



## **LITTLE ROCK, ARKANSAS**

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

### **Comprehensive Annual**

### **Financial Report**

**For The Year Ended December 31, 2014**

**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, 2014

**TABLE OF CONTENTS**

**Introductory Section**

Transmittal Letter	3
GFOA Certificate of Achievement	12
Organizational Chart	13
List of Appointed Officials	14

**Financial Section**

Independent Auditor's Report	16
Management's Discussion and Analysis	19
Basic Financial Statements	
Statements of Net Position	30
Statements of Revenues, Expenses, and Changes in Net Position	32
Statements of Cash Flows	33
Notes to Financial Statements	35
Required Supplementary Information	
Schedule of Funding Progress	63
Supplementary Information	
Budgetary Comparison Schedule	64
Schedule of Operating Expenses	65
Schedule of Bonded Indebtedness	68

**Statistical Section**

Net Position by Component, Last Ten Fiscal Years (Schedule 1)	83
Changes in Net Position, Last Ten Fiscal Years (Schedule 2)	84
Operating Revenues by Source, Last Ten Fiscal Years (Schedule 3)	85
Operating Expenses, Last Ten Fiscal Years (Schedule 4)	86
Nonoperating Revenues and Expenses, Last Ten Fiscal Years (Schedule 5)	87
New Construction/Inspections Completed, Last Ten Fiscal Years (Schedule 6)	88
Number of Sewer Customers by Type, Last Ten Fiscal Years (Schedule 7)	89
Domestic Sewer Rates (Inside City), Last Ten Fiscal Years (Schedule 8A)	90
Domestic Sewer Rates (Outside City), Last Ten Fiscal Years (Schedule 8B)	91
Non-Domestic Sewer Rates (Inside City), Last Ten Fiscal Years (Schedule 9A)	92
Non-Domestic Sewer Rates (Outside City), Last Ten Fiscal Years (Schedule 9B)	93

## TABLE OF CONTENTS (CONTINUED)

### **Statistical Section (Continued)**

Ratios of Outstanding Debt by Type, Last Ten Fiscal Years (Schedule 10)	94
Pledged-Revenue Coverage, Last Ten Fiscal Years (Schedule 11)	95
Demographic and Economic Statistics, Last Ten Calendar Years (Schedule 12)	96
Ten Largest Sewer Customers, Current Year and Nine Years Ago (Schedule 13)	97
Principal Employers, Current Year and Nine Years Ago (Schedule 14)	98
Number of Employees by Identifiable Activity, Last Ten Fiscal Years (Schedule 15)	99
Operating and Capital Indicators, Last Ten Fiscal Years (Schedule 16)	100

# INTRODUCTORY SECTION



Little Rock  
Wastewater

THIS PAGE INTENTIONALLY LEFT BLANK

March 11, 2015

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, 2014. 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, 2014. 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 Department of LRW.

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 **BKD, LLP**, a firm of licensed certified public accountants. BKD has issued an unmodified (clean) opinion on LRW's financial statements for the years ended December 31, 2014 and 2013. The independent auditor's report is located at the front of the financial section of this report.

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

## **Profile of the Government**

The 1933 Arkansas General Assembly enacted Act 132, authorizing all cities and towns in the state to levy user charges against property owners "to construct, own, equip, operate, maintain and improve" sewage collection and treatment systems. In June 1935, a full-fledged Sanitary Sewer Committee was named and the City of Little Rock Sanitary Sewer System was created. The now seven-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 subcommittee 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 in which the LRW operates.

**Local Economy** – The City of Little Rock (the City) currently enjoys a favorable economic environment and local indicators point to continued stability. The City is the capital and largest city of Arkansas as well as the governmental, economic, cultural and financial center of the state. The City and surrounding communities have a mix of industry – state government, centralized health care centers serving the state, a financial sector, information sector and a variety of other sectors that are not cyclical. In a 2013 national publication, *Kiplinger's Personal Finance*, the City of Little Rock was selected as the number one best places to live for small- and mid-size cities. This was based on the cost of living, quality of life, education system and strong economics.

The customer base has continued to grow but at a slower pace from previous years for the domestic and non-domestic users of the City of Little Rock Sanitary Sewer System (the System). The number of domestic customer accounts has increased by 5.35% over the past 10 years while non-domestic users have increased by 3.46% over the same time period. The overall growth of total customer accounts for the 10-year period is 5.16%, a decrease of 0.33% from 2013.

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

The year 2015 represents year thirteen of a 15-year capital improvement implementation plan outlined in the System Evaluation and Capacity Assurance Plan (the "2002 SECAP"), which was completed in 2002 and adopted as part of the Sierra Club Settlement Agreement dated September 12, 2001 (the "Settlement Agreement"). In 2006 the Arkansas Department of Environmental Quality ("ADEQ") and the Utility signed a Consent Administrative Order ("CAO") to address sanitary sewer overflows. The CAO generally adopts the capital improvement implementation plan outlined in the 2002 SECAP and provides certain benchmarks for the completion of the projects outlined therein. The deadline to complete the requirements of the Settlement Agreement and the CAO was originally January 1, 2016. In 2010, the Utility commissioned an update to the 2002 SECAP (the "2010 SECAP"), and, as a result, the Sierra Club and ADEQ agreed to extend the deadline for complying with the Settlement Agreement and the CAO to December 31, 2018. Note 9, Litigation, of the financial statements discusses the Settlement Agreement in more detail.



The five-year capital improvement plan set forth in the 2015 budget assumes the deadline to meet the requirements of the Settlement Agreement and the CAO will remain December 31, 2018. Unfinished capital projects represented in the 2015 budget primarily relate to wastewater collection, transmission and treatment improvements. Total capital expenditures of \$39,288,400 are planned for 2015. Of this amount, \$33,302,700 relates to carryover projects and \$5,985,700 is proposed for new capital projects

In late 2014 and early 2015, Utility staff met with the Sierra Club and ADEQ with an update on its progress in meeting the requirements of the Settlement Agreement and the CAO and to request an extension to meet such requirements until December 31, 2023. Both entities have verbally committed to the extension. Once the extension is formalized, which is expected to occur in 2015, the Utility will select an engineering consulting firm to evaluate specific areas of the collection system and recommend improvements for reduction in Infiltration/Inflow.

Assuming that the 2015 SECAP is adopted as part of the Settlement Agreement and the CAO, the Utility estimates that capital improvements required over the next ten years, both to comply with the Settlement Agreement and the CAO and for routine capital improvements, will cost \$326,270,000 and will include the following:

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

Various rehabilitation projects are forecast to require expenditures totaling over \$136,000,000 over the next ten years. The total cost of work scheduled during 2015 is \$17,864,100 and will be funded with proceeds of Subordinate Bonds. The balance of the cost will be funded with System revenues and sewer revenue bonds expected to be issued prior to 2023.

#### **Trenchless Sewerline Rehabilitation**

Trenchless sewer line rehabilitation is for the renewal of structurally deteriorated line segments that contribute to non-capacity overflows. The line segments for trenchless rehabilitation are typically located in areas where replacement by reconstruction is costly due to site restrictions. For 2015, \$1,335,700 is forecasted for trenchless rehabilitation work. The Utility is projecting that \$1,250,000 will be needed each year for years 2016 to and including 2023. This project is being funded with System revenues and sewer revenue bonds to be issued prior to 2023.

#### **Cantrell Road Pump Station/Force Main Upgrade**

The Cantrell Road Pump Station and Force Main were placed in service in 1967. The SECAP recommends the replacement of all mechanical and electrical equipment, and installation of back-up power. The SECAP also recommends that an additional force main be constructed and the existing force main inspected and rehabilitated as required. The total estimated cost of this project is \$16,427,600 and will be funded with proceeds of the Series 2012 Bonds. It is scheduled to complete in 2015.

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

The SECAP identified the need for additional storage to complement the existing storage facility located at Scott Hamilton Drive. The total capital cost for this project is estimated at \$32,473,400 with funding sources from the Series 2012 Bonds and proposed sewer revenue bonds to be issued in 2016.

### **Adams Field Storage Facility**

An additional storage facility at the Adams Field Wastewater Treatment Facility is needed to complement existing and proposed storage facilities (Scott Hamilton Drive Peak Flow Facility) that will allow for extended hydraulic pass-through of rainfall dependent infiltration and inflow volume. The total capital cost for this project is estimated at \$43,340,000 with the construction beginning in 2015 and completed by 2018. The funding source will be proposed sewer revenue bonds to be issued in 2021.

### **Fourche Creek Wastewater Treatment Facility Phase III – Rehabilitation**

Recent improvements to the Fourche Creek Wastewater Treatment Facility increased the hydraulic capacity of the plant from 36 million gallons per day (MGD) to 45 MGD. This level of hydraulic throughput was needed to address the hydraulic improvements at the Arch Street Pump Station. However, in the 2008 Facility Plan for the plant, the ultimate hydraulic throughput of the plant was placed at 52 MGD to allow for anticipated growth in the industrial port complex. Construction is scheduled to begin in 2017 and be completed by the end of 2018. The total cost is estimated at \$10,545,000 and will be funded by sewer revenue bonds to be issued in 2017.

### **Adams Field WTF Nutrient Removal**

In 2014, ADEQ determined that the oxygen demanding constituent of all municipal wastewater discharges, ammonia nitrogen (NH<sub>3</sub>-N), has a significant effect on the predicted dissolved oxygen (DO) level in the Arkansas River. The ADEQ water quality model indicated that a NH<sub>3</sub>-N permit limit of 7.0 mg/l for the Adams Field facility will be needed to meet the in-stream DO water quality standard of 5.0 mg/l. In order to achieve compliance, ADEQ has directed the Utility to submit two progress reports identifying steps taken toward evaluating and selecting operational changes and/or treatment options. A preliminary engineering study is scheduled to be conducted in 2015 to develop the progress reports. The project design and construction for the selected treatment option is forecasted to begin in 2016 and complete in 2021. The total project cost is estimated at \$59,000,000 and will be funded by sewer revenue bonds to be issued in 2017 and 2020.

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

A large diameter pipe inspection and rehabilitation program is planned to begin in 2019 to address the renewal of structurally deteriorated line segments. The initial inspection is forecasted to begin in 2019 and is estimated at \$4,635,114. The identified line segments will be prioritized and placed on a rehabilitation schedule. The rehabilitation is estimated at \$4,000,000 annually with a total cost of \$24,000,000 through 2023 and will be funded by System revenues and revenue bonds issued in 2019 and 2022.

In November 2014, LRW contracted with Raftelis Financial Consultants, Inc. to complete a 10-year comprehensive financial plan that includes proposed rates, rate structures, policy reviews, capital needs & funding, and a designated electronic rate model for LRW. Raftelis is expected to complete the schedule for rates, deliverables and reports no later than May 2015.

## **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 operated in a manner similar to private business enterprises. The intent of LRW 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 user charges. All activities necessary to provide such services are accounted for in this fund including, but not limited to, administration, operations, maintenance, financing and related debt issues and billing and collection.

### **Flow of Funds Policy**

The flow of funds is established based on parity bond ordinances. The most recent City of Little Rock Bond Ordinance is #20,604. 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 Sewer Revenue Fund as collected. Monies deposited in the Sewer Revenue Fund shall be first used to pay all Operation and Maintenance Expenses. The revenues of the System not actually required to pay Operation and Maintenance Expenses (the "Net Revenues") shall be transferred from the Revenue Fund to the other funds, in the order of priority, in the manner set forth in the Bond Ordinance.

### **Bond Fund**

The following shall be deposited in the Bond Fund:

1. Such amounts, in equal monthly installments by the 10th of the month following the month of closing, and on or before the 10th of each month thereafter, as will be sufficient to pay 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.

### **Bond Reserve Fund**

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

### **Depreciation Fund**

Three percent (3%) of the remaining money in the Revenue Fund at the end of each month after all payments required to be made from the revenue fund have been made and all deficiencies accumulated from prior months 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 Projects Fund**

Capital Project Fund includes any monies derived from the proceeds of Sewer Revenue Bond issues, State Revolving Loan Fund issues, or transfers from the Revenue Fund to finance major capital improvement projects.

### **Capital Improvements Budget Policy**

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

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

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

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 of the capital expenditures 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 as capital expenditures. In general, expenses associated with additions, replacements, reconstructions, improvements or betterments qualify as capital expenditures.

Due to state procurement laws and the nature of capital improvement expenditures, it generally takes more than one (1) fiscal year to complete most capital improvement projects. Therefore, many projects carry over from year to year before they are completed and placed into service. 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 succeeding 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 directors, and supervisors 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 at that time.

### **Budget Amendment Policy**

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

### **Revenue Policy**

City of Little Rock Ordinance No. 20,594 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 that shall accrue during the year. The current bond ordinance requires that LRW produce an additional amount equal to 100% of the aggregate amount required to be paid in such year for principal and interest and redemption premiums on bonds payable from the Bond Fund.

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.

### **Operating Cash Reserve Policy**

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

### **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 have a maturity of no longer than five (5) years from the date of acquisition unless, as documented at the time of acquisition, the investment is to fund or support a specific purpose and there are no expectations that the investment will be sold before maturity. The primary objectives of the investment policy are 1) preservation of capital; 2) safety of 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 of its investment policy and strategies.

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

### **Debt Service Policy**

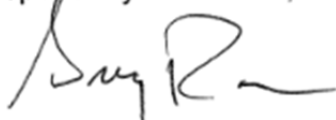
Planned rate increases on a consistent basis are programmed in the Financial Plan and are mainly driven by the capital improvement program and debt service coverage required both by the revenue bond covenants and by the LRSSC benchmarks for financial management. The parity revenue bond covenants require debt service coverage of 1.2 times or greater (meaning 120% of the current year’s debt service requirements must be available that fiscal year to issue new debt). 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, 2013. This was the tenth 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 (1) year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,



Greg Ramon  
Chief Executive Officer



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

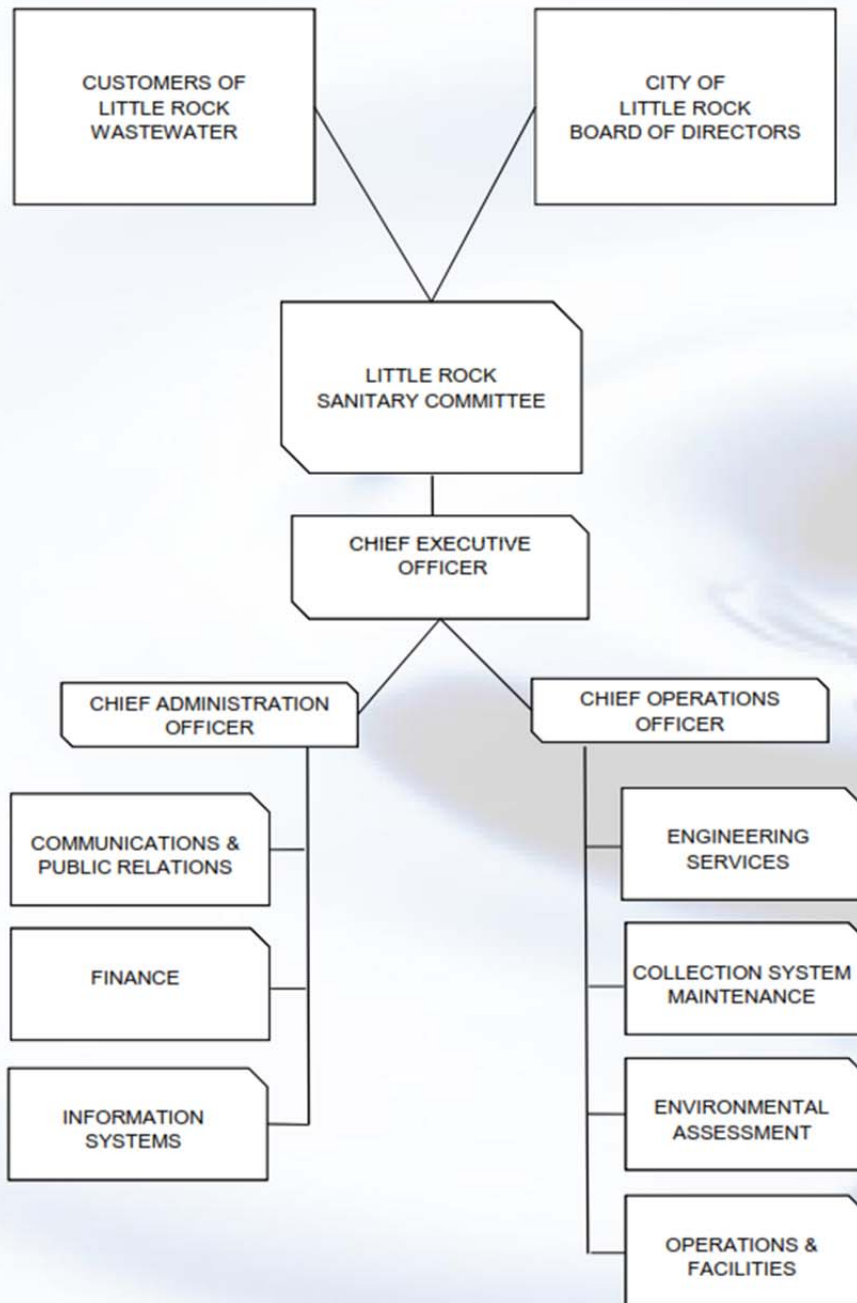
**Little Rock Wastewater  
Arkansas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2013**

Executive Director/CEO





# 2014 LITTLE ROCK SANITARY SEWER COMMITTEE

**Pat Miller  
Secretary**



**Richard Mays Jr.  
Chair**



**Jean Block  
Vice Chair**



**Maurice Rigsby  
Member**

**Pete Hornibrook  
Member**



**Ken Griffey  
Member**



**Marilyn Perryman  
Member**

## EXECUTIVE STAFF

Greg Ramon – Chief Executive Officer

Beckie Hunnicutt – Administrative Coordinator

John Jarratt – Chief Administration Officer

Howell Anderson, P.E. – Chief Operating Officer

Debbie Williams - Finance

John Holloway, P.E. – Engineering

Walter Collins – Operations

Stanley Suel – Environmental Assessment

**FINANCIAL SECTION**



**Little Rock**  
**Wastewater**

## Independent Auditor's Report

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

We have audited the accompanying financial statements of Little Rock Wastewater Utility (the Utility), a component unit of the City of Little Rock, Arkansas, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Little Rock Wastewater Utility as of December 31, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Little Rock Wastewater Utility's basic financial statements. The budgetary comparison schedule, schedule of operating expenses and schedule of bonded indebtedness, listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

*Other Information*

Our audits were conducted for the purpose of forming an opinion on the basic financial statements. The Introductory and Statistical Sections listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2015, on our consideration of Little Rock Wastewater Utility'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* in considering the Utility's internal control over financial reporting and compliance.

