



LITTLE ROCK, ARKANSAS

A Component Unit of the City of Little Rock, Arkansas

Comprehensive Annual

Financial Report

**For The Years Ended December 31, 2015
and 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
For The Years Ended December 31, 2015 and 2014

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INTRODUCTORY SECTION



Little Rock Wastewater

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April 20, 2016

To Little Rock Water Reclamation Commission,
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 years ended December 31, 2015 and 2014. State law requires every general-purpose local government publish a complete set of audited financial statements for each fiscal year. This report is published to fulfill that requirement for the fiscal year ended December 31, 2015. 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 LRW 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, 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, 2015 and 2014. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the Government

The 1933 Arkansas General Assembly enacted Act 132, authorizing all cities and towns in the state to levy user charges against property owners "to construct, own, equip, operate, maintain and improve" sewage collection and treatment systems. In June 1935, a full-fledged Sanitary Sewer Committee was named and the City of Little Rock Sanitary Sewer System was created. The seven-member group in 2015 changed the governing board from Little Rock Sanitary Sewer Committee (LRSSC) to Little Rock Water Reclamation Commission (LRWRC). The LRWRC manages and controls the City's sewer system. The LRWRC 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 LRWRC members. The LRWRC in turn hires a Chief Executive Officer. The LRWRC 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 LRWRC 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 LRWRC is required to adopt a final budget by no later than the close of the fiscal year. This annual operating and capital budget serves as the foundation for 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 LRWRC. Each month, financials are presented to the LRWRC to show 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, 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 place to live for small- and mid-size cities. This was based on the cost of living, quality of life, education system and strong economics.

The customer base has continued to grow at a slow but steady pace from previous years for the domestic and non-domestic users of the City of Little Rock Sanitary Sewer System (the System). The number of domestic customer accounts has increased by 5.33% over the past 10 years while non-domestic users have increased by 1.72% over the same time period. The overall growth of total customer accounts for the 10-year period is 4.94%, a decrease of 0.19% from 2014.

Long-Term Financial Planning

The Capital Improvement Plan (CIP) is a multi-year plan to address capital projects outlined in the System Evaluation and Capacity Assurance Plan (SECAP), the SECAP update, and routine expenditures to maintain infrastructure and replace aging fleet and equipment. The SECAP was completed in 2002 and adopted as part of the Sierra Club Settlement Agreement dated September 12, 2001. In 2006, Arkansas Department of Environmental Quality (ADEQ) and LRW signed a Consent Administrative Order (CAO) to address sanitary sewer overflows. The deadline to complete all the requirements of the CAO was set at January 1, 2016. In 2010, RJN Group was selected to provide LRW with an update to the SECAP report. In 2011, the deadline to complete the requirements of the CAO was extended three years to December 31, 2018. During 2015 the direction of the capital improvements for capacity related overflows changed from wet weather storage facilities to collection system upgrades and renewal. The Rock Creek Storage Facility and the Cantrell Road Area In-Line Storage Facility projects were canceled and replaced by Collection

System Overflow Mitigation Projects. As a result of these changes the deadline to complete all the requirements of the CAO and the Settlement Agreement was extended to December 31, 2023. The ten-year plan contained in the 2016 budget represents the capital expenditures required to meet the goals of the SECAP plan from the study completed in 2002, the updated study from 2010, and the new Collection System Overflow Mitigation Projects by December 31, 2023. The plan is updated annually to reflect the latest priorities, updated cost estimates, and available funding. Total costs remaining that are associated with the CAO is estimated at \$241.9 million. *Note 8, Litigation*, of the audit discusses the Settlement Agreement in more detail.

