13,000,000 to be issued by ANRC, for the purpose of financing the costs of constructing extensions, betterments, and improvements to the Adams Field Treatment Plant, the Utility's collection system, and unsewered areas. In July, 2007 the City of Little Rock authorized a Sewer Revenue Bond Issue of \$18,000,000 for the remaining unsewered area and collection system projects, and in March 2009, it issued \$8,000,000 in Sewer Revenue Bonds. As of December 31, 2009, the Utility had drawn \$23,100,000, \$14,000,000, \$14,000, \$13,796,147, and \$2,371,394, respectively, on these bond issues, with additional draws of \$4,203,853 and \$5,628,206 remaining. These draws, which amount to \$,9827,054 in the aggregate, will be made as the aforementioned construction progresses.

In May 2005, the City of Little Rock, Arkansas issued \$10,000,000 of Sewer Refunding and Construction Revenue Bonds, Series 2005, for the purpose of financing certain costs of constructing extensions, betterments, and improvements to the sewer system and to pay off the 2004 Short-Term Note.

In May 2007, the City of Little Rock, Arkansas issued \$63,050,000 of Sewer Construction Revenue Bonds (2007A), and in September 2007 it issued \$71,085,000 of Sewer Construction Revenue Bonds (2007C) for the purpose of financing wastewater system capital improvements.

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 7: LONG-TERM DEBT (CONTINUED)

In December 2008, the City of Little Rock, Arkansas issued \$16,000,000 of sewer revenue bonds, Series 2008, for the purpose of financing wastewater system capital improvements.

In November, 2009, the City of Little Rock, Arkansas issued \$6,655,000 of sewer revenue bonds (2009B) for the purpose of financing wastewater system capital improvements.

The 1990, 1991, 1996, 1999, 2004A, 2004B, 2004C, 2007B, and 2009A Series Sewer Revenue Bonds are subordinate to the 2001, 2005, 2007A, 2007C, 2008, and 2009B Series Revenue Bonds.

In addition to the \$260,634,401 balance of Sewer Revenue Bonds outstanding at December 31, 2009, an additional \$9,827,054 will, as previously described, be drawn in fulfillment of current bond issues, for a total Sewer Revenue Bond indebtedness of \$270,461,455.

The annual requirements to amortize sewer revenue bond indebtedness outstanding, and scheduled, including interest, as of December 31, 2009, are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 6,614,886	\$ 11,236,493	\$ 17,851,379
2011	6,855,607	11,004,113	17,859,720
2012	7,250,023	10,840,360	18,090,383
2013	7,679,601	10,657,582	18,337,183
2014	7,952,476	10,372,532	18,325,008
2015 to 2019	44,565,712	47,043,525	91,609,237
2020 to 2024	47,066,300	37,759,918	84,826,218
2025 to 2029	46,184,345	29,140,972	75,325,317
2030 to 2034	55,242,505	18,054,475	73,296,980
2035 to 2039	41,050,000	4,116,950	45,166,950
Total	<u>\$ 270,461,455</u>	<u>\$ 190,226,920</u>	<u>\$ 460,688,375</u>

Interest expense incurred during construction amounted to \$205,120 and \$320,558 all of which was capitalized to construction in progress in the years ended December 31, 2009 and December 31, 2008, respectively.

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 8: COMPENSATED ABSENCES

Net changes in the liability for compensated absences for the years ended December 31, 2009 and 2008 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
2009	\$ 976,192	\$ 5,416	\$ 127,843	\$ 853,765	\$ 713,657
2008	\$ 1,022,208	\$ 23,829	\$ 69,845	\$ 976,192	\$ 760,425

NOTE 9: LITIGATION

The Little Rock Sanitary Sewer Committee (LRSSC) was a defendant, along with the City of Little Rock, in a lawsuit filed in the U.S. District Court on January 13, 2000, by the Sierra Club. The plaintiff alleged violations of the Clean Water Act and the Resource Conservation and Recovery Act for sanitary sewer overflows (“SSOs”), and sought injunctions for the alleged violations as well as penalties. LRSSC and the plaintiff entered into a written settlement agreement releasing LRSSC’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 31, 2002 and paid in full in 2003. There were no further sums due to the plaintiffs in this litigation; accordingly, the Utility’s financial statements as of December 31, 2009 and 2008, respectively, do not include any provisions of potential liability with regard to this litigation.

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

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 9: LITIGATION (CONTINUED)

Management is of the opinion that the Utility is generally in compliance with the provisions of the settlement agreement and due to the Utility's success in the past two consecutive year in reducing non-capacity SSOs, the Utility is deemed to have complied with all provision of the settlement related to non-capacity SSOs. Due to various delays in the acquisition of the proposed Little Maumelle Plant site, selection of the treatment process, adoption of the necessary rate ordinance (adopted on November 28, 2006), as well as delay in securing necessary financing to comply with the Settlement Agreement (as provided in the System Evaluation and Capacity Assurance Plan approved by LRSSC), the sewage treatment plant was not completed as originally proposed, but it is expected to be completed in December, 2010. Further court action could occur as a consequence, if the plaintiff chooses to challenge LRSSC's compliance with the Settlement. However, there is no indication such a challenge is likely.

Management completed annual reports for 2009, as required by both the CAO and the Settlement Agreement each year, detailing compliance actions taken during the year 2009, and the Sierra Club report was presented by staff to the LRSSC at its monthly meeting February 17, 2010 and then sent to the attorney for the Sierra Club. The annual report required by the CAO was delivered to ADEQ February 26, 2010, with an executive summary sent to the City of Little Rock Board of Directors on March 3, 2010. Prior such reports starting with the report for 2002, were all approved by LRSSC.

Management expects to remain in compliance with the Settlement Agreement, except for the completion schedule of the Little Maumelle Treatment Plant, currently estimated to be completed in 2010, beyond the date mentioned in the SECAP in 2006, and will in good faith take all reasonable steps in that regard to comply with the provisions of the settlement agreement, which will require the expenditure of substantial sums.

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

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 9: LITIGATION (CONTINUED)

The CAO will not terminate until such time as full compliance has been achieved and LRW is given written notice of termination by ADEQ. Management is of the opinion that LRW is presently in compliance with the CAO, and is diligently working to complete the various projects mandated by the CAO in accordance with the implementation schedule set forth therein, except for the completion of the Little Maumelle Treatment Plant which is expected by December 31, 2010. Management expects to remain on schedule, otherwise, with the CAO throughout its term except also for the Fourche Creek Treatment Plant upgrade mentioned hereafter. The ultimate deadline for compliance with the implementation schedule for completion of the projects required by the CAO is January 1, 2016.

LRW has progressed in 2009 with the required projects, including completion of construction of the Peak Flow Attenuation Facility in 2009, and obtained additional financing during 2009 in two bond issues for the total sum of \$14,655,000. Completion date schedules for LRW projects are set forth in the CAO, with the last project to be completed by December 31, 2015. Due to various delays with construction of the Maumelle Treatment Plant, this project was not completed by December, 2009, as required by the CAO, but rather it is expected to be completed by the end of 2010. Also, the Fourche Creek Treatment Plant upgrades were scheduled for completion on December 31, 2009, but were not completed by then. LRW started the first of four phases in 2009 and the second phase in January, 2010.

Management is of the opinion that LRW staff is in compliance with the CAO, but LRW is in compliance with the CAO, but LRW is off the implementation schedule for the Little Maumelle Treatment Plant and the Fourche Creek Treatment Plant upgrade. However, LRW is diligently working to complete the other projects under the circumstances in accordance with the schedule set forth in the CAO.

Management expects to remain in compliance with the CAO for the duration, and continue efforts to complete the projects required by the CAO. Under the circumstances, management does not expect penalties arising if the Little Maumelle Treatment Plant is not completed as required, due to the nature of the delays.

A commercial customer of LRW has claimed past sewer overcharges in the sum of \$289,576, alleging that an appreciable quantity of its water use does not reach the sewer system; and it is therefore entitled to credit for past sewer service charges paid. LRW has stated that this customer has been in violation of its compliance order and schedule, dated August 23, 2001, as well as its pretreatment ordinance for violating certain provisions of the order, ordinance, and the industrial wastewater discharge permit issued by LRW.

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 9: LITIGATION (CONTINUED)

This customer currently owes LRW on account for unpaid sewer service in the of approximately \$67,000, which the parties have tried to resolve without success. A flow meter was installed in August of 2009 to measure the flow accurately so that any credit could be determined. Accurate flow monitoring is needed to accurately calculate extra strength surcharge and volumetric rates as outlined in the applicable rate ordinances in effect during the disputed time frames.

This customer filed suit on June 26, 2009 against both LRW and Central Arkansas Water (CAW) seeking a preliminary injunction to stopp collection and get credit on its account, which was denied by the court by order dated June 26, 2009. Previously, LRW held a show cause hearing on May 13, 2009 for various violations by the plaintiff of a compliance order and schedule,, as well a ordinances, and LRW administrative order was entered against this customer on July 24, 2009, ordering compliance with the show cause order which the plaintiff appealed to the Pulaski Circuit Court. Both cases are currently pending. The plaintiff has requested that they be consolidated, which LRW opposes, and LRW has moved for summary judgment, which the plaintiff has opposed and both parties have filed briefs.

Management contends that the plaintiff's claim for a credit in the amount of \$289,576 does not comply with the applicable ordinance, and is not adequately supported, although management concedes that the plaintiff may be entitled to a credit on its current billing against the current amount owed on its account, as determined by a valid flow monitoring meter. LRW is vigorously defending both cases currently in litigation in the Pulaski Circuit Court. Management is of the opinion that the outcome is uncertain, except that some amount of credit is probable. Management intends to vigorously pursue its remedies for enforcement and recovery of the amount owed, and defend against the pending litigation.