*BKD, LLP*

Little Rock, Arkansas  
March 11, 2015

## MANAGEMENT'S DISCUSSION AND ANALYSIS

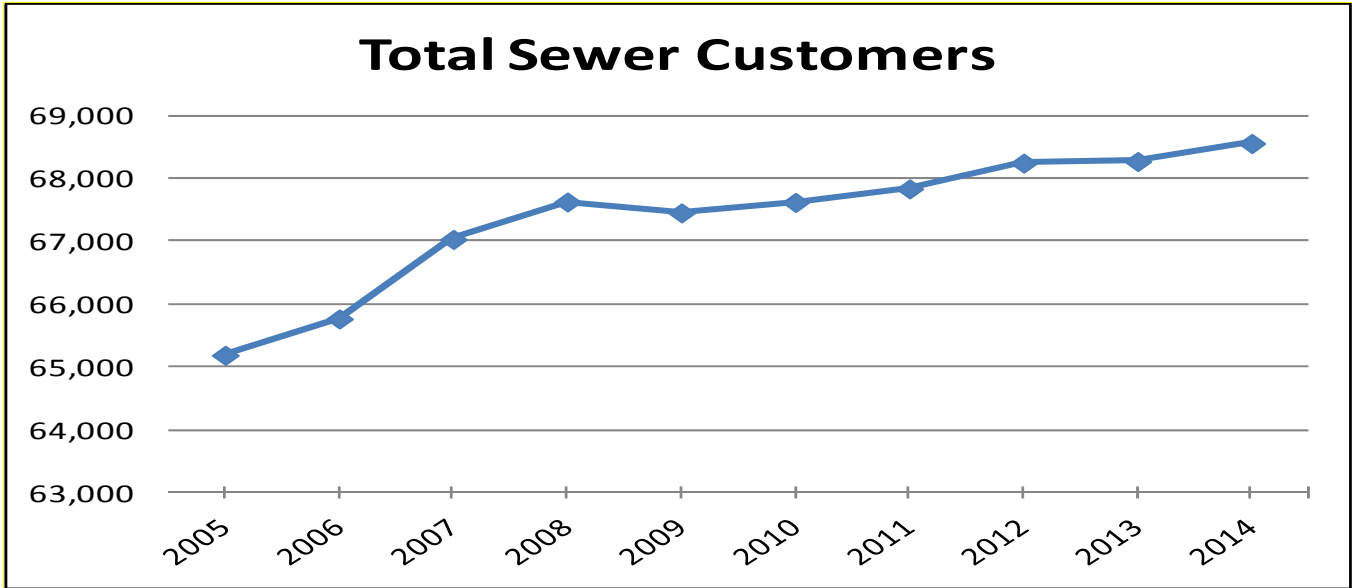
As management of Little Rock Wastewater (LRW), we offer readers of LRW's financial statements this narrative overview and analysis of the financial activities of LRW for the fiscal year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with additional information that is provided in our letter of transmittal, which can be found on Pages 3 through 11 of this report. The comprehensive annual financial report is made available via the Internet ([www.lrwu.com](http://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**

- Total Assets and Deferred Outflows of Resources at year-end were \$478.1 million and exceeded Total Liabilities of \$282.6 million. Total Net Position was \$195.5 million, an increase of 5.4% from 2013 and an increase of 9.1% from 2012.
- Operating Revenues increased to \$51.2 million in 2014. This was an increase of 6.4%, or \$3.1 million, from 2013 and an increase of 0.6% as compared to the 2014 budget projections.
- Operating Expenses, before Depreciation increased by \$1.2 million, or 5.4%, compared to fiscal year 2013 and an increase of \$2.5 million from 2012. Operating Expenses, including Depreciation, increased the same, \$1.2 million from fiscal year 2013.
- Debt Service Coverage was 1.82, which exceeds the 1.20 required by the Bond Covenant. In the Statistical Data Section, Schedule 11 – Pledged-Revenue Coverage provides more information on debt service coverage.
- Issued a 2014 Revenue Refunding Bond Issue in the amount of \$11.98 million. This bond refunded the 1999 Sewer Revenue Bond and advance funded the 2005 Sewer Revenue Bond. This new issue had no new construction proceeds.
- In January 2014, LRW implemented an overall rate increase of 7.0% from a Rate Ordinance passed by the City of Little Rock Board of Directors in June 2012. The ordinance included sewer rate increases of 12.75% for June 2012; 8.0% for January 2013; 7.0% for January 2014; and 4.75% for January 2016 to fund operations and maintenance, cash-funded capital and debt service. The 2014 increase generated about \$3.2 million in revenue from 2013.

**General Trends**

LRW’s customer accounts increased from 2013 by 286 or 0.4%. Over a 10-year period, the customer growth rate was 5.16%. As you can see from the chart below, customer growth has slowed sharply starting in 2008 to present.



<b>Wastewater Customers</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
Beginning Customer Accounts	68,272	68,246	67,837
Additional Accounts (net)	286	26	409
Ending Customer Accounts	68,558	68,272	68,246

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

<b>Domestic Bill</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
	\$31.71	\$30.89	\$29.58

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, one tertiary and two secondary treatment facilities, a peak flow attenuation facility, a maintenance facility and an administration building. The collection system includes over 124 square miles containing approximately 1,368 miles of sewer lines. LRW has received awards from the EPA and the Association of Metropolitan Sewerage Agencies (AMSA). Two of LRW's wastewater treatment plants, Adams Field and Little Maumelle, have been awarded the AMSA Gold Award for 100% Permit Compliance while Fourche Creek (having one violation) received the AMSA Silver Award for 2013. A list of all awards can be viewed on LRW's website.

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



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

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



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



The Peak Flow Attenuation Facility was placed in service mid-year of 2009 to help improve the hydraulic capacity of the collection system during wet weather events and address wet weather overflows in the western end of the Fourche Creek Bottoms. This project consists of a 50 MGD pump station, 12,000 l.f. of 48-inch force main, two (2) diversion structures, and a 30 million gallon storage facility. This along with an associated project, Arch Street Pump Station rehabilitation and hydraulic upgrade has a project cost of \$54.5 million. It is designed to handle a storm where five (5) inches of rain would fall within 48 hours, which is also referred to as a 'peak flow event.'



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 (2) utilities operate a Fleet Maintenance Department together for the maintenance and repair of vehicles and equipment. About 90 LRW employees in the Maintenance Division work from this facility, making it the home base for the majority of LRW work force.

The Clearwater 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) Net Position; 2) Statement of Revenues, Expenses, and Changes in Net Position; and 3) Statement of Cash Flows.

The Statement of Net Position presents information on all of LRW's assets, deferred outflows of resources, liabilities and deferred inflows of resources, if any, with the difference between the two groups reported as net position. Over time, increases or decreases in net position 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 Position reflect the results of the business activities over the course of the most recent fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

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

## **Fiscal Year 2012–2014 Financial Information**

### **Statement of Net Position**

Total Assets increased by \$14.1 million from 2013 and increased by \$12.7 million from 2012. Current Assets show an increase of 51.16% from 2013. This was due to a 7% rate increase that went into effect in January 2014 and the 2012 bond proceeds moving between Current and Noncurrent Assets to match the Construction Contracts Payable. Noncurrent Assets shows a decrease of 32.69% or \$12.2 million from 2013. This reflects a larger shift in 2014 for the 2012 bond proceeds between Current and Noncurrent Assets and the outflow of those proceeds toward new capital projects. Net Capital Assets has an increase of \$16.9 million from 2013 and a \$17.6 million, or 4.3%, increase from 2012. One large capital project, Little Maumelle Wastewater Treatment Facility, and associated capital items were completed and moved from Construction Work in Progress (CWIP) to Capital Assets. CWIP decreased by \$72.1 million to \$36.3 million in 2014 while the Capital Assets of Building, Infrastructure, and Equipment increased by \$98.5 million in 2014. The Accumulated Depreciation category increased by \$9.5 million, from \$129 million to \$138.5 million, and will show a larger increase next year as the newly added Capital Assets start to depreciate. *Note 4* of the financial statements provides a breakdown between classes of additions and retirements.

With the advance bond refunding of the 2005 Revenue Bond Series, a Deferred Outflow of Resources occurred based on carrying value of the old debt and new price. The remaining amount of \$294,000 will be amortized over the life (May 2025) of the refunding debt.

Current Liabilities showed an increase of 27.7%, or \$4.0 million. The biggest contributing line item is Construction Accounts Payable increasing from \$1.2 million to \$4.3 million in 2014. There were no major changes from 2012 to 2013. Noncurrent Liabilities showed a slight increase of 0.13% or \$0.3 million for 2014. The construction draws from the 2013 Revenue Bond has offset any reduction in yearly payments toward bond principal. The reduction of \$8.2 million from 2013 to 2012 reflects LRW decreasing the outstanding debt on the bond issues through normal yearly principal payments. There was one (1) new bond issue in 2014 in the amount of \$11.98 million for the refunding of the 1999 and 2005 Revenue Bond Series. LRW's bond information can be found in *Note 6* on Page 44. Total Liabilities increased by \$4.3 million from 2013.

Total Net Position had an increase of 5.4% in 2014. The Restricted Net Position decreased slightly by 1% from 2013 while Net Invested in Capital Assets increased by 1.8%, or \$2.8 million, and Unrestricted Net Position increased by \$7.2 million. This is due to the increase in bond requirements in Restricted Assets.

	2014	Percent Change	2013	Percent Change	2012
<b><u>ASSETS</u></b>					
Current Assets	\$ 27,717,547	51.16%	\$ 18,336,455	-4.36%	\$ 19,172,159
Noncurrent Assets, excluding capital assets	25,016,300	-32.69%	37,168,366	-3.25%	38,418,386
Capital Assets (Net)	425,029,345	4.13%	408,152,760	0.18%	407,436,242
Total Assets	477,763,192	3.04%	463,657,581	-0.29%	465,026,787
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>					
Bond Refunding	293,833	100.00%	0	0%	0
Total Assets and Deferred Outflows Of Resources	\$ 478,057,025	3.11%	\$ 463,657,581	-0.29%	\$ 465,026,787
<b><u>LIABILITIES</u></b>					
Current Liabilities	18,649,764	27.72%	14,602,582	3.27%	14,139,694
Noncurrent Liabilities	263,958,115	0.13%	263,614,907	-3.01%	271,790,229
Total Liabilities	282,607,879	1.58%	278,217,489	-2.70%	285,929,923
<b><u>NET POSITION</u></b>					
Restricted	12,440,594	-0.74%	12,533,307	18.90%	10,540,875
Net Invested in Capital Assets	163,269,445	1.80%	160,379,889	4.22%	153,882,712
Unrestricted	19,739,107	57.57%	12,526,896	-14.63%	14,673,277
Total Net Position	195,449,146	5.40%	185,440,092	3.54%	179,096,864
Total Liabilities and Net Position	\$ 478,057,025	3.11%	\$ 463,657,581	-0.29%	\$ 465,026,787

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

Operating revenues fall into three (3) general categories: assessments levied, industrial surcharges and other fees and income. Assessments levied are monthly residential/commercial service charge billings. Industrial surcharges consist of fees based on wastewaters having excessive Biochemical Oxygen Demand (BOD), Total Suspended Solids (TSS), Oil and Grease (O&G), Chemical Oxygen Demand (COD) or pH discharge. Other fees and income are permit fees, connection fees, inspection fees, sewer dump permits and co-generation revenue. Nonoperating revenues consist 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 Revenues increased from 2013 to 2014 by \$3.3 million or 6.8%. LRW had a rate increase of 7% that started in January 2014. Prior to that, there was an increase of 8% in January 2013 and a 12.75% increase that was implemented in July 2012. Assessments Levied had a 6.8% increase from 2013 and were over budget projections by 0.5%. Industrial Surcharges decreased by 17.4%. This decrease reflects a full year of Odom's Sausage moving their processing facilities to another state. Other Fees and Income showed an increase of 13.5%. Nonoperating Revenues showed a significant upward movement of 160.8%, which reflects increases in Interest Income, Gain on Disposal of Property, Unrealized Gain on Investments and Miscellaneous Income. The biggest advancement was the Gain on Investments changing from a decrease of \$131,000 in 2013 to an increase of \$148,000 in 2014. Interest Income jumped by \$119,000 from 2013.

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. Nonoperating 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 Expenses increased slightly by \$0.6 million in 2014. Operating Expenses, before depreciation, increased by 5.5%, or \$1.2 million. Although Operating Expenses were under budget by 8.0%, the increase costs, from 2013, reflect the filling of vacant several positions, associated benefits and the removal of modified austerity measures.

Nonoperating Expenses had a modest decrease of \$0.6 million in 2014 compared to 2013. The main line item that changed between the years was Interest Expense being reduced based on the 2014 bond refunding. In 2012, LRW had a loss on Disposal of Capital Assets in the amount of \$855,000 compared to a gain in 2013 for \$111,000 and a gain of \$125,000 in 2014.

Change in Net Position represents an increase of \$3.7 million, or 57.8%, from 2013 and the change in the ending total Net Position of \$10.0 million from last year shows a 5.4% growth.

Additional information can be found on the Statement of Revenues, Expenses and Changes in Net Position on Page 32 and Budgetary Comparison Schedule on Page 65.

	2014	Percent Change	2013	Percent Change	2012
<b>REVENUES:</b>					
Operating Revenues:					
Assessments Levied	\$ 49,699,493	6.84%	\$ 46,515,532	10.62%	\$ 42,049,133
Industrial Surcharges	886,815	-17.35%	1,072,928	-0.72%	1,080,731
Other Fees and Income	627,882	13.53%	553,052	32.36%	417,832
Nonoperating Revenues	511,530	160.78%	196,152	-81.10%	1,038,068
Total Revenues:	51,725,720	7.01%	48,337,664	8.42%	44,585,764
<b>EXPENSES:</b>					
Operating Expenses, before depreciation	23,313,891	5.48%	22,102,353	6.03%	20,845,059
Depreciation Expense	10,280,104	-0.10%	10,290,374	31.68%	7,814,768
Nonoperating Expenses	10,014,412	-6.01%	10,654,770	-6.05%	11,341,433
Total Expenses:	43,608,407	1.30%	43,047,497	7.62%	40,001,260
Income (Loss) Before Contributions	8,117,313	53.44%	5,290,167	15.39%	4,584,504
Capital Contributions	1,891,741	79.64%	1,053,061	-44.78%	1,906,970
Change in Net Position	10,009,054	57.79%	6,343,228	-2.28%	6,491,474
Adjustment Applicable to Prior Years	-	0.00%	-	0.00%	9,560,480
Total Net Position – Beginning	185,440,092	3.54%	179,096,864	9.85%	163,044,910
Total Net Position – Ending	\$ 195,449,146	5.40%	\$ 185,440,092	3.54%	\$ 179,096,864

## Capital Assets and Debt Administration

The cash outflow for LRW on wastewater system capital improvements was \$22.5 million in fiscal year 2014. The largest major construction dollars were spent on CAO collection projects in the amount of \$9.1 million, CAO pumping projects in the amount of \$6.0 million, Collection System Maintenance in the amount of \$3.5 million, and CAO treatment projects in the amount of \$2.1 million. The remaining classifications of new sewer mains, replacement sewer mains, transportation, and general plant make up the remaining \$1.8 million spent on capital assets. Additional information can be found on *Note 4* of this report.

The City of Little Rock Board of Directors passed a 2014 Sewer Refunding Bond Issue in the amount of \$11.98 million dollars. This bond refunded the 1999 Sewer Revenue Bond and advance funded the 2005 Sewer Revenue Bond. This new issue had no new construction proceeds. *Note 7* provides more detailed dollar figures for the advanced refunding and defeasance of debt. The total long-term debt (less bond payable within one year) increased by \$1.2 million in 2014.

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

The Utility had commitments totaling approximately \$15,967,618 at December 31, 2014, for the expansion of plant capacity.