Total capital expenditures of \$39.4 million are planned for 2016. Of this amount, \$27.3 million relates to carryover projects and \$12.1 is proposed for new capital projects

The Utility estimates that capital improvements required over the next ten years, both to comply with the Settlement Agreement and the CAO and for routine capital improvements, will cost \$376.9 million and will include the following:

Collection System Rehabilitation Capacity Assurance Projects

Various rehabilitation projects are forecast to require expenditures totaling over \$129,200,000 over the next eight years through 2023. The total cost of work scheduled during 2016 is \$16,690,308 and will be funded with system revenues and sewer revenue bonds issued in 2013. The balance of the cost will be funded with System revenues and sewer revenue bonds to be issued in 2016, 2018, 2020 and 2022.

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 2016, \$1,700,000 is forecasted for trenchless rehabilitation work. The Utility is projecting that \$8,800,000 will be needed in total for years 2017 to and including 2023. This project is being funded with System revenues.

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 \$3,000,000. The identified line segments will be prioritized and placed on a rehabilitation schedule. The rehabilitation is estimated at \$3,000,000 annually with a total cost of 15,000,000 through 2023 and will be funded by System revenues and revenue bonds issued in 2020 and 2022.

Scott Hamilton Drive Peak Flow Facility

The SECAP identified the need for additional storage to complement the existing storage facility located at Scott Hamilton Drive. The total capital cost for this project is estimated at \$26,199,124 with funding sources from the Series 2012 Bonds, proposed sewer revenue bonds in 2016, and System revenues. In conjunction with prior year costs of \$3,647,554, estimated expenditures for 2016 are \$9,242,659 with remaining budget years of 2017-2018 at \$13,308,911.

Adams Field Wastewater Treatment Facility - 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), for extended hydraulic pass-through of rainfall dependent infiltration and inflow volume. The total capital cost for this project is estimated at \$31,450,823 with the construction beginning in 2021 and completed by 2023. The funding source will be proposed sewer revenue bonds to be issued in 2020 and 2022

Adams Field Wastewater Treatment Facility - Nutrient Removal

In 2015, ADEQ determined that the oxygen demanding constituent of all municipal wastewater discharges, ammonia nitrogen (NH₃- N), has a significant effect on the predicted dissolved oxygen (DO) level in the Arkansas River. The ADEQ water quality model indicated that a NH₃-N permit limit of 7.0 mg/l for Adams Field 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 2016 to develop the progress reports. The project design and construction for the selected treatment option is forecasted to begin in 2017 and complete in 2021. The total project cost is estimated at \$59,190,000 and will be funded by System revenues and sewer revenue bonds to be issued in 2016, 2018 and 2020.

Fourche Creek Wastewater Treatment Facility - Nutrient Removal

Effective October 1, 2015, ADEQ issued a permit renewal for the facility. Within the permit, ADEQ direct LRW to comply with a schedule for ammonia based limits based on those issues outlined under the narrative for Adams Field Treatment Facility - Nutrient Removal. Estimated Expenditures through 2025 are \$1,480,000.

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 \$9,897,820 and will be funded by sewer revenue bonds to be issued in 2016.

Jamison Pump Station Upgrade

The Jamison Road Pump Station was constructed in 1993. The station consists of five submersible pumps which include two 25 hp and three 150 hp pumps. There are two grinders and screens - one on each of the inlet channels. Dry weather flow at the station is approximately 2 MGD. Peak pumping capacity is approximately 16 MGD. Overall the wet well, valve vault, and building structure are in good condition and the station is functioning as designed. No changes are immediately required but the SECAP recommended installing back-up power, painting the ferrous surfaces at the station, and replacing the grinders with a mechanical bar screen when maintenance of the grinders becomes an issue. The project is scheduled to start in 2017 and be completed in 2018. Estimated total costs is \$2,207,359.

Peak Flow Pump Station – Additional Pump

The Peak Flow Pump Station was designed with an empty pump position so the capacity of the station could be readily increased when storage becomes available. The increased capacity of the station will reduce the occurrence of sanitary sewer overflows in the Fourche Creek vicinity with additional storage or an additional basin at the Peak Flow Attenuation Facility. The project is scheduled to start and finish in 2017. Estimated total costs is \$1,135,426.