A residential customer of LRW has made claim for damages to his home for flooding when a box culvert flooded the home's foundation areas, causing damages resulting in the eventual demolition of the structure. Attorneys for the homeowner have alleged fault by both CLR and LRW since LRW's sewer line was located in the box culvert. Both CLR and LRW have denied any responsibility for any damages, which the homeowner's attorneys have estimated at approximately \$300,000.

Management is of the opinion that this claim against LRW is without merit and LRW intends to vigorously defend against any litigation that might be filed based on this claim, but the final outcome is uncertain.

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 10:OTHER COMMITMENTS AND CONTINGENCIES

The Utility had commitments totaling approximately \$43,099,452 at December 31, 2009, for the expansion of plant capacity.

NOTE 11:PENSION BENEFITS

A. Defined Contribution Plan

LRW offers a voluntary 401 (a) qualified Pension Plan to all of its employees upon initial employment. The plan is administered by the Little Rock Sanitary Sewer Committee. The Pension expense is recorded for the amount of LRW's required contributions, determined in accordance with the terms of the plan. This plan requires that employees contribute 1% to 5% of their base salary based upon years of service and these contributions are matched dollar for dollar by LRW. The employee contributions are pre-taxed. Participants are fully vested after five years of service. Total employee and employer contributions were approximately \$909,385 and \$897,933 in 2009 and 2008, respectively.

B. Arkansas Public Employees Retirement System (APERS)

LRW participates in a cost-sharing multiple-employer pension plan, administered by the Arkansas Public Employees Retirement System (APERS). Members participate in a contributory plan or a noncontributory plan. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Prior to July 1, 2005, voluntary contributory plan members were required to contribute 5.0% of their annual salary to APERS. The employer's contributions are actuarially determined on an annual basis. The authority for establishing and amending both funding policies and benefits offered rests with APERS. No employees participated in this voluntary plan for the years ended June 30, 2009, 2008, and 2007. Contributions to the noncontributory plan are also actuarially determined on an annual basis.

Contributions to the noncontributory plan were approximately \$1,453,385, \$1,529,176, and \$1,549,966 for the plan years ended June 30, 2009, 2008, and 2007, respectively, and represented 11.00%, 11.01%, and 12.54%, of covered payroll for each of the plan years, respectively. These amounts represent 100% of required contributions for these three years. Employees hired on or after July 1, 2005 are subject to mandatory employee contributions of 5% of compensation. For the plan years ended June 30, 2009 and 2008, the 5% mandatory employee contributions were \$124,775 and \$91,580, respectively, and are not included in the amount above.

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 11:PENSION BENEFITS (CONTINUED)

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

APERS issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to 124 West Capitol Avenue, Suite 400, Little Rock, Arkansas 72201 or by calling (501) 682-7800 or (800) 682-7377.

NOTE 12:OTHER POST EMPLOYMENT BENEFITS

A. Plan Description

Little Rock Wastewater's defined benefit post employment healthcare plan, Little Rock Wastewater Healthcare Plan (LRWHP), provides medical benefits to eligible retired employees and their beneficiaries. Employees are eligible for retiree medical coverage, including dental and vision benefits, if they are eligible for retirement plan benefits under the Arkansas Public Employees Retirement System. Retiree Medical Benefits cease at age 65. Eligible retirees pay their premiums directly to LRW. The employer paid benefits of \$281,532 in 2009.

Participants included in the actuarial valuation include retirees and survivors, and active employees who may be eligible to participate in the Plan upon retirement. Little Rock Wastewater funds approximately 86% of the postretirement healthcare benefit costs, which totaled \$281,532 for the fiscal year ended December 31, 2009. The retirees are responsible for funding approximately 14% of the healthcare benefit costs.

The Little Rock Sanitary Sewer Committee assigns the authority to establish and amend the benefit provisions of the plan based on recommendations by the LRWHP. This post employment healthcare plan is administered by Metropolitan National Bank Trust Department. LRWHP does not issue a stand-alone financial report. For inquiries relating to the plan, please contact Metropolitan National Bank Department, Little Rock, Arkansas.

B. Funding Policy

The contribution requirements are based on the most current actuarial valuations of the plan. Little Rock Wastewater makes every effort to contribute on a monthly basis toward the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not exceeding thirty years, except that the effect of changes made to benefit provisions of the plan in 2007 are amortized over a closed ten-year period.

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 12: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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

For 2009 and 2008, LRW's annual OPEB cost (expense) was \$50,018 and \$49,037, respectively, and the ARC was \$49,024 and \$49,024, respectively. The following table shows the components of LRW's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Annual required contribution	\$ 49,024	\$ 49,024	\$ 1,176,000
Interest on net OPEB obligation	(6,570)	(83)	82,000
Adjustment to annual required contribution	<u>7,564</u>	<u>96</u>	<u>-</u>
Annual OPEB cost (expense)	50,018	49,037	1,258,000
Contributions made	<u>(290,686)</u>	<u>(1,282,351)</u>	<u>(118,544)</u>
Increase (Decrease) in net OPEB	(240,668)	(1,233,314)	1,139,456
Net OPEB obligation-beginning of year	<u>(93,858)</u>	<u>1,139,456</u>	<u>-</u>
Net OPEB obligation-end of year	<u>\$ (334,526)</u>	<u>\$ (93,858)</u>	<u>\$ 1,139,456</u>

LRW's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2009 and 2008 are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/09	\$ 50,018	581%	\$ (334,526)
12/31/08	\$ 49,037	201.7%	\$ (93,858)

D. Funded Status and Funding Progress:

For the year ended December 31, 2009, the amount contributed of \$290,686 is 592.9% of the ARC of \$49,024. The accrued actuarial liability (AAL) of \$4,841,153 as a percentage of covered payroll of active members of \$13,542,142 is 35.7%.

For the year ended December 31, 2008, the amount contributed of \$1,282,351 is 2,615.8% of the ARC of \$49,024. The AAL as a percentage of covered payroll of active members of \$14,156,392 is 35.2%.

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 12:OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

E. Actuarial Methods and Assumptions (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

In the January 1, 2008 actuarial valuation, the Actuarial Accrued Liability, Normal Cost, and other amounts were calculated using Projected Unit Credit method. The actuarial assumptions included a 7.00% investment rate, net of expenses (because the plan is funded in an irrevocable trust) and an annual health care trend rate of 10% initially, reduced 0.5% annually until reaching an ultimate rate of 5.5% for 2012 and thereafter. Morality rates were determined using the RP-2000 mortality table for males and females. Retirement rates were provided by the Arkansas Public Employees Retirement System pension valuation. Membership data was based on the census information provided by Little Rock Wastewater.

No valuation was performed for 2009. The ARC and OPEB expense for 2009 were based on the valuation performed as of January 1, 2008.

NOTE 13:CONCENTRATIONS

The Utility pays Central Arkansas Water for billing and collection services provided by that entity. Such payments amounted to approximately \$658,463 and \$653,597 for the years ended December 31, 2009 and 2008, respectively, and are included as operating expenses in the accompanying statements of income.

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 14: 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; or natural disasters. Payments and premiums for these policies are recorded as expenses of the Utility. Insurance settlements have not exceeded insurance coverage in any of the past three years.

The Utility maintains a self-funded workers' compensation plan. All employees are covered by the plan. It is self-funded to a maximum of \$275,000 per occurrence per employee. Coverage amounts in excess of this limit have been obtained by means of a stop loss reinsurance policy. The Utility records an estimated liability based on claims made against the Utility. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not yet reported based on historical experience. Settlements have not exceeded coverage in each of the past three years.

The following represents the changes in approximate aggregate liabilities of the workers' compensation plan for the Utility for January 1, 2008 to December 31, 2009:

Liability balance, January 1, 2008	\$	3,177
Claims and changes in estimates		56,558
Claims payments		<u>(33,107)</u>
Liability balance, December 31, 2008		26,628
Claims and changes in estimates		67,662
Claims payments		<u>(43,390)</u>
Liability balance, December 31, 2009	\$	<u><u>50,900</u></u>

LITTLE ROCK WASTEWATER
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2009

	Original and Final Budget	Actual	Variance Over (Under)
<u>OPERATING REVENUE</u>			
Sewer Charges	\$ 40,110,220	\$ 38,199,675	\$ (1,910,545)
Industry Surcharges	672,000	894,224	222,224
Connection Fees	-	35,330	35,330
Other	482,040	639,819	157,779
Total Operating Revenues	<u>41,264,260</u>	<u>39,769,048</u>	<u>(1,495,212)</u>
<u>OPERATING REVENUES EXCLUDING DEPRECIATION</u>			
Committee	71,500	66,832	(4,668)
Management	1,718,033	1,694,807	(23,226)
Finance and Administration	2,361,344	2,431,178	69,834
Engineering	1,522,449	1,503,204	(19,245)
Information Systems	1,993,840	1,918,951	(74,889)
Maintenance	9,801,146	9,500,673	(300,473)
Operations	4,624,133	4,683,805	59,672
Environmental Assessment	1,640,950	1,637,713	(3,237)
Total Operating Expenses, Excluding Depreciation	<u>23,733,395</u>	<u>23,437,163</u>	<u>(296,232)</u>
Operating Income Before Depreciation	<u>17,530,865</u>	<u>16,331,885</u>	<u>(1,198,980)</u>
<u>PROVISION FOR DEPRECIATION</u>			
Building and Improvement	854,451	784,180	(70,271)
Infrastructure-Collection & Treatment	4,495,240	4,394,321	(100,919)
Equipment	1,830,956	1,717,411	(113,545)
Total Provision for Depreciation	<u>7,180,647</u>	<u>6,895,912</u>	<u>(284,735)</u>
OPERATING INCOME (LOSS)	<u>10,350,218</u>	<u>9,435,973</u>	<u>(914,245)</u>
<u>NONOPERATING INCOME (EXPENSE)</u>			
Interest Income	1,721,200	1,659,792	(61,408)
Interest Expense	(10,563,001)	(10,585,725)	(22,724)
Amortization of Bond Issuance Costs	(207,013)	(218,686)	(11,673)
Gain (Loss) on Disposal of Capital Assets	3,600	(102,683)	(106,283)
Gain (Loss) on Investments	-	(650,101)	(650,101)
Other	2,400	29,122	26,722
Total Operating Revenues	<u>(9,042,814)</u>	<u>(9,868,281)</u>	<u>(825,467)</u>
OPERATING INCOME (LOSS)	<u>\$ 1,307,404</u>	<u>\$ (432,308)</u>	<u>\$ (1,739,712)</u>

See independent auditors' report on required supplementary information.