<b>Long-Term Debt</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
1990 Sewer Revenue	\$ -	\$ 250,873	\$ 737,957
1991 Sewer Revenue	-	215,033	632,535
1996 Sewer Revenue	1,733,305	2,083,097	2,420,960
1999 Sewer Revenue	-	6,504,479	7,101,926
2004A Sewer Revenue	16,122,554	17,153,178	18,151,106
2004B Sewer Revenue	10,086,079	10,700,711	11,295,843
2004C Sewer Revenue	9,936,377	10,488,999	11,024,091
2005 Sewer Revenue	-	6,905,000	7,340,000
2007A Sewer Revenue	54,760,000	56,085,000	57,360,000
2007B Sewer Revenue	14,375,892	15,140,837	15,885,172
2007C Sewer Revenue	71,085,000	71,085,000	71,085,000
2008 Sewer Revenue	14,335,000	14,640,000	14,935,000
2009A Sewer Revenue	7,165,246	7,504,139	7,836,355
2009B Sewer Revenue	6,000,080	6,135,079	6,268,538
2011 Sewer Revenue	15,525,000	16,590,000	17,165,000
2012 Sewer Revenue	27,175,000	27,790,391	28,390,000
2013 Sewer Revenue	9,662,331	163,363	-
2014 Sewer Revenue	11,980,000	-	-
Less Debt Payable, due within one year	\$ (9,023,866)	\$ (8,632,477)	\$ (8,359,601)
Total Long-Term Debt, excluding premium/discount	\$ 260,917,998	\$ 260,802,702	\$ 269,269,882

Additional information on LRW's long-term debt can be found in *Note 6* on Page 44 of this report.

### **Economic Factors and Next Year's Budget and Rates**

LRW has monitored customer base trend line and the reliance on LRW required services will continue to grow at a slow pace of less than 1.0%. LRW believes that 2015 revenues will match budget based on the monitoring of the first month of collections. LRW evaluates the Average Winter Consumption (AWC) for residential customers in the March/April timeframe. The downward trend has leveled off the past two years. LRW has one major customer that accounts for just over 1% each toward total revenues (see Schedule 12 – Ten Largest Customers). There has been one (1) major customer (Odom's Sausage) transferred operations to a different state in 2013, which reduced LRW's Assessments levied and Industrial Surcharge.

The five-year capital improvement plan set forth in the 2015 budget assumes the deadline to meet the requirements of the Settlement Agreement and the CAO will remain December 31, 2018. Unfinished capital projects represented in the 2015 budget primarily relate to wastewater collection, transmission and treatment improvements. Total capital expenditures of \$39,288,400 are planned for 2015. Of this amount, \$33,302,700 relates to carryover projects and \$5,985,700 is proposed for new capital projects.



In late 2014 and early 2015, Utility staff met with the Sierra Club and ADEQ with an update on its progress in meeting the requirements of the Settlement Agreement and the CAO and to request an extension to meet such requirements until December 31, 2023. Both entities have verbally committed to the extension. Once the extension is formalized, which is expected to occur in 2015, the Utility will select an engineering consulting firm to review and update the 2010 SECAP.

Assuming that the 2015 SECAP is adopted as part of the Settlement Agreement and the CAO, the Utility estimates the capital improvements required over the next ten years, both to comply with the Settlement Agreement and the CAO and for routine capital improvements, will cost \$326,270,000. In order to meet these capital requirements, LRW will need to increase rates during that time of period for the repayment of debt. Currently LRW is working with Raftelis Financial Consultants, Inc. on a 10-year comprehensive financial plan that includes proposed rates, rate structures, policy reviews, capital needs & funding, and a designated electronic rate model for LRW. This study should be completed by May 2015.

Moody's Investors Service maintained LRW's rating at Aa3 with a negative outlook for the 2014 refunding bond issue on the underlying rating of the City of Little Rock (AR) Sewer Revenue Bonds based on projected rate increases necessary to support future debt needs to meet the CAO.

The Governmental Accounting Standards Board ("GASB") has issued Statement No. 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)* ("GASB 68") which the Utility has not yet adopted and will require adoption subsequent to December 31, 2014. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability, including their proportionate share of the collective net pension liability of cost-sharing multiple-employer plans and to more comprehensively and comparably measure the annual costs of pension benefits. The provisions of GASB 68 are effective for periods beginning after June 15, 2014. The Utility has not yet determined the impact of adopting GASB 68 will have on its financial position and results of operations in future financial statements.

### **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 Director of Finance, P.O. Box 45090, Little Rock, AR 72214-45090.

LITTLE ROCK WASTEWATER  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2014 AND 2013

<b>ASSETS</b>	<b>2014</b>	<b>2013</b>
<b><u>CURRENT ASSETS</u></b>		
Cash and Cash Equivalents	\$ 11,841,279	\$ 6,200,639
Accounts Receivable (Net of Allowance for Doubtful Accounts of \$493,023 in 2014, and \$300,091 in 2013)	3,507,302	3,782,711
Inventories	1,414,084	1,430,614
Prepaid Items	162,528	107,776
Construction Receivable	134,616	-
Restricted for Bond Requirements		
Cash and Cash Equivalents	4,670,411	4,336,337
Accrued Interest Receivable	45,291	31,918
Prepaid Items	918,200	1,219,642
Restricted for Construction and Improvements		
Cash and Cash Equivalents	5,023,836	1,226,818
Total Current Assets	<u>27,717,547</u>	<u>18,336,455</u>
<b><u>NONCURRENT ASSETS</u></b>		
Prepaid Other Postemployment Benefits	<u>1,389,937</u>	<u>1,303,402</u>
Restricted for Workers' Compensation Fund		
Investments	599,484	595,920
Restricted for Bond Requirements		
Investments	12,175,561	12,058,123
Restricted for Construction and Improvements		
Cash and Cash Equivalents	4,108,883	3,555,766
Investments	6,742,435	19,655,155
Total Restricted Noncurrent Assets	<u>23,626,363</u>	<u>35,864,964</u>
Capital Assets (Net of Accumulated Depreciation)	<u>425,029,345</u>	<u>408,152,760</u>
Total Noncurrent Assets	<u>450,045,645</u>	<u>445,321,126</u>
 Total Assets	 <u>477,763,192</u>	 <u>463,657,581</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Deferred Amounts on Bond Refunding	<u>293,833</u>	<u>-</u>

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

LITTLE ROCK WASTEWATER  
STATEMENTS OF NET POSITION (CONTINUED)  
DECEMBER 31, 2014 AND 2013

<b>LIABILITIES</b>	<b>2014</b>	<b>2013</b>
<b><u>CURRENT LIABILITIES</u></b>		
Accounts Payable	\$ 464,079	\$ 303,430
Franchise Fee Collections Due to City of Little Rock	400,204	391,429
Sewer Line Replacement Fee	143,771	159,405
Accrued Wages Payable and Related Liabilities	444,003	389,393
Accrued Expenses and Other	25,954	207,893
Compensated Absences	865,936	855,108
Construction Contracts Payable	5,023,836	1,226,818
Accrued Bond/Note Interest Payable	2,258,115	2,436,629
Bond/Note Payable - Current	9,023,866	8,632,477
Total Current Liabilities	<u>18,649,764</u>	<u>14,602,582</u>
<b><u>NONCURRENT LIABILITIES</u></b>		
Bonds/Note Payable (net of unamortized premiums and discount)	263,881,185	263,540,046
Compensated Absences	76,930	74,861
Total Noncurrent Liabilities	<u>263,958,115</u>	<u>263,614,907</u>
Total Liabilities	<u>282,607,879</u>	<u>278,217,489</u>
<b>NET POSITION</b>		
Restricted For		
Debt Service	11,841,110	11,937,387
Workers' Compensation	599,484	595,920
Total Restricted	<u>12,440,594</u>	<u>12,533,307</u>
Net Invested in Capital Assets	163,269,445	160,379,889
Unrestricted	19,739,107	12,526,896
Total Net Position	<u>\$ 195,449,146</u>	<u>\$ 185,440,092</u>

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

**LITTLE ROCK WASTEWATER**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b><u>OPERATING REVENUES</u></b>		
Sewer Charges	\$ 49,699,493	\$ 46,515,532
Industry Surcharges	886,815	1,072,928
Other	<u>627,882</u>	<u>553,052</u>
Total Operating Revenues	<u>51,214,190</u>	<u>48,141,512</u>
 <b><u>OPERATING EXPENSES, BEFORE DEPRECIATION</u></b>		
Salaries and Benefits	15,097,683	14,315,370
Supplies	2,218,406	2,193,620
Contract Services	2,725,022	2,622,055
Vehicle Expenses	495,932	573,276
Utilities	1,623,697	1,456,322
Administrative	<u>1,153,151</u>	<u>941,710</u>
Total Operating Expenses, Before Depreciation	<u>23,313,891</u>	<u>22,102,353</u>
 <b><u>PROVISION FOR DEPRECIATION</u></b>		
Building and Improvements	1,758,088	1,668,889
Infrastructure - Collections, Pumping & Treatments	2,005,269	2,251,615
Equipment	<u>6,516,747</u>	<u>6,369,870</u>
Total Provision for Depreciation	<u>10,280,104</u>	<u>10,290,374</u>
 <b>OPERATING INCOME</b>	<u>17,620,195</u>	<u>15,748,785</u>
 <b><u>NONOPERATING REVENUES (EXPENSES)</u></b>		
Interest Income	172,864	52,567
Interest Expense	(9,656,926)	(10,496,353)
Bond Issuance Costs	(214,055)	(26,814)
Gain (Loss) on Disposal of Capital Assets	(18,413)	111,517
Gain (Loss) on Investments	148,019	(131,603)
Other	<u>65,629</u>	<u>32,068</u>
Net Nonoperating Expenses	<u>(9,502,882)</u>	<u>(10,458,618)</u>
 <b>INCREASE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS</b>	8,117,313	5,290,167
 <b>CAPITAL CONTRIBUTIONS</b>	<u>1,891,741</u>	<u>1,053,061</u>
 <b>CHANGE IN NET POSITION</b>	10,009,054	6,343,228
 <b>NET POSITION, BEGINNING OF YEAR</b>	<u>185,440,092</u>	<u>179,096,864</u>
 <b>NET POSITION, END OF YEAR</b>	<u>\$ 195,449,146</u>	<u>\$ 185,440,092</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, 2014 AND 2013

	2014	2013
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash Received from Customers	\$ 50,854,858	\$ 47,217,244
Other Receipts	627,882	553,052
Payments to Employees	(14,997,208)	(14,005,157)
Payments to Suppliers	(2,041,227)	(2,481,952)
Payments for Contractual Services	(2,725,022)	(2,622,055)
Payments for Utilities	(1,623,697)	(1,456,322)
Other Payments	(1,701,844)	(1,509,933)
Net Cash Provided by Operating Activities	28,393,742	25,694,877
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Bond Issuance Costs	(214,055)	-
Acquisition and Construction of Capital Assets	(21,341,466)	(7,540,981)
Proceeds from Disposal of Capital Assets	655,786	650,200
Principal Paid on Indebtedness	(8,511,444)	(8,332,746)
Interest Paid on Indebtedness	(11,253,916)	(11,331,063)
Net Proceeds from Issuance of Indebtedness	9,498,968	110,172
Net Cash Used in Capital and Related Financing Activities	(31,166,127)	(26,444,418)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest on Investments	159,491	179,637
Proceeds from Sale of Investments	13,068,953	5,815,385
Purchase of Investments	(131,210)	(1,023,461)
Net Cash Provided by Investing Activities	13,097,234	4,971,561
Net Increase in Cash and Cash Equivalents	\$ 10,324,849	\$ 4,222,020

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, 2014 AND 2013

	2014	2013
<u>CASH AND CASH EQUIVALENTS</u>		
Beginning of Year	\$ 15,319,560	\$ 11,097,540
Net Increase in Cash and Cash Equivalents	10,324,849	4,222,020
End of Year	\$ 25,644,409	\$ 15,319,560
 <u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating Income	\$ 17,620,195	\$ 15,748,785
Adjustments:		
Depreciation	10,280,104	10,290,374
Change in Operating Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	275,409	(189,961)
(Increase) Decrease in Inventories	16,530	(62,052)
(Increase) Decrease in Prepaid Items and Other Assets	160,155	(80,620)
Increase (Decrease) in Accounts Payable	160,649	(226,280)
Increase (Decrease) in Accrued Expenses	(121,290)	214,631
Net Cash Provided by Operating Activities	\$ 28,391,752	\$ 25,694,877
 <u>RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS</u>		
Current Assets - Cash and Cash Equivalents	\$ 11,841,279	\$ 6,200,639
Restricted for Bond Requirements	4,670,411	4,336,337
Restricted for Construction and Improvement	9,132,719	4,782,584
Total Cash and Cash Equivalents	\$ 25,644,409	\$ 15,319,560

**SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:**

During 2014 and 2013, the Utility received donated sewer lines capitalized in the amounts of \$1,891,741 and \$1,053,061, respectively.

During 2014, the Utility issued bonds in the amount of \$11,980,000 in order to refund debt. Net bond proceeds plus \$412,571 in existing Utility funds were used to pay bond issue costs of \$225,223, with a remaining \$12,648,189 deposited immediately in an irrevocable trust for the defeasance of outstanding principal and payment of accrued interest and trustee fees.

During 2014 and 2013, the Utility acquired \$5,023,836 and \$1,226,818, respectively, in capital assets through incurrence of vouchers and retainages payable.

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

LITTLE ROCK WASTWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. **Reporting Entity**

The financial statements of the Little Rock Wastewater (LRW or the Utility), a component unit (Enterprise Fund) of the City of Little Rock, conform to generally accepted accounting principles for state and local governments. The Utility provides sewer services for the greater Little Rock area. These services primarily consist of treatment and disposal of sewer water, inspection of sewer lines, and construction of sewer treatment plants, rehabilitation projects, and spot repairs. The vast majority of the Utility's customers are residential; however, the Utility also services commercial businesses. The Utility had 68,558 and 68,272 customers at December 31, 2014 and 2013, 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 component unit 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.

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 position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. It requires the classification of net assets into three components: restricted; net investment in capital assets; and unrestricted.

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

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

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

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 be presented as a change in net position.

LITTLE ROCK WASTWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 as nonoperating revenues. All expenses related to operating the sewer system such as salaries, benefits, supplies, utilities and administrative costs are reported as operating expenses. Interest expense and financing costs are reported as nonoperating expenses.

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 equivalents.

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 revenues (expenses) 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, 2014 and 2013, are more fully explained in *Note 3*.

The Utility pays Central Arkansas Water for billing and collection services provided by that entity. Such payments amounted to approximately \$740,116 and \$726,478 for the years ended December 31, 2014 and 2013, respectively, and are included as operating expenses in the accompanying statements of revenues, expenses and changes in net position.



LITTLE ROCK WASTWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. **Capital Assets and Capital Contributions**

Capital Assets consist of property, plant and equipment and include assets which have been contributed to LRW. 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 one year. Depreciation is computed using the straight-line method of depreciation with estimated useful lives of 10 to 50 years for buildings and improvements, 5 to 25 years for machinery and equipment, and 50 years for collection systems (primarily sewer lines). Interest cost incurred during construction is capitalized.

I. **Compensated Absences**

Employees earn Personal Time Off (PTO) as the only paid personal leave as it covers time away from the workplace for vacation, personal time, funeral, illness, etc. There are no restrictions on how much PTO can be accrued and no deadline to use the time accrued, but there is a "use or lose" policy for any balance over 300 hours at December 31 of each year. Employees accumulate PTO each pay period based on length of service.

The rate of accrual for any given year in the first 12 months is 18 days, one through five years accrue 20 days, six through 15 years accrue 25 days, 16 through 25 years accrue 30 days, and 25 years and up accrue 35 days. Net changes in the liability for compensated absences are summarized in *Note 8*.

J. **Pension Plan**

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

LITTLE ROCK WASTWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. **Other Postemployment Benefits**

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

L. **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.

M. **Reclassifications**

Amounts have been reclassified in the 2013 financial statements to conform to the presentation in the 2014 and 2013 comparative financial statements. The reclassifications did not affect the net change in net position during 2013.

LITTLE ROCK WASTEWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

**NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS**

A reconciliation of cash, cash equivalents, and investments per the statements of cash flows to the statements of net position as of December 31, 2014 and 2013, respectively, follows:

	December 31, 2014			
	Cash			
	Cash	Equivalents	Total	Investments
Unrestricted Assets	\$ 11,841,279	\$ -	\$ 11,841,279	\$ -
Restricted Assets				
Bond Requirements	-	4,670,411	4,670,411	12,175,561
Construction and Improvements	-	9,132,719	9,132,719	6,742,435
Workers' Compensation Fund	-	-	-	599,484
Total Restricted Assets	-	13,803,130	13,803,130	19,517,480
Total	\$ 11,841,279	\$ 13,803,130	\$ 25,644,409	\$ 19,517,480
	December 31, 2013			
	Cash			
	Cash	Equivalents	Total	Investments
Unrestricted Assets	\$ 6,200,639	\$ -	\$ 6,200,639	\$ -
Restricted Assets				
Bond Requirements	-	4,336,337	4,336,337	12,058,123
Construction and Improvements	38,086	4,744,498	4,782,584	19,655,155
Worker's Compensation Fund	-	-	-	595,920
Total Restricted Assets	38,086	9,080,835	9,118,921	32,309,197
Total	\$ 6,238,725	\$ 9,080,835	\$ 15,319,560	\$ 32,309,197

**Custodial Credit Risk**

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 bonds or other interest-bearing securities of the United States, the State of Arkansas, Arkansas political subdivisions or agencies or instrumentalities of these agencies.