Capitalized Interest

Capitalized interest is allocated among the projects associated with each sewer revenue bond or revolving loan fund. It has been Little Rock Wastewater's practice to include incurred interest payments during the construction period as part of the disbursements from the revolving loan fund. The estimated capitalized interest is based on amounts and timing of the withdrawals on the projects. Estimated capitalized interest over the next ten year period is \$15,256,433.

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 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 LRWRC.

Sewer Revenue Fund

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

Bond Fund

The following shall be deposited in the Bond Fund:

1. Such amounts, in equal monthly installments by the 10th of the month following the month of closing, and on or before the 10th of each month thereafter, as will be sufficient to pay principal and interest scheduled to come due on the bonds' next principal and interest payment date, less any amount already on deposit therein for such purposes derived from the proceeds of the bonds or from any other lawfully available source.
2. Additional sums as necessary to provide for the Trustee's fees and expenses and any arbitrage rebate payment due to be paid to the United States Treasury under Section 148(f) of the code.

Bond Reserve Fund

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 have been paid shall continue to be paid to the Depreciation Fund established in connection with the System, and shall be held in and paid out from such fund for the following purposes:

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

Contributions in Aid of Construction Fund

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

Capital Projects Fund

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

Capital Improvements Budget Policy

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

This actual budget is used for projecting anticipated capital requirements and becomes a vital element in the 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 LRWRC for approval.

Upon approval, all proposed expenditures included in the Capital Budget will be classified as "Planned Expenditures." Any of the capital expenditures proposed during the 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 LRWRC, 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 LRWRC 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 LRWRC. Emergency funding authorizations and amendments to the approved operating or capital budgets can only be done with approval by the LRWRC.

Revenue Policy

City of Little Rock Ordinance No. 20,594 also requires that the LRWRC maintain rates sufficient to produce or yield revenues to produce in each fiscal year an amount adequate to pay all expenses incurred for the operations and maintenance of the System as such expenses that shall accrue during the year. The current bond ordinance requires that 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

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

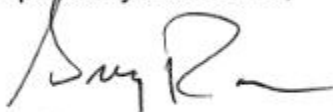
Planned rate increases on a consistent basis are programmed in the Financial Plan and are mainly driven by the capital improvement program and debt service coverage required both by the revenue bond covenants and by the LRWRC benchmarks for financial management. The parity revenue bond covenants require debt service coverage of 1.2 times or greater (meaning 120% of the current year’s debt service requirements must be available that fiscal year to issue new debt). 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 Little Rock Wastewater, Little Rock, Arkansas, for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2014. This was the eleventh 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