LITTLE ROCK WASTEWATER
SCHEDULES OF OPERATING EXPENSES BY DEPARTMENT
EXCLUDING DEPRECIATION (SCHEDULE 1)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
<u>Sewer Committee:</u>		
Committee Expense Reimbursement	\$ 47,021	\$ 46,306
Insurance	11,402	11,459
Other	8,409	12,705
Total	<u>66,832</u>	<u>70,470</u>
 <u>Utility Management:</u>		
Salaries	920,415	939,549
Employee Benefits	317,986	346,052
Supplies	85,760	114,270
Contract Services	140,359	118,795
Vehicle Maintenance	16,722	19,213
Utilities	11,231	14,970
Insurance	7,680	7,783
Training and Administration	194,654	247,204
Total	<u>1,694,807</u>	<u>1,807,836</u>
 <u>Finance:</u>		
Salaries	934,387	922,439
Employee Benefits	291,245	319,758
Supplies	33,475	62,993
Contract Services	751,506	819,550
Vehicle Maintenance	8,035	7,849
Utilities	10,668	11,447
Insurance	6,493	7,114
Delinquent Accounts	315,770	262,305
Training and Administration	79,599	76,467
Total	<u>2,431,178</u>	<u>2,489,922</u>
 <u>Engineering:</u>		
Salaries	1,106,729	1,211,852
Employee Benefits	135,521	215,522
Supplies	67,671	64,303
Contract Services	130,667	131,020
Vehicle Maintenance	23,295	34,594
Utilities	16,009	19,431
Insurance	4,494	5,582
Training and Administration	18,818	58,443
Total	<u>1,503,204</u>	<u>1,740,747</u>

See independent auditors' report on supplementary schedules.

LITTLE ROCK WASTEWATER
SCHEDULES OF OPERATING EXPENSES BY DEPARTMENT
EXCLUDING DEPRECIATION (SCHEDULE 1) (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<u>Collection System and Facilities/</u>		
<u>Equipment Maintenance:</u>		
Salaries	\$ 5,112,762	\$ 5,117,454
Employee Benefits	1,751,483	1,800,972
Supplies	1,159,378	1,247,420
Contract Services	959,889	624,163
Vehicle Maintenance	225,770	450,026
Utilities	165,246	153,628
Insurance	62,376	82,485
Training and Administration	63,769	73,808
Total	<u>9,500,673</u>	<u>9,549,956</u>
<u>Operations - Adams, Fourche, and</u>		
<u>Industrial Monitoring:</u>		
Salaries	1,565,151	1,574,259
Employee Benefits	553,650	571,819
Supplies	156,406	152,540
Contract Services	747,618	707,588
Vehicle Maintenance	17,269	20,396
Utilities	1,515,522	1,371,958
Insurance	32,372	38,044
Training and Administration	95,817	116,195
Total	<u>4,683,805</u>	<u>4,552,799</u>
<u>Technical Services:</u>		
Salaries	915,822	796,927
Employee Benefits	326,828	317,117
Supplies	233,673	415,447
Contract Services	258,948	224,956
Vehicle Maintenance	16,318	23,905
Utilities	115,965	106,679
Insurance	935	1,561
Training and Administration	50,462	46,571
Total	<u>1,918,951</u>	<u>1,933,163</u>
<u>Environmental Assessment</u>		
<u>Department (EAD):</u>		
Salaries	1,022,311	977,078
Employee Benefits	395,539	388,492
Supplies	128,232	139,842
Contract Services	41,380	36,021
Vehicle Maintenance	20,073	15,810
Utilities	4,459	4,957
Insurance	1,124	1,505
Training and Administration	24,595	22,511
Total	<u>1,637,713</u>	<u>1,586,216</u>
Total Operating Expenses	<u>\$ 23,437,163</u>	<u>\$ 23,731,107</u>

See independent auditors' report on supplementary schedules.

LITTLE ROCK WASTEWATER
SCHEDULE OF BONDED INDEBTEDNESS (SCHEDULE 2)
DECEMBER 31, 2009

Sewer Revenue Bonds (Series 1990)

<u>Year of Maturity</u>	<u>Interest Rate</u>	<u>Principal Payable</u>		<u>Interest Payable</u>		<u>Total Annual Requirement</u>
		<u>4/15</u>	<u>10/15</u>	<u>4/15</u>	<u>10/15</u>	
2010	4%	\$ 214,117	\$ 218,400	\$ 41,773	\$ 37,490	\$ 511,780
2011	4%	222,769	227,223	33,122	28,666	511,780
2012	4%	231,768	236,403	24,123	19,486	511,780
2013	4%	241,131	245,954	14,759	9,937	511,781
2014	4%	<u>250,872</u>	<u>-</u>	<u>5,017</u>	<u>-</u>	<u>255,889</u>
		<u>\$ 1,160,657</u>	<u>\$ 927,980</u>	<u>\$ 118,794</u>	<u>\$ 95,579</u>	<u>\$ 2,303,010</u>

See independent auditors' report on supplementary schedules.

LITTLE ROCK WASTEWATER
SCHEDULE OF BONDED INDEBTEDNESS (SCHEDULE 2) (CONTINUED)
DECEMBER 31, 2009

Sewer Revenue Bonds (Series 1991)

<u>Year of Maturity</u>	<u>Interest Rate</u>	<u>Principal Payable</u>		<u>Interest Payable</u>		<u>Total Annual Requirement</u>
		<u>4/15</u>	<u>10/15</u>	<u>4/15</u>	<u>10/15</u>	
2010	4%	\$ 183,529	\$ 187,200	\$ 35,805	\$ 32,135	\$ 438,669
2011	4%	190,944	194,763	28,391	24,572	438,670
2012	4%	198,658	202,631	20,676	16,703	438,668
2013	4%	206,684	210,817	12,651	8,517	438,669
2014	4%	215,033	-	4,301	-	219,334
		<u>\$ 994,848</u>	<u>\$ 795,411</u>	<u>\$ 101,824</u>	<u>\$ 81,927</u>	<u>\$ 1,974,010</u>

See independent auditors' report on supplementary schedules.

LITTLE ROCK WASTEWATER
SCHEDULE OF BONDED INDEBTEDNESS (SCHEDULE 2) (CONTINUED)
DECEMBER 31, 2009

Sewer Revenue Bonds (Series 1996)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		<u>4/15</u>	<u>10/15</u>	<u>4/15</u>	<u>10/15</u>	
2010	3.5%	\$ 150,911	\$ 153,552	\$ 58,922	\$ 56,281	\$ 419,666
2011	3.5%	156,239	158,974	53,594	50,860	419,667
2012	3.5%	161,756	164,585	48,078	45,247	419,666
2013	3.5%	167,466	170,397	42,367	39,436	419,666
2014	3.5%	173,379	176,413	36,454	33,420	419,666
2015	3.5%	179,500	182,641	30,333	27,192	419,666
2016	3.5%	185,837	189,089	23,995	20,743	419,664
2017	3.5%	192,399	195,766	17,434	14,067	419,666
2018	3.5%	199,192	202,678	10,641	7,155	419,666
2019	3.5%	206,200	-	3,609	-	209,809
		<u>\$ 1,772,879</u>	<u>\$ 1,594,095</u>	<u>\$ 325,427</u>	<u>\$ 294,401</u>	<u>\$ 3,986,802</u>

See independent auditors' report on supplementary schedules.

LITTLE ROCK WASTEWATER
SCHEDULE OF BONDED INDEBTEDNESS (SCHEDULE 2) (CONTINUED)
DECEMBER 31, 2009

Sewer Revenue Bonds (Series 1999)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		4/15	10/15	4/15	10/15	
2010	3.75%	\$ 264,735	\$ 269,698	\$ 164,375	\$ 159,412	\$ 858,220
2011	3.75%	274,755	279,907	154,355	149,203	858,220
2012	3.75%	285,155	290,502	143,955	138,608	858,220
2013	3.75%	295,949	301,498	133,161	127,612	858,220
2014	3.75%	307,151	312,910	121,959	116,200	858,220
2015	3.75%	318,777	324,754	110,333	104,356	858,220
2016	3.75%	330,843	337,046	98,267	92,064	858,220
2017	3.75%	343,366	349,804	85,744	79,306	858,220
2018	3.75%	356,363	363,045	72,747	66,065	858,220
2019	3.75%	369,852	376,787	59,258	52,323	858,220
2020	3.75%	383,851	391,048	45,259	38,062	858,220
2021	3.75%	398,381	405,850	30,729	23,260	858,220
2022	3.75%	413,460	421,194	15,650	7,898	858,202
		<u>\$ 4,342,638</u>	<u>\$ 4,424,043</u>	<u>\$ 1,235,792</u>	<u>\$ 1,154,369</u>	<u>\$ 11,156,842</u>

See independent auditors' report on supplementary schedules.