Included in the Utility's total cash balances of \$12,177,877 and \$6,238,725 at December 31, 2014 and 2013, respectively, are deposits with financial institutions of \$12,177,877 at December 31, 2014 and \$6,238,725 at December 31, 2013. As of December 31, 2014, \$1.4 million of the Utility's bank balance was uninsured and exposed to custodial credit risk because it was undercollateralized by the pledging financial institution.

LITTLE ROCK WASTWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

**Investments**

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

Cash equivalents and investments at December 31, 2014 and 2013, consisted of Federated Treasury Obligations (a money market fund), U.S. Government Obligations or school district obligations, stated at fair values of \$32,984,012 and \$41,390,032, respectively. Net unrealized gain (loss) for each of the years ended December 31, 2014 and 2013, was \$148,019 and \$(131,603), respectively. Investments included in cash equivalents at December 31, 2014 and 2013, amount to \$13,466,532 and \$9,080,835, respectively, and there were no unrealized gains or losses related to these investments.

Investment Type	December 31, 2014				Credit Rating
	Fair Value	Less than 1 year	1-5 years	6-10 years	
<b>Cash Equivalents and Investments</b>					
Cash Equivalents:					
Federated Treasury Obligation	\$ 13,803,130	\$ 13,803,130	\$ -	\$ -	AA+/Aaa
Investments:					
Fannie Mae	4,810,775	-	4,810,775	-	AA+/Aaa
Federal Farm Credit Bank	1,493,670	-	1,493,670	-	AA+/Aaa
Federal Home Loan Bank	11,577,151	5,248,765	6,328,386	-	AA+/Aaa
Freddie Mac	1,100,728	-	-	1,100,728	AA+/Aaa
Harrisburg AR School Dist	140,041	-	140,041	-	AA+/Aaa
Newport AR School Dist	395,115	-	395,115	-	AA+/Aaa
	<u>19,517,480</u>	<u>5,248,765</u>	<u>13,167,987</u>	<u>1,100,728</u>	
	<u>\$ 33,320,610</u>	<u>\$ 19,051,895</u>	<u>\$ 13,167,987</u>	<u>\$ 1,100,728</u>	

LITTLE ROCK WASTWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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

Investment Type	December 31, 2013				Credit Rating
	Fair Value	Less than 1 year	1-5 years	6-10 years	
<b>Cash Equivalents and Investments</b>					
Cash Equivalents:					
Federated Treasury Obligation	\$ 9,080,835	\$ 9,080,835	\$ -	\$ -	AA+/Aaa
Investments:					
Fannie Mae	8,105,790	-	8,105,790	-	AA+/Aaa
Federal Farm Credit Bank	1,495,830	-	1,495,830	-	AA+/Aaa
Federal Home Loan Bank	11,700,502	4,245,920	6,390,493	1,064,089	AA+/Aaa
Federal National Mortgage Assoc.	319,325	-	319,325	-	AA+/Aaa
Freddie Mac	9,941,647	8,444,947	1,496,700	-	AA+/Aaa
Greenland AR School Dist	210,492	210,492	-	-	AA+/Aaa
Harrisburg AR School Dist	140,508	-	140,508	-	AA+/Aaa
Newport AR School Dist	395,103	-	395,103	-	AA+/Aaa
	<u>32,309,197</u>	<u>12,901,359</u>	<u>18,343,749</u>	<u>1,064,089</u>	
	<u>\$ 41,390,032</u>	<u>\$ 21,982,194</u>	<u>\$ 18,343,749</u>	<u>\$ 1,064,089</u>	

**Interest Rate Risk**

Arkansas statute (AR Code § 19-1-504) limits the eligible investment securities to having a maturity of no longer than five (5) years from the date of acquisition unless, as documented at the time of acquisition, the investment is to fund or support a specific purpose and there are no expectations that the investment will be sold before maturity. Investments in Freddie Mac and Federal Home Loan Bank as of December 31, 2014 and 2013, comply with those requirements.

**Credit Risk**

Credit risk is the risk that the issuer or other counterparty will not fulfill its obligation. The Utility manages its credit risk by investing exclusively in government-issued treasuries and agencies. All of the Utility's investments at December 31, 2014 and 2013, are insured or registered and held by the Utility or its agent in the Utility's name.

LITTLE ROCK WASTWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2014 and 2013, consisted of the following:

	2014	2013
Trade Receivables, Current	\$3,507,302	\$3,782,711
Trade Receivables, Past Due	<u>493,023</u>	<u>300,092</u>
Total	<u>4,000,325</u>	<u>4,082,802</u>
Allowance for Uncollectibles, Beginning of Year	(300,092)	(292,793)
Writeoff of Uncollectibles	340,166	286,330
Provision for Bad Debt Expense	<u>(533,097)</u>	<u>(293,628)</u>
Allowance for Uncollectibles, End of Year	<u>(493,023)</u>	<u>(300,091)</u>
Accounts Receivables, Net of Allowance for Uncollectibles	<u>3,507,302</u>	<u>3,782,711</u>
Current Accounts Receivable	<u>\$3,507,302</u>	<u>\$3,782,711</u>

LITTLE ROCK WASTEWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 4: CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2014 and 2013, was as follows:

2014	Balance 12/31/13	Additions	Retirements / Transfers	Balance 12/31/14
Capital assets not being depreciated:				
Land and Right-of-Way	\$ 4,300,815	\$ 920,597	\$ -	\$ 5,221,412
Construction in Progress	108,361,177	20,391,388	92,474,773	36,277,792
Total capital assets not being depreciated	<u>112,661,992</u>	<u>21,311,985</u>	<u>92,474,773</u>	<u>41,499,204</u>
Capital assets being depreciated:				
Building and Improvements	75,409,117	51,145,944	5,334	126,549,727
Infrastructure-Collection & Treatment	295,905,410	31,087,700	-	326,993,110
Equipment	53,199,932	16,691,480	1,390,577	68,500,835
Total capital assets being depreciated	<u>424,514,459</u>	<u>98,925,124</u>	<u>1,395,911</u>	<u>522,043,672</u>
Less accumulated depreciation for:				
Buildings and Improvements	24,886,705	1,758,088	3,038	26,641,755
Infrastructure-Collections & Treatment	80,666,939	2,005,269	-	82,672,208
Equipment	23,470,047	6,516,747	787,226	29,199,568
Total accumulated depreciation	<u>129,023,691</u>	<u>10,280,104</u>	<u>790,264</u>	<u>138,513,531</u>
Capital Assets, Net	<u>\$ 408,152,760</u>	<u>\$ 109,957,005</u>	<u>\$ 93,080,420</u>	<u>\$ 425,029,345</u>
2013	Balance 12/31/12 (Restated)	Additions	Retirements / Transfers	Balance 12/31/13
Capital assets not being depreciated:				
Land and Right-of-Way	\$ 4,295,656	\$ 5,159	\$ -	\$ 4,300,815
Construction in Progress	102,776,567	6,263,416	678,807	108,361,176
Total capital assets not being depreciated	<u>107,072,223</u>	<u>6,268,575</u>	<u>678,807</u>	<u>112,661,991</u>
Capital assets being depreciated:				
Building and Improvements	75,409,117	-	-	75,409,117
Infrastructure-Collection & Treatment	291,495,895	4,496,300	86,785	295,905,410
Equipment	54,188,622	1,454,807	2,443,497	53,199,932
Total capital assets being depreciated	<u>421,093,634</u>	<u>5,951,107</u>	<u>2,530,281</u>	<u>424,514,459</u>
Less accumulated depreciation for:				
Buildings and Improvements	23,217,816	1,668,889	-	24,886,705
Infrastructure-Collections & Treatment	80,382,473	2,251,615	29,149	82,604,939
Equipment	17,129,326	6,369,870	1,967,149	21,532,047
Total accumulated depreciation	<u>120,729,615</u>	<u>10,290,374</u>	<u>1,996,298</u>	<u>129,023,691</u>
Capital Assets, Net	<u>\$ 407,436,242</u>	<u>\$ 1,929,308</u>	<u>\$ 1,212,790</u>	<u>\$ 408,152,760</u>

LITTLE ROCK WASTEWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 4: CAPITAL ASSETS (CONTINUED)

Construction in Progress at December 31, 2014 and 2013, included capitalized construction period interest of \$869,647 and \$767,203 that was incurred in each respective year.

Depreciation expense was \$10,280,104 and \$10,290,374 for the years ended December 31, 2014 and 2013, respectively.

NOTE 5: CONTRIBUTIONS IN AID OF CONSTRUCTION

Contributions in aid of construction, as a result of acceptance of sewer lines from private contractors and individuals, were \$1,891,741 and \$1,053,061 for the years ended December 31, 2014 and 2013, respectively.

NOTE 6: LONG-TERM DEBT

Long-term debt consists of Sewer Revenue Bonds for which the changes in the years ended December 31, 2014 and 2013, are as follows:

	<u>2014</u>			Ending Balance	Amount Due Within One Year
	Beginning Balance	Increases	Decreases		
Sewer Revenue Bonds	\$ 269,435,179	\$ 21,478,970	\$ 20,972,285	\$ 269,941,864	\$ 9,023,866
Unamortized Bond Premium (Discount)	<u>2,737,344</u>	<u>448,679</u>	<u>222,836</u>	<u>2,963,187</u>	<u>-</u>
	<u>\$ 272,172,523</u>	<u>\$ 21,927,649</u>	<u>\$ 21,195,121</u>	<u>\$ 272,905,051</u>	<u>\$ 9,023,866</u>
	<u>2013</u>				
	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within One Year
Sewer Revenue Bonds	\$ 277,630,939	\$ 136,986	\$ 8,332,746	\$ 269,435,179	\$ 8,632,477
Unamortized Bond Premium (Discount)	<u>2,479,198</u>	<u>607,844</u>	<u>349,698</u>	<u>2,737,344</u>	<u>-</u>
	<u>\$ 280,110,137</u>	<u>\$ 744,830</u>	<u>\$ 8,682,444</u>	<u>\$ 272,172,523</u>	<u>\$ 8,632,477</u>



LITTLE ROCK WASTEWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 6: LONG-TERM DEBT (CONTINUED)

Sewer revenue bonds payable consist of the following:

<u>Series</u>	<u>Interest Rate</u>	<u>Year of Maturity</u>	<u>Amount Due</u>	
			<u>December 31, 2014</u>	<u>Within One Year</u>
1996	3.50%	2019	\$ 1,733,305	\$ 362,141
2004A	3.25%	2027	16,122,554	1,064,391
2004B	3.25%	2027	10,086,079	634,772
2004C	3.25%	2028	9,936,377	570,729
2007A	3.63% to 5.00%	2037	54,760,000	1,385,000
2007B	2.75%	2029	14,375,892	786,127
2007C	4.25% to 5.00%	2037	71,085,000	-
2008	3.50% to 5.75%	2038	14,335,000	320,000
2009A	2.00%	2032	7,165,246	345,706
2009B	2.00%	2039	6,000,080	140,000
2011	2.00% to 5.00%	2022	15,525,000	1,575,000
2012	2.00% to 4.00%	2042	27,175,000	625,000
2013	2.25%	2036	9,662,331	-
2014	1.00 to 4.00%	2025	11,980,000	1,215,000
<b>Total</b>			<b>\$ 269,941,864</b>	<b>\$ 9,023,866</b>

The Arkansas Natural Resource Commission (ARNC) currently administers federal and state programs that provide assistance through loans and grants for water and wastewater. These loans (Revolving Loan Funds – RLFs) fund revenue bonds issues to the City of Little Rock, Arkansas, for the purpose of financing costs of construction extensions, betterments, and improvements to the sewer system.

**1990 Sewer Revenue Bond**

The Series 1990 Bond was issued in December 1990 in the amount of \$7,000,000 to finance the construction of extensions, betterments and improvements to the sewer system collection system and to pay the cost of issuing the 1990 RLF. This bond is a special obligation through the ANRC with permission from the City of Little Rock, Arkansas, payable solely from the net revenues of the sewer system. Principal and interest payments are due semiannually on April 15 and October 15. The final payment was completed in April 2014.

**1991 Sewer Revenue Bond**

The Series 1991 Bond was issued in April 1991 in the amount of \$6,000,000 to finance the construction of extensions, betterments and improvements to the sewer system collection system and to pay the cost of issuing the 1991 Bond. This Bond is a special obligation through the ANRC with permission from the City of Little Rock, Arkansas, payable solely from the net revenues of the sewer system. Principal and interest payments are due semiannually on April 15 and October 15. The final payment was completed in April 2014.

LITTLE ROCK WASTWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 6: LONG-TERM DEBT (CONTINUED)

**1996 Sewer Revenue Bond**

The Series 1996 Bond was issued in January 1996 in the amount of \$6,000,000 to finance the construction of extensions, betterments and improvements to the unsewered areas in the City and to pay the cost of issuing the 1996 Bond. This bond is a special obligation through the ANRC with permission from the City of Little Rock, Arkansas, payable solely from the net revenues of the sewer system. Principal and interest payments are due semiannually on April 15 and October 15. The final payment is scheduled for April 2019.

**1999 Sewer Revenue Bond**

The Series 1999 Bond was issued in July 1999 in the amount of \$12,000,000 to finance the construction of extensions, betterments and improvements to the sewer collection system and to pay the cost of issuing the 1999 Bond. This bond is a special obligation through the ANRC with permission from the City of Little Rock, Arkansas, payable solely from the net revenues of the sewer system. Principal and interest payments are due semiannually on April 15 and October 15. This bond issue was refunded with the 2014 Sewer Revenue Bond.

**2004A Sewer Revenue Bond**

The Series 2004A Bond was issued in March 2004 in the amount of \$23,100,000 to finance the construction extensions, betterments and improvements to the Adams Field Wastewater Treatment Facility and to pay the cost of issuing the 2004A Bond. This bond is a special obligation through the ANRC with permission from the City of Little Rock, Arkansas, payable solely from the net revenues of the sewer system. Principal and interest payments are due semiannually on April 15 and October 15. The final payment is scheduled for April 2027.

**2004B Sewer Revenue Bond**

The Series 2004B Bond was issued in March 2004 in the amount of \$14,000,000 to finance the construction of extensions, betterments and improvements to the sewer system collection systems and to pay the cost of issuing the 2004B Bond. This bond is a special obligation through the ANRC with permission from the City of Little Rock, Arkansas, payable solely from the net revenues of the sewer system. Principal and interest payments are due semiannually on April 15 and October 15. The final payment is scheduled for October 2027.

LITTLE ROCK WASTWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 6: LONG-TERM DEBT (CONTINUED)

**2004C Sewer Revenue Bond**

The Series 2004C Bond was issued in March 2004 in the amount of \$13,000,000 to finance the construction of extensions, betterments and improvements to the unsewered areas within the City of Little Rock and to pay the cost of issuing the 2004C Bond. This bond is a special obligation through the ANRC with permission from the City of Little Rock, Arkansas, payable solely from the net revenues of the sewer system. Principal and interest payments are due semiannually on April 15 and October 15. The final payment is scheduled for October 2028.

**2005 Sewer Revenue and Refunding Bond**

The Series 2005 Bond was issued in May 2005 in the amount of \$10,000,000 to finance the construction of extensions, betterments and improvements to the sewer system collection system and the Clearwater Administration Building, to pay the premium for a financial guaranty insurance policy, to pay off the 2004 Short-Term Note, and to pay the cost of issuing the 2005 Sewer Bond. These bonds are special obligations of the Issuer with permission from the City of Little Rock, Arkansas, payable solely from the net revenues of the sewer system. Principal payments are due annually on May 1 and interest payments are due semiannually on May 1 and November 1. This issue had an advance refunding with the 2014 Sewer Revenue Bond Issue.

**2007A Sewer Revenue Bond**

The Series 2007A Bond was issued in May 2007 in the amount of \$63,050,000 to finance the construction of extensions, betterments and improvements to the sewer system peak flow equalization basin, to establish a debt service reserve for the Series 2007A Bond, and to pay the cost of issuing the 2007A Bond. These bonds are special obligations of the Issuer with permission from the City of Little Rock, Arkansas, payable solely from the net revenues of the sewer system. Principal payments are due annually on June 1 and interest payments are due semiannually on June 1 and December 1. The final payment is scheduled for June 2037.

**2007B Sewer Revenue Bond**

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

LITTLE ROCK WASTEWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 6: LONG-TERM DEBT (CONTINUED)

**2007C Sewer Revenue Bond**

The Series 2007C Bond was issued in September 2007 in the amount of \$71,085,000 to finance the improvements to the Fourche Creek Wastewater Treatment Facility and the construction of the Little Maumelle Wastewater Treatment Facility, to pay the premium for a financial guaranty insurance policy, and to pay the cost of issuing the 2007C Bond. These bonds are special obligations of the Issuer with permission from the City of Little Rock, Arkansas, payable solely from the net revenues of the sewer system. Principal payments are due annually starting on October 1, 2024 and interest payments are due semiannually on April 1 and October 1. The final payment is scheduled for October 2037.