LITTLE ROCK WASTEWATER
SCHEDULE OF BONDED INDEBTEDNESS (SCHEDULE 2) (CONTINUED)
DECEMBER 31, 2009

Sewer Revenue Bonds (Series 2001)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		<u>2/1</u>	<u>8/1</u>	<u>2/1</u>	<u>8/1</u>	
2010	4.050%	\$ 220,000	\$ 220,000	\$ 461,928	\$ 457,473	\$ 1,359,401
2011	4.150%	225,000	230,000	453,018	448,350	1,356,368
2012	4.250%	235,000	240,000	443,577	438,583	1,357,160
2013	4.350%	245,000	250,000	433,483	428,155	1,356,638
2014	5.125%	490,000	510,000	422,717	410,161	1,832,878
2015	5.125%	760,000	775,000	397,092	377,617	2,309,709
2016	4.650%	795,000	815,000	357,758	339,273	2,307,031
2017	4.750%	830,000	855,000	320,325	300,613	2,305,938
2018	4.800%	875,000	895,000	280,306	259,306	2,309,612
2019	4.850%	1,020,000	1,045,000	237,827	213,091	2,515,918
2020	5.000%	1,175,000	1,205,000	187,750	158,375	2,726,125
2021	5.000%	1,230,000	1,270,000	128,250	97,500	2,725,750
2022	5.000%	1,300,000	1,330,000	65,750	33,250	2,729,000
		<u>\$ 9,400,000</u>	<u>\$ 9,640,000</u>	<u>\$ 4,189,781</u>	<u>\$ 3,961,747</u>	<u>\$ 27,191,528</u>

See independent auditors' report on supplementary schedules.

LITTLE ROCK WASTEWATER
SCHEDULE OF BONDED INDEBTEDNESS (SCHEDULE 2) (CONTINUED)
DECEMBER 31, 2009

Sewer Revenue Bonds (Series 2004A)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		4/15	10/15	4/15	10/15	
2010	3.25%	\$ 449,315	\$ 456,617	\$ 340,583	\$ 333,281	\$ 1,579,796
2011	3.25%	464,037	471,577	325,861	318,321	1,579,796
2012	3.25%	479,241	487,028	310,657	302,870	1,579,796
2013	3.25%	494,942	502,985	294,956	286,913	1,579,796
2014	3.25%	511,159	519,465	278,739	270,433	1,579,796
2015	3.25%	527,906	536,485	261,992	253,413	1,579,796
2016	3.25%	545,203	554,062	244,695	235,836	1,579,796
2017	3.25%	563,066	572,216	226,832	217,682	1,579,796
2018	3.25%	581,514	590,963	208,384	198,935	1,579,796
2019	3.25%	600,567	610,326	189,331	179,572	1,579,796
2020	3.25%	620,244	630,323	169,654	159,575	1,579,796
2021	3.25%	640,566	650,974	149,332	138,924	1,579,796
2022	3.25%	661,553	672,303	128,345	117,595	1,579,796
2023	3.25%	683,229	694,331	106,669	95,567	1,579,796
2024	3.25%	705,613	717,080	84,285	72,818	1,579,796
2025	3.25%	728,733	740,575	61,165	49,323	1,579,796
2026	3.25%	752,608	764,838	37,290	25,060	1,579,796
2027	3.25%	777,277	-	12,621	-	789,898
		<u>\$ 10,786,773</u>	<u>\$ 10,172,148</u>	<u>\$ 3,431,391</u>	<u>\$ 3,256,118</u>	<u>\$ 27,646,430</u>

See independent auditors' report on supplementary schedules.

LITTLE ROCK WASTEWATER
SCHEDULE OF BONDED INDEBTEDNESS (SCHEDULE 2) (CONTINUED)
DECEMBER 31, 2009

Sewer Revenue Bonds (Series 2004B)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		4/15	10/15	4/15	10/15	
2010	3.25%	\$ 267,958	\$ 272,312	\$ 210,768	\$ 206,414	\$ 957,452
2011	3.25%	276,738	281,234	201,988	197,492	957,452
2012	3.25%	285,805	290,449	192,921	188,277	957,452
2013	3.25%	295,169	299,965	183,557	178,761	957,452
2014	3.25%	304,839	309,794	173,887	168,932	957,452
2015	3.25%	314,828	319,944	163,898	158,782	957,452
2016	3.25%	325,142	330,426	153,584	148,300	957,452
2017	3.25%	335,795	341,252	142,931	137,474	957,452
2018	3.25%	346,798	352,433	131,928	126,293	957,452
2019	3.25%	358,160	363,980	120,566	114,746	957,452
2020	3.25%	369,894	375,906	108,832	102,820	957,452
2021	3.25%	382,013	388,221	96,713	90,505	957,452
2022	3.25%	394,531	400,941	84,195	77,785	957,452
2023	3.25%	407,457	414,078	71,269	64,648	957,452
2024	3.25%	420,807	427,645	57,919	51,081	957,452
2025	3.25%	434,594	441,656	44,132	37,070	957,452
2026	3.25%	448,833	456,126	29,893	22,600	957,452
2027	3.25%	463,539	471,073	15,187	7,653	957,452
		<u>\$ 6,432,900</u>	<u>\$ 6,537,435</u>	<u>\$ 2,184,168</u>	<u>\$ 2,079,633</u>	<u>\$ 17,234,136</u>

See independent auditors' report on supplementary schedules.

LITTLE ROCK WASTEWATER
SCHEDULE OF BONDED INDEBTEDNESS (SCHEDULE 2) (CONTINUED)
DECEMBER 31, 2009

Sewer Revenue Bonds (Series 2004C)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		4/15	10/15	4/15	10/15	
2010	3.25%	\$ 240,924	\$ 244,839	\$ 203,607	\$ 199,692	\$ 889,062
2011	3.25%	248,818	252,861	195,713	191,670	889,062
2012	3.25%	256,970	261,146	187,561	183,385	889,062
2013	3.25%	265,390	269,702	179,141	174,829	889,062
2014	3.25%	274,085	278,538	170,446	165,993	889,062
2015	3.25%	283,065	287,664	161,466	156,867	889,062
2016	3.25%	292,339	297,089	152,192	147,442	889,062
2017	3.25%	301,918	306,823	142,613	137,708	889,062
2018	3.25%	311,810	316,877	132,721	127,654	889,062
2019	3.25%	322,026	327,258	122,505	117,273	889,062
2020	3.25%	332,576	337,981	111,955	106,550	889,062
2021	3.25%	343,473	349,055	101,058	95,476	889,062
2022	3.25%	354,727	360,491	89,804	84,040	889,062
2023	3.25%	366,349	372,302	78,182	72,229	889,062
2024	3.25%	378,352	384,500	66,179	60,031	889,062
2025	3.25%	390,748	397,098	53,783	47,433	889,062
2026	3.25%	403,551	410,108	40,980	34,423	889,062
2027	3.25%	416,773	423,546	27,758	20,985	889,062
2028	3.25%	430,428	437,448	14,103	7,108	889,087
		<u>\$ 6,214,322</u>	<u>\$ 6,315,326</u>	<u>\$ 2,231,767</u>	<u>\$ 2,130,788</u>	<u>\$ 16,892,203</u>

See independent auditors' report on supplementary schedules.

LITTLE ROCK WASTEWATER
SCHEDULE OF BONDED INDEBTEDNESS (SCHEDULE 2) (CONTINUED)
DECEMBER 31, 2008

Sewer Revenue Bonds (Series 2005)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		05/01	11/01	05/01	11/01	
2010	3.125%	\$ 390,000	-	\$ 180,059	\$ 173,965	\$ 744,024
2011	3.250%	405,000	-	173,965	167,384	746,349
2012	4.000%	415,000	-	167,384	159,084	741,468
2013	4.000%	435,000	-	159,084	150,384	744,468
2014	4.000%	450,000	-	150,384	141,384	741,768
2015	4.000%	470,000	-	141,384	131,984	743,368
2016	0.050%	490,000	-	131,984	119,734	741,718
2017	4.000%	510,000	-	119,734	109,534	739,268
2018	4.100%	535,000	-	109,534	98,566	743,100
2019	5.000%	555,000	-	98,566	84,691	738,257
2020	4.200%	585,000	-	84,691	72,406	742,097
2021	4.375%	605,000	-	72,406	59,172	736,578
2022	4.375%	635,000	-	59,172	45,281	739,453
2023	4.375%	660,000	-	45,281	30,844	736,125
2024	4.375%	690,000	-	30,844	15,750	736,594
2025	4.375%	720,000	-	15,750	-	735,750
		<u>\$ 8,550,000</u>	<u>\$ -</u>	<u>\$ 1,740,222</u>	<u>\$ 1,560,163</u>	<u>\$ 11,850,385</u>

See independent auditors' report on supplementary schedules.