**2008 Sewer Revenue Bond**

The Series 2008 Bond was issued in December 2008 in the amount of \$16,000,000 to finance the improvements to the Fourche Creek Wastewater Treatment Facility and the construction of the Little Maumelle Wastewater Treatment Facility to establish a debt service reserve for the Series 2008 Bond, and to pay the cost of issuing the 2008 Sewer Bond. These bonds are special obligations of the Issuer with permission from the City of Little Rock, Arkansas, payable solely from the net revenues of the sewer system. Principal payments are due annually starting on October 1 and interest payments are due semiannually on April 1 and October 1. The final payment is scheduled for October 2038.

**2009A Sewer Revenue Bond**

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

**2009B Sewer Revenue Bond**

The Series 2009B Bond was issued in November 2009 in the amount of \$6,655,000 to finance the improvements to the Fourche Creek Wastewater Treatment Facility and the construction of the Little Maumelle Wastewater Treatment Facility, to establish a debt service reserve for the Series 2009B Bond, and to pay the cost of issuing the 2009B Sewer Bond. These bonds are special obligations of the Issuer with permission from the City of Little Rock, Arkansas, payable solely from the net revenues of the sewer system. Principal payments are due annually starting on December 1, and interest payments are due semiannually on June 1 and December 1. The final payment is scheduled for December 2039.

LITTLE ROCK WASTWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 6: LONG-TERM DEBT (CONTINUED)

**2011 Sewer Revenue and Refunding Bond**

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

**2012 Sewer Revenue Bond**

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

**2013 Sewer Revenue Bond**

The Series 2013 Bond was issued in May 2013 in the amount of \$36,000,000 to finance the improvements to the Collection System Rehabilitation-Phase Seven and to pay the cost of issuing the 2013 Bond. This bond is a special obligation through the ANRC with permission from the City of Little Rock, Arkansas, payable solely from the net revenues of the sewer system. Principal and interest payments are due semiannually on April 15 and October 15. The final payment is scheduled for October 2036. The Utility has been authorized to draw \$36,000,000. During 2014, the Utility drew \$9,498,968 against the debt.

**2014 Sewer Refunding Revenue Bond**

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

LITTLE ROCK WASTWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 6: LONG-TERM DEBT (CONTINUED)

The 1996, 2004A, 2004B, 2004C, 2007B, 2009A and 2013 Series Sewer Revenue Bonds are subordinate to the 2007A, 2007C, 2008, 2009B, 2011, 2012, and 2014 Series Revenue Bonds.

In addition to the \$269,941,864 balance of Sewer Revenue Bonds outstanding at December 31, 2014, an additional \$26,337,669 will, as previously described, be drawn in fulfillment of current bond issues, for a total Sewer Revenue Bond indebtedness of \$296,279,553.

The annual requirements to amortize sewer revenue bond indebtedness outstanding, and scheduled, including interest, as of December 31, 2014, are as follows:

Year Ending December 31,	Principal	Interest	Total
2015	\$ 9,023,866	\$ 11,364,318	\$ 20,388,184
2016	9,274,735	11,069,028	20,343,763
2017	10,992,526	10,759,065	21,751,591
2018	11,343,432	10,416,798	21,760,230
2019	12,430,718	19,422,644	31,853,362
2020 to 2024	54,934,737	39,063,735	93,998,472
2025 to 2029	49,809,345	29,051,691	78,861,036
2030 to 2034	60,412,505	18,802,179	79,214,684
2035 to 2039	47,320,000	5,503,816	52,823,816
2040 to 2042	4,400,000	356,600	4,756,600
Total	<u>\$ 269,941,864</u>	<u>\$ 155,809,874</u>	<u>\$ 425,751,738</u>

Interest expense incurred during construction amounted to \$869,647 and \$767,203 all of which was capitalized to construction in progress in the years ended December 31, 2014 and 2013, respectively.

NOTE 7: ADVANCE REFUNDING

In 2014, the Utility issued \$11,980,000 in sewer revenue bonds with interest rates ranging from 1.0% to 4.0%. Some of the proceeds were used to advance refund \$6,455,000 of the outstanding 2005 Sewer Revenue Bond issue which had interest rates ranging from 4.0% to 5.0%. The net proceeds of \$6,758,868 (including an allocated \$326,971 premium and after payment of \$ 69,631 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the 2005 Sewer Revenue Bond Series are considered defeased and the liability for those bonds has been removed from the statement of net position.

LITTLE ROCK WASTEWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 7: ADVANCE REFUNDING (CONTINUED)

The reacquisition price exceeded the net carrying amount of the old debt by \$303,868. This amount has been recorded as a deferred outflow of resources and is being amortized over the life of the refunding debt. The government advance refunded the 2005 Sewer Revenue Bond Series to reduce its total debt service payments over 11 years by \$577,827 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$486,796.

NOTE 8: COMPENSATED ABSENCES

Net changes in the liability for compensated absences for the years ended December 31, 2014 and 2013, are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
2014	<u>\$ 929,969</u>	<u>\$ 45,261</u>	<u>\$ 32,364</u>	<u>\$ 942,866</u>	<u>\$ 865,936</u>
2013	<u>\$ 750,877</u>	<u>\$ 202,105</u>	<u>\$ 23,013</u>	<u>\$ 929,969</u>	<u>\$ 855,108</u>

NOTE 9: LITIGATION

A. Sierra Club

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 13, 2002, and paid in full in 2003. There were no further sums due to the plaintiffs in this litigation; accordingly, LRW's financial statements as of December 31, 2014 and 2013, respectively, do not include any provisions of potential liability with regard to this litigation.

LITTLE ROCK WASTWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 9: LITIGATION (CONTINUED)

**B. Sierra Club (Continued)**

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 LRSSC has done or is doing, are set forth in a separate System Evaluation and Capacity Assurance Plan (SECAP).

Management is of the opinion that LRW is generally in compliance with the provisions of the settlement agreement; and due to LRW's success in the past nine (9) consecutive years in reducing non-capacity sanitary sewer overflows (SSOs), LRW 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 SECAP approved by LRSSC), the sewage treatment facility was not completed as originally scheduled, but was completed in July 2011.

Management completed annual reports for 2013, as required by both the CAO and the settlement agreement each year, which detailed compliance actions taken during the year 2013. The Sierra Club report was presented by staff to the LRSSC at its monthly meeting February 19, 2014, where the LRSSC voted to accept the compliance report and then sent to the attorney for the Sierra Club.

The annual report required by the Consent Administrative Order (CAO) was delivered to Arkansas Department of Environmental Quality (ADEQ) February 28, 2014. Prior such reports, starting in 2002, were all approved by LRSSC.

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



LITTLE ROCK WASTEWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 9: LITIGATION (CONTINUED)

B. ADEQ

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

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

The 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 it within the mandated timeline by Amendment No. 1 to the CAO. The various projects can be seen in greater detail within LRW's annual report located at <http://www.lrwu.com/capital.html>.

Management expects to remain on schedule with the CAO throughout its term dependent upon rate increases for debt issuances. The ultimate deadline for compliance with the implementation schedule for completion of the projects required by the CAO is December 31, 2018.

LRW has progressed in 2014 with the required projects. In 2012, the Little Rock Board of Directors granted LRW a rate adjustment that supported the funding of a 2013 revolving loan fund in the amount of \$36 million that will focus on improvements to the collection system that are designed to mitigate overflows. Further, LRW initiated capacity-related facility projects by procuring the services of consultants for the Scott Hamilton Drive Peak Flow Facility and Cantrell Road Pump Station projects. LRW continues to facilitate a service line replacement program targeted at maintaining reliable sewer service to the ratepayers and will also provide the benefit of reducing private sources of inflow which contribute to the cause of capacity related overflows.

LITTLE ROCK WASTWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 9: LITIGATION (CONTINUED)

B. ADEQ (Continued)

The five-year capital improvement plan set forth in the 2015 budget assumes the deadline to meet the requirements of the Settlement Agreement and the CAO will remain December 31, 2018. Unfinished capital projects represented in the 2015 budget primarily relate to wastewater collection, transmission and treatment improvements. Total capital expenditures of \$39,288,400 are planned for 2015. Of this amount, \$33,302,700 relates to carryover projects and \$5,985,700 is proposed for new capital projects.

In late 2014 and early 2015, Utility staff met with the Sierra Club and ADEQ with an update on its progress in meeting the requirements of the Settlement Agreement and the CAO and to request an extension to meet such requirements until December 31, 2023. Both entities have verbally committed to the extension. Once the extension is formalized, which is expected to occur in 2015, the Utility will select an engineering consulting firm to evaluate specific areas of the collection system and recommend improvements for reduction in Infiltration/Inflow.

Assuming that the 2015 SECAP is adopted as part of the Settlement Agreement and the CAO, the Utility estimates that capital improvements required over the next ten years, both to comply with the Settlement Agreement and the CAO and for routine capital improvements, will cost \$326,270,000.

Management is of the opinion that LRW staff is in compliance with the CAO and is diligently working to complete the other projects under the circumstances in accordance with the deadline set forth in Amendment No. 1 to the CAO.

NOTE 10: OTHER COMMITMENTS AND CONTINGENCIES

The Utility had commitments totaling approximately \$15,967,618 at December 31, 2014, 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 administered by two independent fiduciary agents but governed by the Little Rock Sanitary Sewer Committee. New hires must wait two years before they are eligible to participate in the 401(a). The authority for establishing and amending funding policies and benefits offered reside with the Committee. The following breakdown shows both LRW's and the employee's percent contribution that is calculated on an employee's base salary and years of service.

LITTLE ROCK WASTWATER  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 11: PENSION BENEFITS (CONTINUED)

A. **Defined Contribution Plan** (Continued)

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

The Pension expense is recorded for the amount of LRW's required contribution, determined in accordance with the terms of the plan. The employee contributions are pre-tax. Total employee and employer contributions were approximately \$847,488 and \$804,041 in 2014 and 2013, respectively.

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

LRW participates in a cost-sharing multiple-employer pension plan created by the Arkansas Legislature and 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. Benefits fully vest upon reaching five years of service and are established by state statute. The authority for establishing and amending funding policies and benefits offered reside within state statute Title 24 of the Arkansas Code Annotated.

The annual funding progress in relation to the actuarial cost method is used to determine the employer's contributions as well as determine actuarial information for Governmental Accounting Standards Board Statement Nos. 25 and 27. The following methods were used in the actuarial valuations based on information from <http://www.apers.org/annualreports/index.php>.

Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent-of-Payroll (State and Local)
Remaining Amortization	25 Year Closed
Asset Valuation Method	4-Year Smoothed Market with 25% Corridor

LITTLE ROCK WASTEWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 11: PENSION BENEFITS (CONTINUED)

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

Actuarial Assumptions:

Investment Rate of Return	8%
Projected Salary Increases	4.0%-10.6%
Including Inflation at	4%
Cost-of-Living Adjustments	3.0% Annual Compounded Increase

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, by calling (501) 682-7800 or (800) 682-7377, or by downloading it at <http://www.apers.org/annualreports/index.php>.

Contributions to the noncontributory plan were approximately \$1,570,323, \$1,507,187 and \$1,596,738 for the plan years ended June 30, 2014, 2013, and 2012, respectively, and represented 14.88%, 14.24%, and 13.47% of total covered payroll.

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, 2014, 2013, and 2012, the 5% mandatory employee contributions were \$152,929, \$119,250, and \$114,373, respectively, and are not included in the amount above.

NOTE 12: OTHER POSTEMPLOYMENT BENEFITS

**A. Plan Description**

Little Rock Wastewater's (LRW) single-employer defined benefit postemployment health care 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, prescription drug and vision benefits, if they are eligible for retirement plan benefits under the Arkansas Public Employees System. Retiree Medical Benefits cease at age 65 or upon the retiree signing a waiver of coverage.

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

LITTLE ROCK WASTWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 12: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

A. **Plan Description (Continued)**

For the year 2014, there were 18 retirees plus 14 dependents on the LRWHP. Retiree premiums are set yearly with 2014 ranging from \$130 to \$390, which are paid directly to LRW. LRW funded approximately 100% of the postretirement healthcare benefit costs, which totaled \$93,369 for the fiscal year ended December 31, 2014.

The Little Rock Sanitary Sewer Committee assigns the authority amend the benefit provisions of the plan based on recommendations by the LRWHP. This postemployment healthcare plan is administered by Regions Bank Trust Department. LRWHP does not issue a stand-alone financial report. For inquiries relating to the plan, please contact the Little Rock Wastewater, Finance Division (In Care Of LRWHP), 11 Clearwater Drive, Little Rock, AR 72204.

The contribution requirements are based on the most current actuarial valuations (last biennial was completed for December 2014) 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 No. 45. The unfunded liabilities of this plan are amortized over an open, 30-year period using the Projected Unit Credit Cost Method.

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 over a closed ten-year period and then modified again in 2013 with a change in assumption with an change to the 10-year period.

B. **Funding Policy**

Starting in 2011, LRW's health care became a fully insured plan from a self-funded plan and obligation to payment is transferred to an insurance company. Premium rates are set on an annual basis with members of LRWHP and an outside benefits consulting firm and are approved by the Little Rock Sanitary Sewer Committee. LRW's budget goal is that total benefits should be no more than 35% of total salaries each year. As a part of benefits, the health insurance plans are adjusted accordingly. LRW does not guarantee benefits if the insurance company were to go into default.

LITTLE ROCK WASTEWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 12: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

**C. Annual OPEB Cost and Net OPEB Obligation**

For 2014, 2013 and 2012, LRW's annual OPEB cost (benefit) was \$13,798, \$7,696 and \$(414,860), respectively, and the ARC was \$0, \$0, and \$(422,556), 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:

	2014	2013	2012
Annual required contribution	\$ -	\$ -	\$ (422,556)
Interest on net OPEB obligation	(91,238)	(50,887)	(50,887)
Adjustment to annual required contribution	105,036	58,583	58,583
Annual OPEB cost (benefit)	13,798	7,696	(414,860)
Contributions made	(100,333)	(93,369)	(75,911)
Increase (Decrease) in net OPEB obligations	(86,535)	(85,673)	(490,771)
Net OPEB obligation-beginning of year	(1,303,402)	(1,217,729)	(726,958)
Net OPEB obligation-end of year	\$ (1,389,937)	\$ (1,303,402)	\$ (1,217,729)

The components of the ARC calculation reflect a 30-year amortization of unfunded obligations and a 10-year amortization gain. In 2013, a change in assumptions on the amortization gain increased from the 10-year amortization of gain due to changes in plan is as follows:

	2014	2013	2012
Service Cost (one-year)	\$ 126,006	\$ 123,139	\$ 123,139
30-Year Amortization	513,194	531,276	531,276
10-Year Amortization	(639,200)	(654,415)	(1,049,327)
Interest Cost	-	-	(27,644)
ARC	\$ -	\$ -	\$ (422,556)

LITTLE ROCK WASTWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 12: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contributions</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014	\$ 13,798	\$ (100,333)	727.16%	\$ (1,389,937)
2013	\$ 7,696	\$ (93,369)	1,213.21%	\$ (1,303,402)
2012	\$(414,860)	\$ (75,911)	18.29%	\$ (1,217,729)

D. Funded Status and Funding Progress

With the most recent actuarial valuation, the plan's assets and liabilities is shown in the table below:

Actuarial Accrued Liability (AAL)	\$ (3,821,936)
Less Actuarial Value of Plan Assets	<u>1,233,555</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ (2,588,381)</u>
Funded ratio (actuarial value of plan assets/AAL)	32.33%
Covered payroll	\$11,990,475
Unfunded actuarial accrued liability as a percentage of covered payroll	21.59%

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. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

LITTLE ROCK WASTWATER  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 12: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

**E. Actuarial Methods and Assumptions**

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

Actuarial Valuation Date	12/31/2014
Actuarial Cost Method	Projected Unit Credit Cost
Amortization Method	Level Dollar, Open
Remaining Amortization Period	30 Years
Asset Valuation Method	Market Value
Inflation Rate per Annum	2.5%

Retirement rates based on years of service for those members with 28 or more years of service:

Years of Service	Rate	Years of Service	Rate
28	0.20	36	0.20
29	0.15	37	0.30
30-35	0.15	38+	1.00



LITTLE ROCK WASTWATER  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 12: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

**E. Actuarial Methods and Assumptions (Continued)**

Retirement rates shown below are consistent with the rates used by the Arkansas Public Employees Retirement System pension valuation. Rates vary by age and service. Rates shown below are for those members who retire with age 55 and five years of service:

Attained Age	Rate	Attained Age	Rate	Attained Age	Rate
55	0.02	62	0.23	73	0.20
56	0.02	63	0.19	74-77	0.25
57	0.03	64	0.16	78	0.30
58	0.03	65	0.35	79	0.40
59	0.04	66	0.25	80-82	0.50
60	0.05	67	0.20	83	0.60
61	0.07	68-72	0.15	84	0.90
				85	1.00

The Health Care Cost Trend Rates are as follows:

Year	Trend Rate	Year	Trend Rate
Year 1	7.00%	Year 4	5.50%
Year 2	6.50%	Year 5	5.00%
Year 3	6.00%	Year 6 & Later	4.50%

The actuarial Assumptions include a 7.00% investment rate, net of expenses (because the plan is funded in an irrevocable trust). Mortality rates were determined using the IRS 2013 Combined Static 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 proved by LRW. There is no salary increase assumption since plan benefits are not pay-related. The trend rates above reflect inflation and cost of living adjustments. Inflation rate in this study was 2.5% per annum.

LITTLE ROCK WASTEWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE 13: RISK MANAGEMENT

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

The Utility maintains a self-funded workers' compensation plan. All employees are covered by the plan. It is self-funded to a maximum of \$400,000 per occurrence per employee. Coverage amounts in excess of this limit have been obtained by means of a stop loss reinsurance policy. The Utility records an estimated liability based on claims made against the Utility. Claims liabilities are based on estimates of the 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, 2013, to December 31, 2014:

Liability balance, January 1, 2013	\$	68,710
Claims and changes in estimates		69,529
Claims payments		<u>(82,419)</u>
Liability balance, December 31, 2013		55,820
Claims and changes in estimates		42,822
Claims payments		<u>(31,593)</u>
Liability balance, December 31, 2014	\$	<u><u>67,049</u></u>

NOTE 14: SUBSEQUENT EVENTS

On March 3, 2015, the Utility issued \$160,070,000 in refunding revenue bonds to current refund the 1996 Series, 2004A Series, 2004B Series, and the 2004C Series, and advance refund the 2007A and 2007C Series Bonds. The interest rate on the bonds is 2%-5%, which mature from 2015 through October 1, 2037.

LITTLE ROCK WASTEWATER  
 SCHEDULE OF FUNDING PROGRESS  
 OTHER POSTEMPLOYEMENT BENEFITS PLAN  
 FOR THE YEAR ENDING DECEMBER 31, 2014

Actuarial Valuation Date	<u>12/31/2014</u>	<u>12/31/2012</u>	<u>12/31/2010</u>
Actuarial Accrued Liability (AAL)	\$ 3,821,936	\$ 2,945,514	\$ 5,676,221
Less Actuarial Value of Plan Assets	<u>1,233,555</u>	<u>1,243,173</u>	<u>1,203,797</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 2,588,381</u>	<u>\$ 1,702,341</u>	<u>\$ 4,472,424</u>
Funded ratio (actuarial value of plan assets/AAL)	32.28%	42.21%	21.21%
Covered payroll	\$ 11,990,475	\$ 11,589,622	\$ 13,033,208
Unfunded actuarial accrued liability as a Percentage of covered payroll	21.59%	14.69%	34.32%

LITTLE ROCK WASTEWATER  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2014

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Over(Under)</u>
<b><u>OPERATING REVENUES</u></b>			
Sewer Charges	\$ 49,466,040	\$ 49,699,493	\$ 233,453
Industry Surcharges	936,000	886,815	(49,185)
Other	<u>486,600</u>	<u>627,882</u>	<u>141,282</u>
Total Operating Revenues	<u>50,888,640</u>	<u>51,214,190</u>	<u>325,550</u>
<b><u>OPERATING EXPENSES, BEFORE DEPRECIATION</u></b>			
Committee	119,100	99,138	(19,962)
Management	1,629,598	1,335,002	(294,596)
Finance and Administration	2,540,982	2,394,520	(146,462)
Engineering	1,194,290	1,057,439	(136,851)
Information Systems	1,927,509	1,708,319	(219,190)
Maintenance	7,283,863	6,783,046	(500,817)
Operations	4,992,289	4,588,841	(403,448)
Environmental Assessment	2,163,973	2,054,946	(109,027)
Facilities and Equipment	<u>3,503,974</u>	<u>3,292,640</u>	<u>(211,334)</u>
Total Operating Expenses, Before Depreciation	<u>25,355,578</u>	<u>23,313,891</u>	<u>(2,041,687)</u>
Operating Income Before Depreciation	<u>25,533,062</u>	<u>27,900,299</u>	<u>2,367,237</u>
<b><u>PROVISION FOR DEPRECIATION</u></b>			
Building and Improvements	2,142,776	1,758,088	(384,688)
Infrastructure - Collections, Pumping & Treatments	7,943,309	6,516,747	(1,426,562)
Equipment	<u>2,444,770</u>	<u>2,005,269</u>	<u>(439,501)</u>
Total Provision for Depreciation	<u>12,530,855</u>	<u>10,280,104</u>	<u>(2,250,751)</u>
OPERATING INCOME	<u>13,002,207</u>	<u>17,620,195</u>	<u>4,617,988</u>
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>			
Interest Income	91,000	172,864	81,864
Interest Expense	(10,724,898)	(9,656,926)	1,067,972
Bond Issuance Costs	-	(214,055)	(214,055)
Gain (Loss) on Disposal of Capital Assets	3,600	(18,413)	(22,013)
Gain (Loss) on Investments	5,000	148,019	143,019
Other	<u>10,200</u>	<u>65,629</u>	<u>55,429</u>
Net Nonoperating Revenues (Expense)	<u>(10,615,098)</u>	<u>(9,502,882)</u>	<u>1,112,216</u>
INCREASE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	<u>\$ 2,387,109</u>	<u>\$ 8,117,313</u>	<u>\$ 5,730,204</u>

LITTLE ROCK WASTEWATER  
SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT  
EXCLUDING DEPRECIATION  
YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
<u>Sewer Committee:</u>		
Committee Expense Reimbursement	\$ 77,627	\$ 49,009
Insurance	16,347	16,251
Other	5,164	2,121
Total	99,138	67,381
 <u>Utility Management:</u>		
Salaries	618,694	751,914
Employee Benefits	266,174	291,388
Supplies	43,971	54,340
Contract Services	319,591	257,476
Vehicle Maintenance	7,714	19,093
Utilities	6,805	7,492
Insurance	4,707	5,902
Training and Administration	67,346	99,365
Total	1,335,002	1,486,970
 <u>Finance:</u>		
Salaries	696,367	547,648
Employee Benefits	253,095	214,028
Supplies	24,090	25,236
Contract Services	821,601	793,925
Vehicle Maintenance	4,300	618
Utilities	6,171	6,337
Insurance	8,395	7,120
Delinquent Accounts	533,097	293,628
Training and Administration	47,404	61,329
Total	2,394,520	1,949,869
 <u>Engineering:</u>		
Salaries	733,162	781,785
Employee Benefits	105,343	168,847
Supplies	43,451	38,567
Contract Services	115,942	130,056
Vehicle Maintenance	26,483	25,029
Utilities	12,032	11,371
Insurance	10,266	9,647
Training and Administration	10,760	18,271
Total	1,057,439	1,183,573

LITTLE ROCK WASTEWATER  
SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT  
EXCLUDING DEPRECIATION (CONTINUED)  
YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
<u>Collection System Maintenance:</u>		
Salaries	\$ 3,757,540	\$ 3,594,763
Employee Benefits	1,711,408	1,477,852
Supplies	612,330	565,934
Contract Services	296,993	343,388
Vehicle Maintenance	294,988	360,281
Utilities	36,646	37,850
Insurance	54,795	49,580
Training and Administration	18,345	23,137
Total	6,783,045	6,452,785
 <u>Operations - Adams, Fourche, and Industrial Monitoring:</u>		
Salaries	1,592,553	1,552,618
Employee Benefits	642,346	616,834
Supplies	330,942	420,868
Contract Services	562,056	483,119
Vehicle Maintenance	13,153	19,574
Utilities	1,291,018	1,107,045
Insurance	73,558	69,475
Training and Administration	83,215	92,738
Total	4,588,841	4,362,271
 <u>Technical Services:</u>		
Salaries	740,378	672,643
Employee Benefits	291,484	246,922
Supplies	212,444	161,968
Contract Services	286,107	305,654
Vehicle Maintenance	21,747	10,583
Utilities	132,084	125,227
Insurance	1,605	1,641
Training and Administration	22,470	25,449
Total	1,708,319	1,550,087
 <u>Environmental Assessment Department:</u>		
Salaries	1,259,200	1,227,061
Employee Benefits	575,898	502,034
Supplies	102,923	99,975
Contract Services	61,007	55,523
Vehicle Maintenance	29,966	27,872
Utilities	11,376	10,486
Insurance	5,336	3,129
Training and Administration	9,240	10,390
Total	2,054,946	1,936,470

LITTLE ROCK WASTEWATER  
 SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT  
 EXCLUDING DEPRECIATION (CONTINUED)  
 YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
<u>Facilities/Maintenance:</u>		
Salaries	\$ 1,282,989	\$ 1,203,002
Benefits	571,051	466,031
Supplies	848,255	826,732
Contract Services	261,725	252,913
Vehicle Expenses	97,581	110,226
Utilities	127,565	150,513
Insurance	92,032	88,953
Other	11,443	14,577
Total	<u>3,292,641</u>	<u>3,112,947</u>
 Total Operating Expenses	 <u>\$ 23,313,891</u>	 <u>\$ 22,102,353</u>

LITTLE ROCK WASTEWATER  
SCHEDULE OF BONDED INDEBTEDNESS  
DECEMBER 31, 2014

Sewer Revenue Bonds (Series 1996)

<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>	
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%	199,195	202,678	10,641	7,155	419,669
2019	3.5%	206,200	-	3,609	-	209,809
		<u>\$ 963,131</u>	<u>\$ 770,174</u>	<u>\$ 86,012</u>	<u>\$ 69,157</u>	<u>\$ 1,888,474</u>



LITTLE ROCK WASTEWATER  
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)  
DECEMBER 31, 2014

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	
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%	777,276	-	12,621	-	789,897
		<u>\$ 8,388,078</u>	<u>\$ 7,734,476</u>	<u>\$ 1,880,595</u>	<u>\$ 1,744,300</u>	<u>\$ 19,747,449</u>

LITTLE ROCK WASTEWATER  
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)  
DECEMBER 31, 2014

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	
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%	448,840	456,126	29,893	22,600	957,459
2027	3.25%	463,539	471,073	15,187	7,653	957,452
		<u>\$ 5,002,398</u>	<u>\$ 5,083,681</u>	<u>\$ 1,221,047</u>	<u>\$ 1,139,757</u>	<u>\$ 12,446,883</u>

LITTLE ROCK WASTEWATER  
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)  
DECEMBER 31, 2014

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	
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%	416,775	423,546	27,758	20,985	889,064
2028	3.25%	430,428	437,448	14,103	7,108	889,087
		<u>\$4,928,137</u>	<u>\$5,008,240</u>	<u>\$1,295,299</u>	<u>\$1,215,219</u>	<u>\$12,446,895</u>

LITTLE ROCK WASTEWATER  
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)  
DECEMBER 31, 2014

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	
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>\$ 54,760,000</u>	<u>\$ -</u>	<u>\$ 18,096,365</u>	<u>\$ 16,811,459</u>	<u>\$ 89,667,824</u>

LITTLE ROCK WASTEWATER  
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)  
DECEMBER 31, 2014

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	
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%	556,790	564,444	31,260	23,604	1,176,098
2029	2.75%	572,205	580,048	15,843	7,975	1,176,071
		<u>\$7,138,880</u>	<u>\$7,237,012</u>	<u>\$1,681,842</u>	<u>\$1,583,683</u>	<u>\$17,641,417</u>

LITTLE ROCK WASTEWATER  
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)  
DECEMBER 31, 2014

Sewer Revenue Bonds (Series 2007C)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		4/1	10/1	4/1	10/1	
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	\$ 32,614,931	\$ 32,614,931	\$ 136,314,862

LITTLE ROCK WASTEWATER  
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)  
DECEMBER 31, 2014

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	
2015	4.000%	\$ -	\$ 320,000	\$ 388,888	\$ 388,887	\$ 1,097,775
2016	4.250%	-	330,000	382,488	382,487	1,094,975
2017	4.375%	-	345,000	375,475	375,475	1,095,950
2018	4.500%	-	360,000	367,928	367,928	1,095,856
2019	4.750%	-	375,000	359,828	359,828	1,094,656
2020	5.000%	-	395,000	350,922	350,922	1,096,844
2021	5.000%	-	415,000	341,047	341,047	1,097,094
2022	5.125%	-	435,000	330,672	330,672	1,096,344
2023	5.250%	-	460,000	319,525	319,525	1,099,050
2024	5.250%	-	485,000	307,450	307,450	1,099,900
2025	5.375%	-	510,000	294,719	294,719	1,099,438
2026	5.500%	-	540,000	281,013	281,012	1,102,025
2027	5.500%	-	570,000	266,163	266,162	1,102,325
2028	5.500%	-	600,000	250,488	250,487	1,100,975
2029	5.500%	-	630,000	233,987	233,987	1,097,974
2030	5.500%	-	665,000	216,663	216,662	1,098,325
2031	5.750%	-	705,000	198,375	198,375	1,101,750
2032	5.750%	-	745,000	178,106	178,106	1,101,212
2033	5.750%	-	785,000	156,688	156,688	1,098,376
2034	5.750%	-	830,000	134,119	134,119	1,098,238
2035	5.750%	-	880,000	110,256	110,256	1,100,512
2036	5.750%	-	930,000	84,956	84,956	1,099,912
2037	5.750%	-	985,000	58,218	58,218	1,101,436
2038	5.750%	-	1,040,000	29,900	29,900	1,099,800
		\$ -	\$ 14,335,000	\$ 6,017,874	\$ 6,017,868	\$ 26,370,742

LITTLE ROCK WASTEWATER  
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)  
DECEMBER 31, 2014

Sewer Revenue Bonds (Series 2009A)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		4/15	10/15	4/15	10/15	
2015	2.00%	\$ 171,993	\$ 173,713	\$ 71,652	\$ 69,932	\$ 487,290
2016	2.00%	175,449	177,205	68,196	66,440	487,290
2017	2.00%	178,977	180,765	64,668	62,880	487,290
2018	2.00%	182,573	184,399	61,072	59,246	487,290
2019	2.00%	186,243	188,105	57,402	55,540	487,290
2020	2.00%	189,987	191,887	53,658	51,758	487,290
2021	2.00%	193,805	195,743	49,840	47,902	487,290
2022	2.00%	197,701	199,677	45,944	43,968	487,290
2023	2.00%	201,675	203,691	41,970	39,954	487,290
2024	2.00%	205,729	207,785	37,916	35,860	487,290
2025	2.00%	209,863	211,963	33,782	31,682	487,290
2026	2.00%	214,081	216,223	29,564	27,422	487,290
2027	2.00%	218,385	220,569	25,260	23,076	487,290
2028	2.00%	222,775	225,003	20,870	18,642	487,290
2029	2.00%	227,253	229,525	16,392	14,120	487,290
2030	2.00%	231,819	234,139	11,826	9,506	487,290
2031	2.00%	236,479	238,845	7,166	4,800	487,290
2032	2.00%	241,222	-	2,412	-	243,634
		<u>\$3,686,009</u>	<u>\$3,479,237</u>	<u>\$699,590</u>	<u>\$662,728</u>	<u>\$ 8,527,564</u>



LITTLE ROCK WASTEWATER  
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)  
DECEMBER 31, 2014

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	
2015	2.00%	\$ -	\$ 140,000	\$ 135,069	\$ 135,069	\$ 410,139
2016	2.00%	-	145,000	132,794	132,794	410,589
2017	2.00%	-	150,000	130,257	130,257	410,514
2018	2.00%	-	155,000	127,257	127,257	409,514
2019	2.00%	-	160,000	124,157	124,157	408,314
2020	2.00%	-	170,000	120,957	120,957	411,914
2021	2.00%	-	175,000	117,557	117,557	410,114
2022	2.00%	-	185,000	113,948	113,948	412,895
2023	2.00%	-	190,000	110,016	110,016	410,033
2024	2.00%	-	200,000	105,979	105,979	411,958
2025	2.00%	-	205,000	101,629	101,629	408,258
2026	2.00%	-	215,000	97,119	97,119	409,238
2027	2.00%	-	225,000	92,281	92,281	409,563
2028	2.00%	-	235,000	87,219	87,219	409,438
2029	2.00%	-	245,000	81,784	81,784	408,569
2030	2.00%	-	260,000	76,119	76,119	412,238
2031	2.00%	-	270,000	69,944	69,944	409,888
2032	2.00%	-	285,000	63,531	63,531	412,063
2033	2.00%	-	295,000	56,763	56,763	408,525
2034	2.00%	-	310,000	49,756	49,756	409,513
2035	2.00%	-	325,000	42,394	42,394	409,788
2036	2.00%	-	340,000	34,675	34,675	409,350
2037	2.00%	-	355,000	26,600	26,600	408,200
2038	2.00%	-	375,000	18,169	18,169	411,338
2039	2.00%	-	390,080	9,263	9,262	408,524
		\$ -	\$ 6,000,080	\$ 2,125,235	\$ 2,125,235	\$ 10,250,470

LITTLE ROCK WASTEWATER  
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)  
DECEMBER 31, 2014

Sewer Revenue Bonds (Series 2011)

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>	
2015		\$ 785,000	\$ 790,000	\$ 253,938	\$ 246,088	\$ 2,075,025
2016		800,000	810,000	237,200	228,200	2,075,400
2017		815,000	830,000	219,088	206,863	2,070,950
2018		845,000	855,000	194,413	181,738	2,076,150
2019		975,000	990,000	168,913	154,288	2,288,200
2020		1,110,000	1,140,000	136,963	109,213	2,496,175
2021		1,160,000	1,190,000	80,712	61,863	2,492,575
2022		1,205,000	1,225,000	42,525	21,438	2,493,963
		<u>\$7,695,000</u>	<u>\$7,830,000</u>	<u>\$1,333,750</u>	<u>\$1,209,688</u>	<u>\$18,068,437</u>