LITTLE ROCK WASTEWATER
SCHEDULE OF BONDED INDEBTEDNESS (SCHEDULE 2) (CONTINUED)
DECEMBER 31, 2009

Sewer Revenue Bonds (Series 2007A)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		6/01	12/01	6/01	12/01	
2010	4.00%	\$ 1,135,000		\$ 1,408,897	\$ 1,386,197	\$ 3,930,094
2011	3.63%	1,185,000		1,386,197	1,364,719	3,935,916
2012	4.00%	1,225,000		1,364,719	1,340,219	3,929,938
2013	4.00%	1,275,000		1,340,219	1,314,719	3,929,938
2014	4.50%	1,325,000		1,314,719	1,284,906	3,924,625
2015	4.54%	1,385,000		1,284,906	1,253,744	3,923,650
2016	4.50%	1,445,000		1,253,744	1,221,231	3,919,975
2017	5.00%	1,515,000		1,221,231	1,183,356	3,919,587
2018	4.00%	1,590,000		1,183,356	1,151,556	3,924,912
2019	4.38%	1,650,000		1,151,556	1,115,462	3,917,018
2020	4.50%	1,725,000		1,115,462	1,076,650	3,917,112
2021	4.50%	1,800,000		1,076,650	1,036,150	3,912,800
2022	4.50%	1,880,000		1,036,150	993,850	3,910,000
2023	4.75%	1,965,000		993,850	947,181	3,906,031
2024	4.75%	2,060,000		947,181	898,256	3,905,437
2025	4.75%	2,160,000		898,256	846,956	3,905,212
2026	4.75%	2,260,000		846,956	793,281	3,900,237
2027	4.75%	2,370,000		793,281	736,994	3,900,275
2028	5.00%	2,480,000		736,994	674,994	3,891,988
2029	5.00%	2,605,000		674,994	609,869	3,889,863
2030	5.00%	2,735,000		609,869	541,494	3,886,363
2031	4.375%	2,870,000		541,494	469,744	3,881,238
2032	4.375%	3,015,000		469,744	403,791	3,888,535
2033	4.75%	3,145,000		403,791	334,994	3,883,785
2034	4.75%	3,285,000		334,994	256,975	3,876,969
2035	4.75%	3,440,000		256,975	175,275	3,872,250
2036	4.75%	3,605,000		175,275	89,656	3,869,931
2037	4.75%	3,775,000	-	89,656	-	3,864,656
		<u>\$ 60,905,000</u>	<u>\$ -</u>	<u>\$ 24,911,116</u>	<u>\$ 23,502,219</u>	<u>\$ 109,318,335</u>

See independent auditors' report on supplementary schedules.

LITTLE ROCK WASTEWATER
SCHEDULE OF BONDED INDEBTEDNESS (SCHEDULE 2) (CONTINUED)
DECEMBER 31, 2009

Sewer Revenue Bonds (Series 2007B)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		4/15	10/15	4/15	10/15	
2010	2.75%	\$ 340,548	\$ 345,231	\$ 247,500	\$ 242,817	\$ 1,176,096
2011	2.75%	349,978	354,790	238,070	233,258	1,176,096
2012	2.75%	359,668	364,613	228,380	223,435	1,176,096
2013	2.75%	369,627	374,709	218,421	213,339	1,176,096
2014	2.75%	379,862	385,084	208,186	202,964	1,176,096
2015	2.75%	390,380	395,747	197,668	192,301	1,176,096
2016	2.75%	401,189	406,705	186,859	181,343	1,176,096
2017	2.75%	412,298	417,966	175,750	170,082	1,176,096
2018	2.75%	423,713	429,540	164,335	158,508	1,176,096
2019	2.75%	435,445	441,433	152,603	146,615	1,176,096
2020	2.75%	447,503	453,656	140,545	134,392	1,176,096
2021	2.75%	459,893	466,217	128,155	121,831	1,176,096
2022	2.75%	472,628	479,126	115,420	108,922	1,176,096
2023	2.75%	485,715	492,393	102,333	95,655	1,176,096
2024	2.75%	499,163	506,027	88,885	82,021	1,176,096
2025	2.75%	512,984	520,038	75,064	68,010	1,176,096
2026	2.75%	527,188	534,437	60,860	53,611	1,176,096
2027	2.75%	541,786	549,235	46,262	38,813	1,176,096
2028	2.75%	556,788	564,444	31,260	23,604	1,176,096
2029	2.75%	572,205	580,048	15,843	7,975	1,176,071
		<u>\$ 8,598,013</u>	<u>\$ 8,716,208</u>	<u>\$ 2,574,899</u>	<u>\$ 2,456,679</u>	<u>\$ 22,345,799</u>

See independent auditors' report on supplementary schedules.

LITTLE ROCK WASTEWATER
SCHEDULE OF BONDED INDEBTEDNESS (SCHEDULE 2) (CONTINUED)
DECEMBER 31, 2009

Sewer Revenue Bonds (Series 2007C)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		4/15	10/15	4/15	10/15	
2010				\$ 1,739,384	\$ 1,739,384	\$ 3,478,768
2011				1,739,384	1,739,384	3,478,768
2012				1,739,384	1,739,384	3,478,768
2013				1,739,384	1,739,384	3,478,768
2014				1,739,384	1,739,384	3,478,768
2015				1,739,384	1,739,384	3,478,768
2016				1,739,384	1,739,384	3,478,768
2017				1,739,384	1,739,384	3,478,768
2018				1,739,385	1,739,385	3,478,770
2019				1,739,385	1,739,385	3,478,770
2020				1,739,385	1,739,385	3,478,770
2021				1,739,385	1,739,385	3,478,770
2022				1,739,385	1,739,385	3,478,770
2023				1,739,385	1,739,385	3,478,770
2024	4.250%		\$ 440,000	1,739,385	1,739,385	3,918,770
2025	4.375%		460,000	1,730,034	1,730,034	3,920,068
2026	5.000%		1,185,000	1,719,972	1,719,972	4,624,944
2027	4.375%		1,995,000	1,690,347	1,690,347	5,375,694
2028	4.750%		3,755,000	1,646,706	1,646,706	7,048,412
2029	4.750%		4,780,000	1,557,525	1,557,525	7,895,050
2030	5.000%		6,130,000	1,444,000	1,444,000	9,018,000
2031	5.000%		6,445,000	1,290,750	1,290,750	9,026,500
2032	5.000%		6,760,000	1,129,625	1,129,625	9,019,250
2033	4.500%		7,100,000	960,625	960,625	9,021,250
2034	5.000%		7,425,000	800,875	800,875	9,026,750
2035	5.000%		7,805,000	615,250	615,250	9,035,500
2036	5.000%		8,195,000	420,125	420,125	9,035,250
2037	5.000%		8,610,000	215,250	215,250	9,040,500
		\$ -	\$ 71,085,000	\$ 41,311,851	\$ 41,311,851	\$ 153,708,702

See independent auditors' report on supplementary schedules.

LITTLE ROCK WASTEWATER
SCHEDULE OF BONDED INDEBTEDNESS (SCHEDULE 2) (CONTINUED)
DECEMBER 31, 2009

Sewer Revenue Bonds (Series 2008)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement	
		4/01	10/01	4/01	10/01		
2010			\$ 265,000	\$ 416,381	\$ 416,381	\$ 1,097,762	
2011			275,000	411,744	411,744	1,098,488	
2012			285,000	406,588	406,587	1,098,175	
2013			295,000	400,888	400,887	1,096,775	
2014			305,000	394,988	394,987	1,094,975	
2015			320,000	388,888	388,887	1,097,775	
2016			330,000	382,488	382,487	1,094,975	
2017			345,000	375,475	375,475	1,095,950	
2018			360,000	367,928	367,928	1,095,856	
2019			375,000	359,828	359,828	1,094,656	
2020			395,000	350,922	350,922	1,096,844	
2021			415,000	341,047	341,047	1,097,094	
2022			435,000	330,672	330,672	1,096,344	
2023			460,000	319,525	319,525	1,099,050	
2024			485,000	307,450	307,450	1,099,900	
2025			510,000	294,719	294,719	1,099,438	
2026			540,000	281,013	281,012	1,102,025	
2027			570,000	266,163	266,162	1,102,325	
2028			600,000	250,488	250,487	1,100,975	
2029			630,000	233,987	233,987	1,097,974	
2030			665,000	216,663	216,662	1,098,325	
2031			705,000	198,375	198,375	1,101,750	
2032			745,000	178,106	178,106	1,101,212	
2033			785,000	156,688	156,685	1,098,373	
2034			830,000	134,119	134,119	1,098,238	
2035			880,000	110,256	110,256	1,100,512	
2036			930,000	84,956	84,956	1,099,912	
2037			985,000	58,219	58,219	1,101,438	
2038			-	1,040,000	29,900	29,900	1,099,800
			<u>\$ -</u>	<u>\$ 15,760,000</u>	<u>\$ 8,048,464</u>	<u>\$ 8,048,452</u>	<u>\$ 31,856,916</u>

See independent auditors' report on supplementary schedules.

LITTLE ROCK WASTEWATER
SCHEDULE OF BONDED INDEBTEDNESS (SCHEDULE 2) (CONTINUED)
DECEMBER 31, 2009

Sewer Revenue Bonds (Series 2009A)

<u>Year of</u> <u>Maturity</u>	<u>Interest</u> <u>Rate</u>	<u>Principal Payable</u>		<u>Interest Payable</u>		<u>Total Annual</u> <u>Requirement</u>
		<u>4/15</u>	<u>10/15</u>	<u>4/15</u>	<u>10/15</u>	
2012	\$	-	\$ 163,645	\$ -	\$ 80,000	\$ 243,645
2013		165,281	166,935	78,364	76,710	487,290
2014		168,603	170,289	75,042	73,356	487,290
2015		171,993	173,713	71,652	69,932	487,290
2016		175,449	177,205	68,196	66,440	487,290
2017		178,977	180,765	64,668	62,880	487,290
2018		182,573	184,399	61,072	59,246	487,290
2019		186,243	188,105	57,402	55,540	487,290
2020		189,987	191,887	53,658	51,758	487,290
2021		193,805	195,743	49,840	47,902	487,290
2022		197,701	199,677	45,944	43,968	487,290
2023		201,675	203,691	41,970	39,954	487,290
2024		205,729	207,785	37,916	35,860	487,290
2025		209,863	211,963	33,782	31,682	487,290
2026		214,081	216,223	29,564	27,422	487,290
2027		218,385	220,569	25,260	23,076	487,290
2028		222,775	225,003	20,870	18,642	487,290
2029		227,253	229,525	16,392	14,120	487,290
2030		231,819	234,139	11,826	9,506	487,290
2031		236,479	238,845	7,166	4,800	487,290
2032		241,223	-	2,412	-	243,635
		<u>\$ 4,019,894</u>	<u>\$ 3,980,106</u>	<u>\$ 852,996</u>	<u>\$ 892,794</u>	<u>\$ 9,745,790</u>

See independent auditors' report on supplementary schedules.