LITTLE ROCK WASTEWATER  
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)  
DECEMBER 31, 2014

Sewer Revenue Bonds (Series 2012)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		2/01	8/01	2/01	8/01	
2015	2.000%	\$ -	\$ 625,000	\$ 479,737	\$ 479,737	\$ 1,584,474
2016	2.000%	-	635,000	473,488	473,488	1,581,976
2017	2.000%	-	650,000	467,137	467,137	1,584,274
2018	3.000%	-	665,000	460,638	460,638	1,586,276
2019	3.000%	-	685,000	450,662	450,662	1,586,324
2020	3.000%	-	705,000	440,388	440,388	1,585,776
2021	3.000%	-	725,000	429,812	429,812	1,584,624
2022	3.000%	-	745,000	418,938	418,938	1,582,876
2023	3.000%	-	770,000	407,762	407,762	1,585,524
2024	3.000%	-	790,000	396,213	396,213	1,582,426
2025	3.000%	-	815,000	384,362	384,362	1,583,724
2026	3.125%	-	840,000	372,137	372,137	1,584,274
2027	3.250%	-	865,000	359,013	359,013	1,583,026
2028	3.250%	-	895,000	344,956	344,956	1,584,912
2029	3.750%	-	925,000	330,413	330,413	1,585,826
2030	3.750%	-	960,000	313,069	313,069	1,586,138
2031	3.750%	-	995,000	295,069	295,069	1,585,138
2032	3.750%	-	1,030,000	276,412	276,413	1,582,825
2033	3.750%	-	1,070,000	257,100	257,100	1,584,200
2034	4.000%	-	1,115,000	235,700	235,700	1,586,400
2035	4.000%	-	1,160,000	213,400	213,400	1,586,800
2036	4.000%	-	1,205,000	190,200	190,200	1,585,400
2037	4.000%	-	1,250,000	166,100	166,100	1,582,200
2038	4.000%	-	1,300,000	141,100	141,100	1,582,200
2039	4.000%	-	1,355,000	115,100	115,100	1,585,200
2040	4.000%	-	1,410,000	88,000	88,000	1,586,000
2041	4.000%	-	1,465,000	59,800	59,800	1,584,600
2042	4.000%	-	1,525,000	30,500	30,500	1,586,000
		\$ -	\$ 27,175,000	\$ 8,597,206	\$ 8,597,207	\$ 44,369,413

LITTLE ROCK WASTEWATER  
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)  
DECEMBER 31, 2014

Sewer Revenue Bonds (Series 2013)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		4/15	10/15	4/15	10/15	
2017	2.250%	\$ 717,606	\$ 725,679	\$ 405,000	\$ 396,927	\$ 2,245,212
2018	2.250%	733,843	742,099	388,763	380,507	2,245,212
2019	2.250%	750,447	758,889	372,159	363,717	2,245,212
2020	2.250%	767,428	776,061	355,178	346,545	2,245,212
2021	2.250%	784,791	793,620	337,815	328,986	2,245,212
2022	2.250%	802,548	811,577	320,058	311,029	2,245,212
2023	2.250%	820,708	829,940	301,898	292,666	2,245,212
2024	2.250%	839,277	848,720	283,329	273,886	2,245,212
2025	2.250%	858,267	867,922	264,339	254,684	2,245,212
2026	2.250%	877,687	887,561	244,919	235,045	2,245,212
2027	2.250%	897,546	907,643	225,060	214,963	2,245,212
2028	2.250%	917,854	928,181	204,752	194,425	2,245,212
2029	2.250%	938,622	949,182	183,984	173,424	2,245,212
2030	2.250%	959,860	970,659	162,746	151,947	2,245,212
2031	2.250%	981,578	992,621	141,028	129,985	2,245,212
2032	2.250%	1,003,788	1,015,081	118,818	107,525	2,245,212
2033	2.250%	1,026,500	1,038,049	96,106	84,557	2,245,212
2034	2.250%	1,049,726	1,061,536	72,880	61,070	2,245,212
2035	2.250%	1,073,478	1,085,555	49,128	37,051	2,245,212
2036	2.250%	1,097,768	1,110,103	24,838	12,489	2,245,198
		<u>\$ 17,899,322</u>	<u>\$ 18,100,678</u>	<u>\$ 4,552,798</u>	<u>\$ 4,351,428</u>	<u>\$ 44,904,226</u>

Note: The Utility has been authorized to draw \$36,000,000, as needed during the construction period. At December 31, 2014, the Utility had drawn \$9,662,331 in bond funds and are considered outstanding.

LITTLE ROCK WASTEWATER  
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)  
DECEMBER 31, 2014

Sewer Revenue Bonds (Series 2014)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		05/01	11/01	05/01	11/01	
2015	1.000%	\$ 605,000	\$ 610,000	\$ 150,753	\$ 141,312	\$ 1,507,065
2016	1.000%	615,000	615,000	138,263	135,187	1,503,450
2017	2.000%	620,000	625,000	132,113	125,912	1,503,025
2018	2.000%	635,000	640,000	116,538	110,187	1,501,725
2019	2.000%	650,000	650,000	103,788	97,287	1,501,075
2020	3.000%	650,000	670,000	90,788	81,037	1,491,825
2021	3.000%	675,000	685,000	74,338	65,900	1,500,238
2022	3.500%	695,000	705,000	55,625	43,463	1,499,088
2023	4.000%	315,000	320,000	31,124	26,400	692,524
2024	4.000%	325,000	335,000	20,000	13,500	693,500
2025	4.000%	340,000	-	6,800	-	346,800
		<u>\$6,125,000</u>	<u>\$5,855,000</u>	<u>\$ 920,130</u>	<u>\$ 840,185</u>	<u>\$ 13,740,315</u>

THIS PAGE INTENTIONALLY LEFT BLANK

# STATISTICAL DATA



# Little Rock Wastewater

**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 Position by Component, Last 10 Years	.....	83
Changes in Net Position	.....	84
Operating Revenues by Source	.....	85
Operating Expenses	.....	86
Nonoperating Revenues and Expenses	.....	87

---

**B – REVENUE CAPACITY INFORMATION**

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

---

New Construction/Inspections Completed	.....	88
Number of Sewer Customers by Type	.....	89
Domestic Sewer Rates (Inside City)	.....	90
Domestic Sewer Rates (Outside City)	.....	91
Non-Domestic Sewer Rates (Inside City)	.....	92
Non-Domestic Sewer Rates (Outside City)	.....	93

---

**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 Type	.....	94
Pledged-Revenue Coverage	.....	95

---

**D – DEMOGRAPHIC AND ECONOMIC INFORMATION**

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

---

Demographic and Economic Statistics	.....	96
Ten Largest Sewer Customers	.....	97
Principal Employers	.....	98

---

**E – OPERATING INFORMATION**

These schedules contain information about LRW’s operational activities.

---

Number of Employees by Identifiable Activity	.....	99
Operating and Capital Indicators	.....	100



Schedule 1

**Little Rock Wastewater**

Net Position by Component

Last Ten Fiscal Years

	Fiscal Year				
	2010	2011	2012	2013	2014
Primary Government					
Restricted					
Restricted for Debt Service	\$ 8,717,901	\$ 8,201,722	\$ 9,941,067	\$ 11,937,387	\$ 11,841,110
Workers' Compensation	573,864	597,342	599,808	595,920	599,484
Total Restricted	9,291,765	8,799,064	10,540,875	12,533,307	12,440,594
Net Invested in Capital Assets	145,335,731	139,771,009	143,648,855	160,379,889	163,269,445
Unrestricted	3,094,765	14,474,837	14,673,278	12,526,896	19,739,107
Total primary governmental net position	\$ 157,722,261	\$ 163,044,910	\$ 168,863,008	\$ 185,440,092	\$ 195,449,146

	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
Workers Compensation	538,649	563,868	592,341	604,102	589,770
Total Restricted	1,601,421	1,517,632	7,352,387	8,744,755	9,622,318
Net Invested in Capital Assets	122,090,210	131,214,710	130,620,195	136,506,878	145,587,716
Unrestricted	8,678,486	7,257,965	9,434,483	9,642,936	675,125
Total primary governmental net position	\$ 132,370,116	\$ 139,990,307	\$ 147,407,065	\$ 154,894,569	\$ 155,885,159

Schedule 2  
**Little Rock Wastewater**  
Changes in Net Position  
Last Ten Fiscal Years

Fiscal Year	Operating Revenues	Operating Expenses, Before Depreciation	Depreciation Expense	Total Nonoperating Revenues/ (Expenses)	Income/(Loss) before Capital Contributions	Capital Contributions	Change in Net Assets
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	\$ (23,437,163)	\$ (6,895,912)	\$ (9,868,281)	\$ (432,308)	\$ 1,422,898	\$ 990,590
2010	\$ 42,014,840	\$ (23,310,477)	\$ (7,737,659)	\$ (10,449,831)	\$ 516,873	\$ 1,320,229	\$ 1,837,102
2011	\$ 41,343,263	\$ (21,375,526)	\$ (7,778,436)	\$ (8,464,927)	\$ 3,724,374	\$ 1,598,275	\$ 5,322,649
2012	\$ 43,547,696	\$ (20,845,059)	\$ (7,805,859)	\$ (10,985,650)	\$ 3,911,128	\$ 1,906,970	\$ 5,818,098
2013	\$ 48,141,512	\$ (22,102,353)	\$ (10,290,374)	\$ (10,458,618)	\$ 5,290,167	\$ 1,053,061	\$ 6,343,228
2014	\$ 51,214,190	\$ (23,313,891)	\$ (10,280,104)	\$ (9,502,882)	\$ 8,117,313	\$ 1,891,741	\$ 10,009,054

Schedule 3  
**Little Rock Wastewater**  
 Operating Revenues by Source  
 Last Ten Fiscal Years

Fiscal Year	Sewer Charges	Industrial Surcharges <sup>a</sup>	Connection Fees	Other Income <sup>b</sup>	Total
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
2010	\$39,788,224	\$ 1,702,263	\$ 30,011	\$ 494,342	\$ 42,014,840
2011	\$39,685,509	\$ 1,159,226	\$ 33,597	\$ 464,931	\$ 41,343,263
2012	\$42,049,133	\$ 1,080,731	\$ 36,385	\$ 381,447	\$ 43,547,696
2013	\$46,515,532	\$ 1,072,928	\$ 24,986	\$ 528,066	\$ 48,141,512
2014	\$49,699,493	\$ 886,815	\$ 28,280	\$ 599,602	\$ 51,214,190

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

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

Schedule 4  
**Little Rock Wastewater**  
 Operating Expenses  
 Last Ten Fiscal Years

Fiscal Year	Employment Costs	Supplies	Contract Services	Vehicle Maintenance	Utilities	Administrative Costs <sup>a</sup>	Less Capitalized Items <sup>b</sup>	Subtotal, Expenses before		Total Operating Expenses
								Depreciation	Depreciation	
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 <sup>c</sup>	\$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
2010	\$15,992,624	\$1,662,988	\$2,524,181	\$ 652,114	\$1,551,441	\$ 927,129	\$ -	\$ 23,310,477	\$ 7,737,659	\$ 31,048,136
2011	\$13,997,893	\$2,220,871	\$2,390,989	\$ 443,134	\$1,470,380	\$ 852,259	\$ -	\$ 21,375,526	\$ 7,778,436	\$ 29,153,962
2012	\$13,436,496	\$2,029,640	\$2,736,347	\$ 474,662	\$1,363,224	\$ 804,690	\$ -	\$ 20,845,059	\$ 7,805,859	\$ 28,650,918
2013	\$14,315,370	\$2,193,620	\$2,622,055	\$ 573,276	\$1,456,322	\$ 941,710	\$ -	\$ 22,102,353	\$ 10,141,151	\$ 32,243,504
2014	\$15,097,683	\$2,218,406	\$2,725,022	\$ 495,932	\$1,623,697	\$ 1,153,151	\$ -	\$ 23,313,891	\$ 10,280,104	\$ 33,593,995

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

<sup>b</sup> Capitalized labor, overhead and supplies

<sup>c</sup> Starting in 2007, capitalized items have been excluded 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 <sup>a</sup>	Gain/Loss on Disposal Capital Assets	Unrealized Gain/Loss on Investments	Other Gain/Loss	Total Nonoperating Revenues/Expenses
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)	\$ -	\$ 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)
2010	\$ (10,770,853)	\$ 147,124	\$ (210,609)	\$ (30,932)	\$ 353,193	\$ 62,246	\$ (10,449,831)
2011	\$ (10,673,854)	\$ 151,072	\$ (316,595)	\$ (60,727)	\$ 266,225	\$ 2,168,952	\$ (8,464,927)
2012	\$ (10,808,696)	\$ 338,699	\$ (226,728)	\$ (885,759)	\$ (102,535)	\$ 699,369	\$ (10,985,650)
2013	\$ (10,496,353)	\$ 52,567	\$ (26,814)	\$ 111,517	\$ (131,603)	\$ 32,068	\$ (10,458,618)
2014	\$ (9,656,926)	\$ 172,864	\$ (214,055)	\$ (18,413)	\$ 148,019	\$ 65,629	\$ (9,502,882)

<sup>a</sup> Years prior to 2013 have not been restated for the adoption of GASB No. 65

Schedule 6

**Little Rock Wastewater**

New Construction/Inspections Completed

Last Ten Fiscal Years

Fiscal Year	Residential	Commercial	Total New Construction Permits
2005	940	143	1,083
2006	986	132	1,118
2007	849	103	952
2008	564	108	672
2009	423	118	541
2010	385	69	454
2011	371	124	495
2012	529	128	657
2013	335	109	444
2014	362	81	443

Schedule 7

**Little Rock Wastewater**

Number of Sewer Customers<sup>a</sup> by Type

Last Ten Fiscal Years

Fiscal Year	Domestic	Non-Domestic			Total
		Commercial	Industrial	Other <sup>b</sup>	
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
2010	60,862	6,262	74	424	67,622
2011	61,030	6,304	74	429	67,837
2012	61,394	6,381	72	399	68,246
2013	61,505	6,284	72	411	68,272
2014	61,748	6,342	73	395	68,558

<sup>a</sup> Billed accounts as of December 31

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

Schedule 8A

**Little Rock Wastewater**

Domestic Sewer Rate (Inside City)

Last Ten Fiscal Years

Base Rate <sup>a</sup> (Meter Size)	Fiscal Year Ending				
	2010 <sup>g</sup>	2011	2012 <sup>h</sup>	2013 <sup>i</sup>	2014 <sup>j</sup>
5/8"	\$ 15.37	\$ 15.37	\$ 9.24	\$ 9.89	\$ 10.29
3/4"	18.02	18.02	11.91	12.74	13.25
1"	24.10	24.10	\$ 18.01	\$ 19.27	\$ 20.04
1.5"	39.46	39.46			
2"	57.83	57.83			
3"	100.58	100.58			
4"	161.84	161.84			
6" or larger	\$ 314.87	\$ 314.87			
Volumetric Rate <sup>b</sup>	\$ 3.09	\$ 3.09			
Operations Volumetric Rate <sup>b</sup>			\$ 1.58	\$ 1.69	\$ 1.76
Debt Repayment Rate <sup>b</sup>			\$ 1.81	\$ 1.81	\$ 1.81

Base Rate <sup>a</sup> (Meter Size)	Fiscal Year Ending				
	2005	2006 <sup>c</sup>	2007 <sup>d</sup>	2008 <sup>e</sup>	2009 <sup>f</sup>
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 <sup>b</sup>	\$ 2.21	\$ 2.21	\$ 2.74	\$ 2.83	\$ 2.94

<sup>a</sup> Rate charge from 2002 to June 2012 included 200 cubic feet; Changed in July 2012 with zero water consumed.

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

<sup>c</sup> In Nov 2006, City of Little Rock Board of Directors approved a five step rate increase that will effected rates from 2007 to 2010.

<sup>d</sup> There were two, of an approved five step, rate increases in 2007; 15% on January 1 and 8% on July 1.

<sup>e</sup> The third of a five step rate increase; 3% on January 1.

<sup>f</sup> The fourth of a five step rate increase; 4% on January 1.

<sup>g</sup> The last of a five step rate increase; 5% on January 1.

<sup>h</sup> In June 2012, City of Little Rock Board of Directors approved a four step rate increase that will effected rates from 2012 to 2016.

The rate ordinance split the Volumetric Rate into Operations and Debt Repayment Rates.

<sup>i</sup> Rate increase of 4.5% on January 1.