LITTLE ROCK WASTEWATER
SCHEDULE OF BONDED INDEBTEDNESS (SCHEDULE 2) (CONTINUED)
DECEMBER 31, 2009

Sewer Revenue Bonds (Series 2009B)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		6/01	12/01	6/01	12/01	
2010	\$	-	\$ 125,000	\$ 142,794	\$ 142,794	\$ 410,588
2011			130,000	141,544	141,544	413,089
2012			130,000	140,244	140,244	410,489
2013			135,000	138,782	138,782	412,564
2014			135,000	137,094	137,094	409,189
2015			140,000	135,069	135,069	410,139
2016			145,000	132,794	132,794	410,589
2017			150,000	130,257	130,257	410,514
2018			155,000	127,257	127,257	409,514
2019			160,000	124,157	124,157	408,314
2020			170,000	120,957	120,957	411,914
2021			175,000	117,557	117,557	410,114
2022			185,000	113,948	113,948	412,895
2023			190,000	110,016	110,016	410,033
2024			200,000	105,979	105,979	411,958
2025			205,000	101,629	101,629	408,258
2026			215,000	97,119	97,119	409,238
2027			225,000	92,281	92,281	409,563
2028			235,000	87,219	87,219	409,438
2029			245,000	81,784	81,784	408,569
2030			260,000	76,119	76,119	412,238
2031			270,000	69,944	69,944	409,888
2032			285,000	63,531	63,531	412,063
2033			295,000	56,763	56,763	408,525
2034			310,000	49,756	49,756	409,513
2035			325,000	42,394	42,394	409,788
2036			340,000	34,675	34,675	409,350
2037			355,000	26,600	26,600	408,200
2038			375,000	18,169	18,169	411,338
2039			390,000	9,263	9,263	408,525
	\$	-	\$ 6,655,000	\$ 2,825,694	\$ 2,825,694	\$ 12,306,389

See independent auditors' report on supplementary schedules.

LITTLE ROCK WASTEWATER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009

<u>Federal Grantor/ Pass Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Award Amount</u>
<u>Environmental Protection Agency</u>			
Passed Through the Arkansas Natural Resources Commission - State Revolving Fund Program:			
Sewer Bonds (1990 Series)	66.458	N/A	\$ 7,000,000
Sewer Bonds (1991 Series)	66.458	N/A	6,000,000
Sewer Bonds (1996 Series)	66.458	N/A	6,000,000
Sewer Bonds (1999 Series)	66.458	N/A	12,000,000
Sewer Bonds (2004A Series)	66.458	N/A	23,100,000
Sewer Bonds (2004B Series)	66.458	N/A	14,000,000
Sewer Bonds (2004C Series)	66.458	N/A	13,000,000
Sewer Bonds (2007B Series)	66.458	N/A	18,000,000
Sewer Bonds (2009A Series)	66.458	N/A	<u>8,000,000</u>
Totals			<u>\$ 107,100,000</u>

See independent auditors' report on supplementary schedules and accompanying notes to Schedule of Expenditures of Federal Awards.

<u>Bonds Payable December 31, 2008</u>	<u>Cash Received in 2009</u>	<u>Principal Repayments in 2009</u>	<u>Bonds Payable December 31, 2009</u>	<u>Total Expenditures in 2009</u>
\$ 2,504,359	\$ -	\$ 415,722	\$ 2,088,637	\$ -
2,146,593	-	356,334	1,790,259	-
3,661,055	-	294,081	3,366,974	-
9,281,622	-	514,941	8,766,681	-
21,836,113	-	877,192	20,958,921	-
13,493,466	-	523,131	12,970,335	-
12,062,175	937,825	470,352	12,529,648	937,825
5,993,094	7,803,053	-	13,796,147	7,803,053
-	2,371,794	-	2,371,794	2,371,794
<u>\$ 70,978,477</u>	<u>\$ 11,112,672</u>	<u>\$ 3,451,753</u>	<u>\$ 78,639,396</u>	<u>\$ 11,112,672</u>

LITTLE ROCK WASTEWATER
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009

NOTE 1: GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of the federal financial assistance program of the Little Rock Wastewater (LRW), a component unit of the City of Little Rock, Arkansas. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule.

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the basis of accounting described in Note 1 to the LRW's financial statements.

NOTE 3: PURPOSE OF FUNDS RECEIVED

Funds received under the LRW's participation in the State Revolving Fund Program are used in construction related activities involving publicly-owned treatment works and/or developing a nonpoint source pollution control program.

NOTE 4: RELATIONSHIP TO FINANCIAL STATEMENTS

Principal repayments in 2009 are included in the statements of cash flows in the LRW's financial statements. Bonds payable of \$78,639,396 at December 31, 2009 are included in Note 7 to the Utility's financial statements. Total expenditures in 2009 are included in acquisition and construction of capital assets in the statements of cash flows in LRW's financials statements.

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STATISTICAL DATA



Little Rock Wastewater

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STATISTICAL SECTION – CONTENTS AND EXPLANATIONS (Unaudited)

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

A – FINANCIAL TRENDS INFORMATION

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

Net Assets by Component, Last 10 Years	79
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B – REVENUE CAPACITY INFORMATION

These schedules contain information to help the reader assess LRW’s primary revenue sources.

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C – DEBT CAPACITY INFORMATION

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

Ratios of Outstanding Debt by Types	88
Pledged-Revenue Coverage	89

D – DEMOGRAPHIC AND ECONOMIC INFORMATION

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

Demographic and Economic Statistics	90
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E – OPERATING INFORMATION

These schedules contain information about LRW’s operational activities.

Number of Employees by Identifiable Activity	93
Operating and Capital Indicators	94

Schedule 1

Little Rock Wastewater

Net Assets by Component

	Fiscal Year				
	2005	2006	2007	2008	2009
Primary Government					
Restricted					
Restricted for Debt Service	\$ 1,062,772	\$ 953,764	\$ 6,760,046	\$ 8,140,653	\$ 9,032,548
Restricted for Construction and Improvements	6,782,779	4,846,417	33,517,468	30,756,378	5,836,799
Workers Compensation	538,649	563,868	592,341	604,102	589,770
Total Restricted	8,384,199	6,364,049	40,869,855	39,501,133	15,459,117
Invested in Capital Assets, Net of Related Debt	115,307,431	126,368,293	97,102,727	105,750,500	139,750,917
Unrestricted	8,678,486	7,257,965	9,434,483	9,642,936	675,125
Total primary governmental net assets	\$ 132,370,116	\$ 139,990,307	\$ 147,407,065	\$ 154,894,569	\$ 155,885,159

	Fiscal Year			
	2001	2002	2003	2004
Primary Government				
Restricted				
Restricted for Debt Service	586,728	\$ 568,804	\$ 568,774	\$ 574,651
Restricted for Construction and Improvements	1,771,226	4,772,813	6,112,193	4,171,856
Workers Compensation	462,498	475,078	482,686	489,462
Total Restricted	-	2,820,452	5,816,696	7,163,653
Invested in Capital Assets, Net of Related Debt	98,201,502	100,595,928	105,498,789	108,818,413
Unrestricted	7,598,414	4,441,416	5,124,992	11,327,841
Total primary governmental net assets	\$ -	\$ 108,620,368	\$ 110,854,040	\$ 117,787,433

LRW is reporting retroactively back to the year Statement 34 was implemented.

Schedule 2

Little Rock Wastewater

Changes in Net Assets

Fiscal Year	Operating Revenue	Operating Expense	Depreciation Expense	Total			Change in Net Assets
				Nonoperating Revenues/(Expenses)	Income/(Loss) before Capital Contributions	Capital Contributions	
2001	\$ 20,295,613	\$ (14,379,127)	\$ (4,658,076)	\$ (1,998,639)	\$ (740,229)	\$ 635,301	\$ (104,928)
2002	21,136,586	(16,208,850)	(4,860,468)	(1,264,945)	(1,197,677)	3,431,349	2,233,672
2003	27,811,390	(17,498,220)	(4,924,975)	(1,703,325)	3,684,870	3,248,525	6,933,395
2004	30,295,588	(19,348,737)	(5,098,192)	(1,448,924)	4,399,735	3,195,054	7,594,789
2005	30,609,507	(20,810,362)	(5,496,016)	(1,711,967)	2,591,162	4,396,730	6,987,892
2006	30,398,264	(22,088,849)	(5,818,269)	(1,489,023)	1,002,123	6,618,066	7,620,190
2007	36,360,579	(23,539,563)	(6,179,107)	(2,499,808)	4,142,101	3,274,658	7,416,759
2008	38,883,908	(23,731,107)	(6,378,990)	(4,645,173)	4,128,638	3,358,865	7,487,503
2009	39,769,048	(23,437,164)	(6,895,913)	(9,868,281)	(432,310)	1,422,898	990,588

LRW is reporting retroactively back to the year Statement 34 was implemented.