<sup>j</sup> Rate increase of 7.0% 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**

Domestic Sewer Rate (Outside City)

Last Ten Fiscal Years

Base Rate <sup>a</sup> (Meter Size)	Fiscal Year Ending				
	2010 <sup>g</sup>	2011	2012 <sup>h</sup>	2013 <sup>i</sup>	2014 <sup>j</sup>
5/8"	\$ 23.05	\$ 23.05	\$ 13.86	\$ 14.84	\$ 15.44
3/4"	27.10	27.10	17.87	19.11	19.88
1"	36.11	36.11	\$ 27.02	\$ 28.91	\$ 30.03
1.5"	59.23	59.23			
2"	88.50	88.50			
3"	150.87	150.87			
4"	242.79	242.79			
6" or larger	\$ 472.31	\$ 472.31			
Volumetric Rate <sup>b</sup>	\$ 4.63	\$ 4.63			
Operations Volumetric Rate <sup>b</sup>			\$ 2.37	\$ 2.54	\$ 2.64
Debt Repayment Rate <sup>b</sup>			\$ 2.72	\$ 2.72	\$ 2.72

Base Rate <sup>a</sup> (Meter Size)	Fiscal Year Ending				
	2005	2006 <sup>c</sup>	2007 <sup>d</sup>	2008 <sup>e</sup>	2009 <sup>f</sup>
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 <sup>b</sup>	\$ 3.32	\$ 3.32	\$ 4.12	\$ 4.24	\$ 4.41

<sup>a</sup> Rate charge from 2002 to June 2012 included 200 cubic feet; Changed in July 2012 with zero water consumed.

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

<sup>c</sup> In Nov 2006, City of Little Rock Board of Directors approved a five step rate increase that will effected rates from 2007 to 2010.

<sup>d</sup> There were two, of an approved five step, rate increases in 2007; 15% on January 1 and 8% on July 1.

<sup>e</sup> The third of a five step rate increase; 3% on January 1.

<sup>f</sup> The fourth of a five step rate increase; 4% on January 1.

<sup>g</sup> The last of a five step rate increase; 5% on January 1.

<sup>h</sup> In June 2012, City of Little Rock Board of Directors approved a four step rate increase that will effected rates from 2012 to 2016. The rate ordinance split the Volumetric Rate into Operations and Debt Repayment Rates.

<sup>i</sup> Rate increase of 4.5% on January 1.

<sup>j</sup> Rate increase of 7.0% on January 1.

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

Schedule 9A  
**Little Rock Wastewater**  
 Non-Domestic Sewer Rate (Inside City)  
 Last Ten Fiscal Years

Base Rate <sup>a</sup> (Meter Size)	Fiscal Year Ending				
	2010 <sup>g</sup>	2011	2012 <sup>h</sup>	2013 <sup>i</sup>	2014 <sup>j</sup>
5/8"	\$ 15.37	\$ 15.37	\$ 9.24	\$ 9.89	\$ 10.29
3/4"	18.02	18.02	11.91	12.74	13.25
1"	24.10	24.10	18.01	19.27	20.04
1.5"	39.46	39.46	31.79	34.02	35.38
2"	57.83	57.83	49.34	52.79	54.90
3"	100.58	100.58	90.17	96.48	100.34
4"	161.84	161.84	148.67	159.08	165.44
6" or larger	\$ 314.87	\$ 314.87	\$ 294.86	\$ 315.50	\$ 328.12
Volumetric Rate <sup>b</sup>	\$ 3.09	\$ 3.09			
Operations Volumetric Rate <sup>b</sup>			\$ 1.85	\$ 2.59	\$ 2.75
Debt Repayment Rate <sup>b</sup>			\$ 2.12	\$ 2.12	\$ 2.12

Base Rate <sup>a</sup> (Meter Size)	Fiscal Year Ending				
	2005	2006 <sup>c</sup>	2007 <sup>d</sup>	2008 <sup>e</sup>	2009 <sup>f</sup>
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 <sup>b</sup>	\$ 2.21	\$ 2.21	\$ 2.74	\$ 2.83	\$ 2.94

<sup>a</sup> Rate charge from 2002 to June 2012 included 200 cubic feet; Changed in July 2012 with zero water consumed.

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

<sup>c</sup> In Nov 2006, City of Little Rock Board of Directors approved a five step rate increase that will effected rates from 2007 to 2010.

<sup>d</sup> There were two, of an approved five step, rate increases in 2007; 15% on January 1 and 8% on July 1.

<sup>e</sup> The third of a five step rate increase; 3% on January 1.

<sup>f</sup> The fourth of a five step rate increase; 4% on January 1.

<sup>g</sup> The last of a five step rate increase; 5% on January 1.

<sup>h</sup> In June 2012, City of Little Rock Board of Directors approved a four step rate increase that will effected rates from 2012 to 2016.

The rate ordinance split the Volumetric Rate into Operations and Debt Repayment Rates.

<sup>i</sup> Rate increase of 10% on January 1.

<sup>j</sup> Rate increase of 7.0% on January 1.

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

Schedule 9B

**Little Rock Wastewater**

Non-Domestic Sewer Rate (Outside City)

Last Ten Fiscal Years

Base Rate <sup>a</sup> (Meter Size)	Fiscal Year Ending				
	2010 <sup>g</sup>	2011	2012 <sup>h</sup>	2013 <sup>i</sup>	2014 <sup>j</sup>
5/8"	\$ 23.05	\$ 23.05	\$ 13.86	\$ 14.84	\$ 15.44
3/4"	27.10	27.10	17.87	19.11	19.88
1"	36.11	36.11	27.02	28.91	30.06
1.5"	59.23	59.23	47.69	51.03	53.07
2"	88.50	88.50	74.01	79.19	82.35
3"	150.87	150.87	135.26	144.72	150.51
4"	242.79	242.79	223.01	238.62	248.16
6" or larger	\$ 472.31	\$ 472.31	\$ 442.29	\$ 473.25	\$ 492.18
Volumetric Rate <sup>b</sup>	\$ 4.63	\$ 4.63			
Operations Volumetric Rate <sup>b</sup>			\$ 2.78	\$ 3.44	\$ 4.13
Debt Repayment Rate <sup>b</sup>			\$ 3.19	\$ 3.19	\$ 3.19

Base Rate <sup>a</sup> (Meter Size)	Fiscal Year Ending				
	2005	2006 <sup>c</sup>	2007 <sup>d</sup>	2008 <sup>e</sup>	2009 <sup>f</sup>
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 <sup>b</sup>	\$ 3.32	\$ 3.32	\$ 4.12	\$ 4.24	\$ 4.41

<sup>a</sup> Rate charge from 2002 to June 2012 included 200 cubic feet; Changed in July 2012 with zero water consumed.

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

<sup>c</sup> In Nov 2006, City of Little Rock Board of Directors approved a five step rate increase that will effected rates from 2007 to 2010.

<sup>d</sup> There were two, of an approved five step, rate increases in 2007; 15% on January 1 and 8% on July 1.

<sup>e</sup> The third of a five step rate increase; 3% on January 1.

<sup>f</sup> The fourth of a five step rate increase; 4% on January 1.

<sup>g</sup> The last of a five step rate increase; 5% on January 1.

<sup>h</sup> In June 2012, City of Little Rock Board of Directors approved a four step rate increase that will effected rates from 2012 to 2016.

The rate ordinance split the Volumetric Rate into Operations and Debt Repayment Rates.

<sup>i</sup> Rate increase of 10% on January 1.

<sup>j</sup> Rate increase of 7.0% on January 1.

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

Schedule 10

**Little Rock Wastewater**

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year	Principal Only			Total		As a Share of Personal Income
	Revenue Bonds	Revolving Fund Loans <sup>a</sup>	Notes	Amount	Per Capita	
2005	\$ 30,635,000	\$ 42,048,744		\$ 72,683,744	\$396.89	1.23%
2006	\$ 29,915,000	\$ 57,177,864		\$ 87,092,864	\$475.57	1.41%
2007	\$ 163,305,000	\$ 64,288,425		\$227,593,425	\$1,242.78	3.47%
2008	\$ 177,480,000	\$ 70,978,477		\$248,458,477	\$1,356.71	3.56%
2009	\$ 181,995,000	\$ 88,471,455		\$270,466,455	\$1,476.89	3.78%
2010	\$ 179,640,000	\$ 81,817,242		\$261,457,242	\$1,351.03	3.55%
2011	\$ 176,720,000	\$ 79,397,360		\$256,117,360	\$1,323.44	3.48%
2012	\$ 202,543,537	\$ 75,086,015		\$277,629,552	\$1,434.60	3.56%
2013	\$ 199,230,470	\$ 70,204,709		\$269,435,179	\$1,392.26	3.34%
2014	\$ 200,860,082	\$ 69,081,782		\$269,941,864	\$1,394.88	3.26%

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 #6 - Long-Term Debt for more information.

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

Schedule 11

**Little Rock Wastewater**

Pledge-Revenue Coverage

Last Ten Fiscal Years

Fiscal Year	Gross Revenue <sup>a</sup>	Direct Operating Expense <sup>b</sup>	Net Revenue Available For Debt Service	At December 31, Fiscal Year			Coverage
				Total Outstanding Debt <sup>c</sup>	# of Years of Outstanding Debt	Avg Yearly Outstanding Debt	
2005	\$ 31,208,600	\$ (20,810,361)	\$ 10,398,239	\$ 169,600,556	24	\$ 7,066,690	1.47
2006 <sup>d</sup>	\$ 35,953,294	\$ (22,088,850)	\$ 13,864,444	\$ 139,992,855	22	\$ 6,363,312	2.18
2007 <sup>e</sup>	\$ 43,429,090	\$ (23,539,563)	\$ 19,889,527	\$ 436,244,778	30	\$ 14,541,493	1.37
2008 <sup>f</sup>	\$ 47,882,812	\$ (23,731,107)	\$ 24,151,705	\$ 454,758,950	30	\$ 15,158,632	1.59
2009 <sup>g</sup>	\$ 43,416,841	\$ (23,467,164)	\$ 19,949,677	\$ 460,867,355	30	\$ 15,362,245	1.30
2010	\$ 42,161,964	\$ (23,310,477)	\$ 18,851,487	\$ 441,050,765	29	\$ 15,208,647	1.24
2011	\$ 41,494,335	\$ (21,375,526)	\$ 20,118,809	\$ 422,421,951	28	\$ 15,086,498	1.33
2012	\$ 43,886,395	\$ (20,845,059)	\$ 23,041,336	\$ 438,506,442	30	\$ 14,616,881	1.58
2013	\$ 48,194,079	\$ (22,102,353)	\$ 26,091,726	\$ 477,572,007	29	\$ 16,468,000	1.58
2014	\$ 51,387,054	\$ (23,313,891)	\$ 28,073,163	\$ 456,384,959	28	\$ 15,384,611	1.82

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. In order to issue new debt, coverage shall not be less than 1.20 of the average annual principal and interest requirements on all outstanding System Bonds and the additional bonds proposed. The ordinance also states that in order to reduce rates, the average annual principal and interest requirement must meet a 1.30 coverage.

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

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

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

<sup>c</sup> Includes all Revolving Loan Fund (RLF) debt payments as if projects were completed and repaying loans.

<sup>d</sup> Includes an estimated look-back rate increase of \$4.69 Million in Gross Revenues based on December 2006 rate increase.

<sup>e</sup> 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.

<sup>f</sup> 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.

<sup>g</sup> Includes an estimated look-forward rate increases of \$1,988 Million in Gross Revenues based on approved Jan 1, 2010 rate increases.

Schedule 12

**Little Rock Wastewater**

Demographic and Economic Statistics

Last Ten Calendar Years

Calendar Year	Population <sup>a</sup>	Personal Income <sup>b</sup>	Per Capita Personal Income	Unemployment Percentage Rate
2005	183,133	\$ 5,889,923,546	\$ 32,162	4.5%
2006	183,133	\$ 6,195,023,124	\$ 33,828	4.6%
2007	183,133	\$ 6,553,597,538	\$ 35,786	4.7%
2008	183,133	\$ 6,984,143,221	\$ 38,137	4.5%
2009	183,133	\$ 7,153,174,980	\$ 39,060	5.9%
2010	193,524	\$ 7,374,425,544	\$ 38,106	7.2%
2011	193,524	\$ 7,365,910,488	\$ 38,062	6.7%
2012	193,524	\$ 7,807,919,304	\$ 40,346	7.1%
2013	193,524	\$ 8,062,596,888	\$ 41,662	7.2%
2014	193,524	\$ 8,273,731,572	\$ 42,753	6.9%

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

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

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

## Schedule 13

**Little Rock Wastewater**

Ten Largest Sewer Customers

Current Year and Nine Years Ago

<b>Fiscal Year 2014</b>		
Customer	Amount	Percent
1. Baptist Medical Center	\$ 597,865	1.20 %
2. Sage V Foods	484,657	0.98
3. University of Arkansas Medical Science	459,909	0.93
4. Central Arkansas Water	373,125	0.75
5. St. Vincent's Infirmary	272,750	0.55
6. V.A. Hospital	257,723	0.52
7. Statehouse Convention Center	170,727	0.34
8. Arkansas Children's Hospital	169,118	0.34
9. Hiland Dairy	167,587	0.34
10. Welspun Tubular	122,293	0.25
Subtotal	3,075,753	6.19
Balance from other customers	46,623,740	93.81
Grand Totals <sup>a</sup>	<u>\$49,699,493</u>	<u>100.00 %</u>

<b>Fiscal Year 2005</b>		
Customer	Amount	Percent
1. University of Arkansas Medical Science	\$ 317,050	1.08 %
2. Odom Sausage	250,554	0.85
3. Baptist Medical Ct.	214,143	0.73
4. Central Arkansas Water	180,271	0.61
5. City of Shannon Hills	174,374	0.59
6. St. Vincent's Hospital	139,524	0.47
7. Coleman Dairy	99,103	0.34
8. Veterans Administration Hospitals	93,971	0.32
9. Arkansas Children's Hospital	84,801	0.29
10. Coca-Cola Bottling	79,333	0.27
Subtotal	1,633,124	5.56
Balance from other customers	27,741,704	94.44
Grand Totals <sup>a</sup>	<u>\$29,374,828</u>	<u>100.00 %</u>

<sup>a</sup> Grand Totals are based on Sewer Charges from Schedule 3.

Schedule 14

**Little Rock Wastewater**

Principal Employers

Current Year and Nine Years Ago

Employer	2014			2005		
	Employees	Percentage of Total	Rank	Employees	Percentage of Total	Rank
State of Arkansas	32,200	10.07%	1	28,100	8.85%	1
Local Government	28,800	9.01%	2	-	-	
Federal Government	9,200	2.88%	3	9,400	2.96%	2
University of Arkansas Medical Sciences	8,500	2.66%	4	8,500	2.68%	3
Baptist Health	7,000	2.19%	5	7,571	2.38%	5
Little Rock Air Force Base	4,500	1.41%	6	4,500	1.42%	6
Axciom	4,388	1.37%	7	4,388	1.38%	7
Little Rock School District	3,511	1.10%	8	-	-	
Central Arkansas Veterans Health Care	3,500	1.09%	9	2,785	0.88%	10
Entergy Arkansas	2,738	0.86%	10	2,881	0.91%	9
Public School District				7,868	2.48%	4
St. Vincent Medical Center				3,400	1.07%	8
<b>Total</b>	<b>104,337</b>	<b>33%</b>		<b>79,393</b>	<b>25%</b>	

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



Schedule 15

**Little Rock Wastewater**

Number of Employees by Identifiable Activity

Last Ten Fiscal Years

	<b>Full-time-Equivalent Employees as of December 31</b>									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Administration:										
Executive Administrator	1	1	1	1	1	1	1	1	1	1
Safety & Communications	4	4	4	5	4	4	4	3	3	4
Human Resources	2	2	2	2	2	2	2	2	2	2
Finance/Accounting	8	8	9	12	12	12	10	8	9	12
Information Services	12	12	12	16	13	13	10	9	10	11
Legal	1	1	1	2	1	0	0	0	0	0
Clerical	16	18	15	10	11	10	9	7	7	7
Engineering <sup>a</sup>	32	33	35	28	30	29	27	20	23	20
Sewer Plant Maintenance	20	13	18	12	23	21	21	22	23	24
Sewer Systems Maintenance	105	110	112	114	106	94	90	81	87	82
Sewer Plant Operations	22	22	22	24	21	20	20	21	18	22
Environmental Assessment	17	17	19	17	17	16	16	17	23	24
<b>Total Employees</b>	<b>240</b>	<b>241</b>	<b>250</b>	<b>243</b>	<b>241</b>	<b>222</b>	<b>210</b>	<b>191</b>	<b>206</b>	<b>209</b>

Schedule 16

**Little Rock Wastewater**

Operating and Capital Indicators,  
Last Ten Fiscal Years

	Fiscal Year									
	2005	2006 <sup>a</sup>	2007	2008	2009	2010	2011 <sup>b</sup>	2012	2013	2014
Wastewater Treatment										
Miles of Sewer	1,248	1,270	1,293	1,314	1,312	1,320	1,346	1,353	1,359	1,368
Number of Treatment Plants	2	2	2	2	2	2	3	3	3	3
Treatment Capacity (MGD)										
- Biological Treatment	52.0	52.0	52.0	52.0	52.0	52.0	56.0	56.0	56.0	56.0
- Hydraulic Peak Capacity	108.0	130.0	130.0	130.0	130.0	130.0	144.0	144.0	144.0	144.0
Daily engineering maximum plant capacity (MGD)	32.21	30.92	32.71	35.18	40.63	40.58	35.55	31.04	33.91	34.17
Unused Capacity (MGD)	19.79	21.08	19.29	16.82	11.37	11.42	20.45	24.96	22.09	21.83
Percent of capacity utilized	62%	59%	63%	68%	78%	78%	63%	55%	61%	61%

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

<sup>a</sup> Adams Field Wastewater Treatment Plant improvements were completed that allowed peak hydraulic capacity to go from 72 MGD to 94 MGD.

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