Schedule 3

Little Rock Wastewater

Operating Revenues by Source,
Last Ten Fiscal Years

Fiscal Year	Sewer Charges	Industrial Surcharges ^a	Connection Fees	Other Income ^b	Total
2000	19,366,492	519,779	115,500	420,299	20,422,070
2001	18,980,598	696,202	88,041	530,772	20,295,613
2002	20,306,520	498,152	85,000	246,914	21,136,586
2003	26,984,440	382,001	108,500	336,449	27,811,390
2004	28,992,505	796,528	165,229	341,326	30,295,588
2005	29,374,828	619,707	214,625	400,347	30,609,507
2006	29,482,518	576,499	172,823	166,424	30,398,264
2007	35,385,796	626,807	128,300	219,676	36,360,579
2008	37,658,159	691,625	148,913	385,211	38,883,908
2009	38,199,675	894,224	35,330	639,819	39,769,048

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

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

Schedule 4

Little Rock Wastewater

Operating Expenses,
Last Ten Fiscal Years

Fiscal Year	Employment Costs	Supplies	Contract Services	Vehicle Maintenance	Utilities	Administrative Costs ^a	Less Capitalized Items ^b	Subtotal,		Total Operating Expense
								Expense before Depreciation	Depreciation	
2000	8,979,511	1,327,214	1,505,752	440,718	1,246,006	651,561	(1,131,097)	13,019,665	4,677,362	17,697,027
2001	10,196,946	1,438,772	1,520,544	434,657	1,293,051	676,980	(1,181,823)	14,379,127	4,658,076	19,037,203
2002	11,610,711	1,595,353	1,776,670	463,714	1,255,564	715,469	(1,208,631)	16,208,850	4,860,468	21,069,318
2003	12,759,646	1,559,800	1,783,370	521,657	1,215,530	980,756	(1,322,539)	17,498,220	4,924,975	22,423,195
2004	14,809,248	1,756,942	1,760,801	357,558	1,277,660	1,095,479	(1,708,951)	19,348,737	5,098,192	24,446,929
2005	16,541,643	1,964,885	1,851,550	511,315	1,353,354	1,135,952	(2,548,338)	20,810,361	5,496,015	26,306,376
2006	17,511,524	1,984,357	2,130,193	641,644	1,470,846	1,139,964	(2,789,678)	22,088,850	5,818,269	27,907,119
2007 ^c	16,164,446	2,067,605	2,512,370	347,790	1,409,536	1,037,816	-	23,539,563	6,179,107	29,718,670
2008	15,499,294	2,196,815	2,662,092	571,792	1,683,068	1,118,046	-	23,731,107	6,378,990	30,110,097
2009	15,349,826	1,864,600	3,030,364	327,481	1,839,095	1,025,797	-	23,437,163	6,895,913	30,333,076

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

^b Capitalized labor, overhead and supplies

^c Starting in 2007, capitalized items have been included with corresponding operating expense category .

Schedule 5

Little Rock Wastewater

Nonoperating Revenues and Expenses,
Last Ten Fiscal Years

Fiscal Year	Interest Expense	Interest Revenue	Bond Amortization Expense	Gain/Loss		Unrealized Gain/Loss on Investments	Other Gain/Loss	Total Nonoperating Revenue/Expense
				on Disposal Capital Assets				
2000	(1,718,438)	499,722	(89,287)	(9,696)	0	16,783	(1,300,916)	
2001	(1,693,272)	391,736	(256,807)	(18,078)	0	(422,218)	(1,998,639)	
2002	(1,702,432)	244,519	(86,847)	(29,257)	23,846	285,226	(1,264,945)	
2003	(1,976,233)	174,887	(82,006)	23,782	(14,927)	171,172	(1,703,325)	
2004	(2,032,069)	249,077	(83,287)	440,359	(23,427)	423	(1,448,924)	
2005	(2,174,967)	599,093	(99,825)	(8,272)	(44,007)	16,011	(1,711,967)	
2006	(2,176,779)	865,470	(90,610)	(104,896)	3,186	14,606	(1,489,023)	
2007	(5,406,220)	2,532,165	(123,826)	0	498,806	(733)	(2,499,808)	
2008	(9,340,837)	5,421,585	(206,391)	(155,504)	(382,174)	18,148	(4,645,173)	
2009	(10,585,725)	1,659,793	(218,686)	(102,683)	(650,102)	29,122	(9,868,281)	

Schedule 6

Little Rock Wastewater

New Construction/Inspections Completed,
Last Ten Fiscal Years

Fiscal Year	Residential	Commercial	Total New Construction Permits
2000	559	75	634
2001	489	104	593
2002	555	98	653
2003	650	109	759
2004	736	112	848
2005	940	143	1,083
2006	986	132	1,118
2007	849	103	952
2008	562	102	664
2009	423	118	541

Schedule 7

Little Rock Wastewater

Number of Sewer Customers^a by Type,
Last Ten Fiscal Years

Fiscal Year	Residential	Commercial	Industrial	Other ^b	Total
2000	56,337	5,632	85	305	62,359
2001	56,747	5,691	87	298	62,823
2002 ^c	56,978	5,849	86	302	63,215
2003	57,245	5,976	85	396	63,702
2004	57,866	6,028	87	414	64,395
2005	58,610	6,090	82	410	65,192
2006	59,085	6,099	80	506	65,770
2007	60,223	6,309	86	415	67,033
2008	60,773	6,348	84	423	67,628
2009	60,646	6,302	82	425	67,455

^a Active billed accounts as of December 31

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

^c LRW audited and reclassified accounts in each class type

Schedule 8A

Little Rock Wastewater

Sewer Rates (Inside City),

Last Ten Fiscal Years

Base Rate ^c (Meter Size)	Fiscal Year Ending				
	2005	2006 ^e	2007 ^f	2008 ^g	2009 ^h
5/8"	\$ 11.00	\$11.00	\$13.66	\$ 14.07	14.63
3/4"	12.90	12.90	16.02	16.50	17.15
1"	17.25	17.25	21.42	22.07	22.95
1.5"	28.25	28.25	35.09	36.14	37.58
2"	41.40	41.40	51.42	52.96	55.08
3"	72.00	72.00	89.42	92.11	95.79
4"	115.85	115.85	143.89	148.20	161.84
6" or larger	225.40	225.40	279.95	288.35	299.88
Volumetric Rate ^d	\$ 2.21	\$ 2.21	\$ 2.74	\$ 2.83	2.94

Base Rate ^c (Meter Size)	Fiscal Year Ending				
	2000	2001	2002 ^a	2003 ^b	2004
5/8"	\$ 2.57	\$ 2.57	\$ 9.00	\$ 11.00	\$11.00
3/4"	3.85	3.85	10.65	12.90	12.90
1"	6.42	6.42	14.25	17.25	17.25
1.5"	12.84	12.84	23.35	28.25	28.25
2"	20.55	20.55	34.20	41.40	41.40
3"	38.53	38.53	59.55	72.00	72.00
4"	64.22	64.22	95.75	115.85	115.85
6" or larger	128.45	128.45	186.30	225.40	225.40
Volumetric Rate ^d	\$ 1.31	\$ 1.31	\$ 1.83	\$ 2.21	\$ 2.21

^a New step rate increase started Sept 17, 2002 and implemented new billing process called Average Winter Consumption

^b Next step rate increase started Jun 1, 2003

^c Rate charge from 1996 to Sept 16, 2002 started with zero water consumed and from Sept 17, 2002 to present includes 200 cubic feet

^d Per 100 cubic feet

^e In Nov 2006, City of Little Rock Board of Directors approved a five step rate increase that will effected rates from 2007 to 2010.

^f There was two, of an approved five step, rate increases in 2007; 15% on January 1 and 8% on July 1.

^g The third of a five step rate increase; 3% on January 1.

^h The fourth of a five step rate increase; 4% on January 1.

Note: Increases in sewer rates must be approved by the City of Little Rock Board of Directors.

Schedule 8B

Little Rock Wastewater

Sewer Rates (Outside City),

Last Ten Fiscal Years

Base Rate ^c (Meter Size)	Fiscal Year Ending				
	2005	2006 ^e	2007 ^f	2008 ^g	2009 ^h
5/8"	\$ 16.50	\$ 16.50	\$ 20.49	\$ 21.11	21.95
3/4"	19.40	19.40	24.09	24.82	25.81
1"	25.85	25.85	32.11	33.07	34.39
1.5"	42.40	42.40	52.66	54.24	56.41
2"	63.35	63.35	78.68	81.04	84.28
3"	108.00	108.00	134.14	138.16	143.69
4"	173.80	173.80	215.86	222.34	231.23
6" or larger	338.10	338.10	419.92	432.52	449.82
Volumetric Rate ^d	\$ 3.32	\$ 3.32	\$ 4.12	\$ 4.24	4.41

Base Rate ^c (Meter Size)	Fiscal Year Ending				
	2000	2001	2002 ^a	2003 ^b	2004
5/8"	\$ 3.86	\$ 3.86	\$ 13.50	\$ 16.50	\$ 16.50
3/4"	5.78	5.78	16.00	19.40	19.40
1"	9.63	9.63	21.40	25.85	25.85
1.5"	19.26	19.26	35.05	42.40	42.40
2"	30.83	30.83	52.35	63.35	63.35
3"	57.80	57.80	89.30	108.00	108.00
4"	96.33	96.33	143.65	173.80	173.80
6" or larger	192.68	192.68	279.40	338.10	338.10
Volumetric Rate ^d	\$ 1.97	\$ 1.97	\$ 1.97	\$ 2.75	\$ 3.32

^a New step rate increase started Sept 17, 2002 and implemented new billing process called Average Winter Consumption

^b Next step rate increase started Jun 1, 2003

^c Rate charge from 1996 to Sept 16, 2002 started with zero water consumed and from Sept 17, 2002 to present includes 200 cubic feet

^d Per 100 cubic feet

^e In Nov 2006, City of Little Rock Board of Directors approved a five step rate increase that will effected rates from 2007

^f There was two, of an approved five step, rate increases in 2007; 15% on January 1 and 8% on July 1.

^g The third of a five step rate increase; 3% on January 1.

^h The fourth of a five step rate increase; 4% on January 1.

Note: Increases in sewer rates must be approved by the City of Little Rock Board of Directors.

Schedule 9

Little Rock Wastewater

Ratios of Outstanding Debt by Type,
Last Ten Fiscal Years

Fiscal Year	Principal Only			Total		
	Revenue Bonds	Revolving Fund Loans ^a	Notes	Amount	Per Capita	As a Share of Personal Income
2000	21,000,000	21,854,373	-	42,854,373	234.01	0.09%
2001	22,680,000	24,302,865	-	46,982,865	256.55	0.10%
2002	21,675,000	25,919,408	-	47,594,408	259.89	0.11%
2003	21,340,000	24,659,791	-	45,999,791	251.18	0.11%
2004	20,995,000	26,328,950	3,316,918	50,640,868	276.53	0.12%
2005	30,635,000	42,048,744	-	72,683,744	396.89	0.17%
2006	29,915,000	57,177,864	-	87,092,864	475.57	0.20%
2007	163,305,000	64,288,425	-	227,593,425	1,242.78	0.54%
2008	177,480,000	70,978,477	-	248,458,477	1,356.71	0.58%
2009	181,995,000	88,471,455	-	270,466,455	1,476.89	0.64%

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

See Notes to the Financial Section #7 - Long-Term Debt for more information.

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

Schedule 10

Little Rock Wastewater

Pledged-Revenue Coverage,
Last Ten Fiscal Years

Fiscal Year	Gross Revenue ^a	Direct Operating Expense ^b	Net Revenue Available For Debt Service	At December 31, Fiscal Year			Coverage
				Total Outstanding Debt ^f	# of Years of Outstanding Debt	Avg Yearly Outstanding Debt	
2000	20,921,792	(13,019,665)	7,902,127	67,846,363	23	2,949,842	2.68
2001	20,687,349	(14,379,127)	6,308,222	106,439,896	22	4,838,177	1.30
2002 ^c	23,901,105	(16,208,850)	7,692,255	102,915,857	21	4,900,755	1.57
2003 ^d	30,076,277	(17,498,220)	12,578,057	97,504,179	20	4,875,209	2.58
2004	30,544,665	(19,348,737)	11,195,928	164,668,331	25	6,586,733	1.70
2005	31,208,600	(20,810,361)	10,398,239	169,600,556	24	7,066,690	1.47
2006 ^e	35,953,294	(22,088,850)	13,864,444	139,992,855	22	6,363,312	2.18
2007 ^g	43,429,090	(23,539,563)	19,889,527	436,244,778	30	14,541,493	1.37
2008 ^h	47,882,812	(23,731,107)	24,151,705	454,758,950	30	15,158,632	1.59
2009	43,416,841	(23,467,164)	19,949,677	460,867,355	30	15,362,245	1.30

As part of each bond ordinance, LRW 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. Debt Coverage shall not be less than 1.20 of the average annual principal and interest requirements on all outstanding System Bonds and the additional bonds proposed. The ordinance also states that in order to reduce rates, the average annual principal and interest requirement must meet a 1.30 coverage.

See Notes to the Financial Section #7 - Long-Term Debt for more information.

^a Includes interest on investment income.

^b See Schedule 4.

^c Includes an estimated look-back rate increase of \$2.52 Million in Gross Revenues based on September 2002 rate increase.

^d Includes an estimated look-back rate increase of \$2.09 Million in Gross Revenues based on June 2003 rate increase.

^e Includes an estimated look-back rate increase of \$4.69 Million in Gross Revenues based on December 2006 rate increase.

^f Includes all Revolving Loan Fund (RLF) debt payments as if projects were completed and repaying loans.

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

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

Schedule 11

Little Rock Wastewater

Demographic and Economic Statistics,
Last Ten Calendar Years

Calendar Year	Population ^a	Personal Income (thousands of dollars)	Per Capita Personal Income	Unemployment Percentage Rate
2000	183,133	42,503,338	25,889	3.1%
2001	183,133	42,503,338	25,889	4.3%
2002	183,133	42,503,338	23,209	4.3%
2003	183,133	42,503,338	23,209	4.6%
2004	183,133	42,503,338	23,209	4.4%
2005	183,133	42,503,338	23,209	4.5%
2006	183,133	42,050,338	23,209	4.6%
2007	183,133	42,050,338	23,209	4.7%
2008	183,133	42,050,338	23,209	4.5%
2009	183,133	42,050,338	23,209	5.9%

^a 1999 is estimated and 2000 to 2009 is from the 2000 Census

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

Schedule 12

Little Rock Wastewater

Ten Largest Sewer Customers,
Current Year and Nine Years Ago

Fiscal Year 2009		
Customer	Amount	Percent
1. Odom Sausage	\$ 404,870	1.02 %
2. Baptist Medical Center	292,826	0.74
3. St. Vincent's Infirmary	254,582	0.64
4. Central Arkansas Water	219,259	0.55
5. V.A. Hospital	199,051	0.50
6. Coleman Dairy	150,265	0.38
7. Arkansas Children's Hospital	128,151	0.32
8. Coca Cola Bottling	98,443	0.25
9. Sage V Foods	91,960	0.23
10. Certain Teed	49,818	0.13
Subtotal	1,889,226	4.75
Balance from other customers	37,879,822	95.25
Grand Totals ^a	<u>\$ 39,769,048</u>	<u>100.00 %</u>

Fiscal Year 2000		
Customer	Amount	Percent
1. Odom Sausage	\$ 138,420	0.71 %
2. Baptist Medical Center	136,985	0.71
3. Gold Star Dairy	129,117	0.67
4. V.A. Hospital	120,932	0.62
5. UAMS CARTI	117,965	0.61
6. St. Vincents Infirmary	88,689	0.46
7. US Time Corp.	74,510	0.38
8. City of Shannon Hills	70,533	0.36
9. Ozark Point	65,682	0.34
10. Pulaski County Detention Center	63,050	0.33
Subtotal	1,005,883	5.19
Balance from other customers	18,360,609	94.81
Grand Totals ^a	<u>\$ 19,366,492</u>	<u>100.00 %</u>

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

LRW is reporting retroactively back to the year Statement 34 was implemented.

Schedule 13

Little Rock Wastewater

Principal Employers,

Current Year and Nine Years Ago

Employer	2009			2000		
	Employees	Percentage of Total	Rank	Employees	Percentage of Total	Rank
State of Arkansas	32,900	9.59%	1	28,100	9.34%	1
Local Government	28,800	8.39%	2	-	-	
Federal Government	9,500	2.77%	3	9,400	3.13%	2
University of Arkansas Medical Sciences	8,500	2.48%	4	5,392	1.79%	6
Public School Districts	7,400	2.16%	5	8,500	2.83%	3
Baptist Health	6,160	1.79%	6	7,000	2.33%	4
Little Rock Air Force Base	4,500	1.31%	7	6,890	2.29%	5
Axiom	4,380	1.28%	8	-	-	-
Veterans Administration Hospitals	3,500	1.02%	9	-	-	-
Arkansas Children's Hospital	2,830	0.82%	10	3,293	1.10%	9
Arkansas Blue Cross and Blue Shield	2,740	0.80%	11	-	-	-
Entergy Arkansas	2,730	0.80%	12	3,254	1.08%	10
St. Vincent Medical Center	2,600	0.76%	13	5,000	1.66%	7
Verizon Wireless	2,500	0.73%	14	4,500	1.50%	8
Total	119,040	35%		81,329	27%	

Sources: Greater Little Rock Chamber of Commerce & State of Arkansas (www.discoverArkansas.net)

Schedule 14

Little Rock Wastewater

Number of Employees by Identifiable Activity,
Last Ten Fiscal Years

	Full-time-Equivalent Employees as of December 31, 2009									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Administration:										
Executive Administrator	1	1	1	1	1	1	1	1	1	1
Safety & Communications	2	2	3	3	4	4	4	4	5	4
Human Resources	2	2	2	2	2	2	2	2	2	2
Finance/Accounting	7	7	7	7	7	8	8	9	12	12
Information Services ^a	23	22	10	10	12	12	12	12	16	13
Legal	1	1	1	1	1	1	1	1	2	1
Clerical	17	16	17	17	18	16	18	15	10	11
Engineering ^a	15	15	28	31	32	32	33	35	28	30
Sewer Plant Maintenance	12	12	20	21	20	20	13	18	12	23
Sewer Systems Maintenance	73	77	89	92	103	105	110	112	114	106
Sewer Plant Operations	24	22	22	22	22	22	22	22	24	21
Environmental Assessment	15	15	15	15	17	17	17	19	17	17
Total Employees	192	192	215	222	239	240	241	250	243	241

^a GIS personnel were moved from Engineering to Information Services in 2000 and back to Engineering in 2002 and back to Information Services in 2008.

Schedule 15

Little Rock Wastewater

Operating and Capital Indicators,
Last Ten Fiscal Years

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006 ^a	2007	2008	2009
Wastewater Treatment Miles of Sewer	1,116	1,139	1,164	1,198	1,229	1,248	1,270	1,293	1,314	1,312
Number of Treatment Plants	2	2	2	2	2	2	2	2	2	2
Treatment Capacity (MGD)										
- Biological Treatment	52.0	52.0	52.0	52.0	52.0	52.0	52.0	52.0	52.0	52.0
- Hydraulic Peak Capacity	108.0	108.0	108.0	108.0	108.0	108.0	130.0	130.0	130.0	130.0
Daily engineering maximum plant capacity (MGD)	34.58	36.93	35.97	33.39	37.35	32.21	30.92	32.71	35.18	40.63
Unused Capacity (MGD)	17.42	15.07	16.03	18.61	14.65	19.79	21.08	19.29	16.82	11.37
Percent of capacity utilized	67%	71%	69%	64%	72%	62%	59%	63%	68%	78%

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

^a Adams Field Wastewater Treatment Plant improvements were completed that allowed peak hydraulic capacity to go from 72 mgd to 94mgd.

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