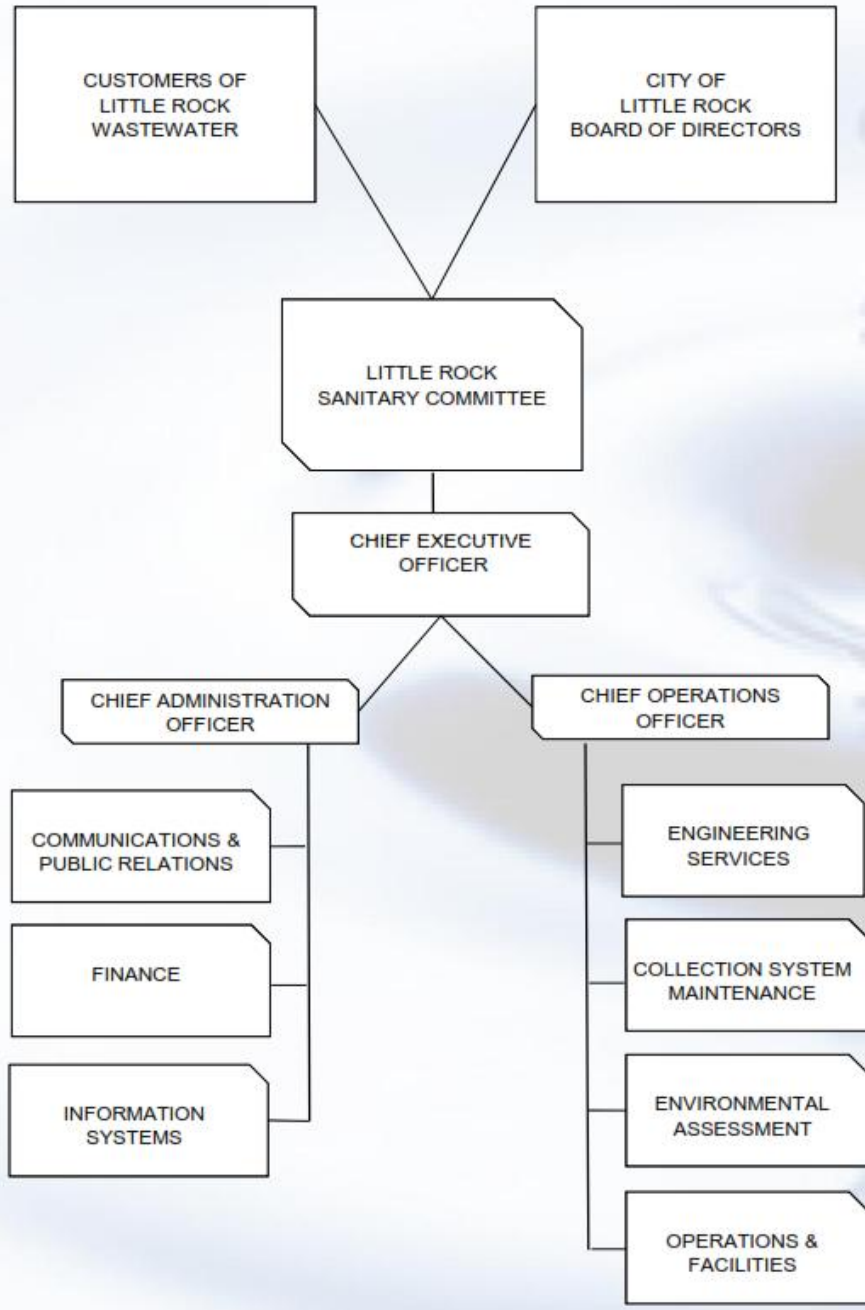
Presented to

**Little Rock Wastewater
Arkansas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2014

Executive Director/CEO



2015 LITTLE ROCK SANITARY SEWER COMMITTEE

**Pat Miller
Secretary**



**Richard Mays
Jr.
Chair**



**Pete
Hornibrook
Vice Chair**

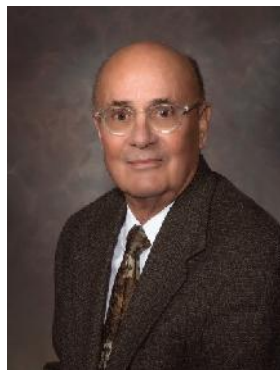


**Maurice Rigsby
Member**

**Ken Griffey
Member**



**Bill Flowers
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
Water Reclamation Commission
Little Rock, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of Little Rock Wastewater Utility (the Utility), a component unit of the City of Little Rock, Arkansas, which comprise the statements of net position as of December 31, 2015 and 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

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, 2015 and 2014, 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.

Emphasis of Matter

As discussed in *Note 1* to the financial statements, in 2015, the Utility changed its method of accounting for pensions with the adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension/other postemployment benefit information 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 accompanying supplementary information including budgetary comparison schedule, schedule of operating expenses, schedule of bonded indebtedness and schedule of expenditures of governmental assistance 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 is the responsibility of management and was 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 financial statements that collectively comprise Little Rock Wastewater Utility's 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 April 18, 2016, 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

Dallas, Texas
April 18, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

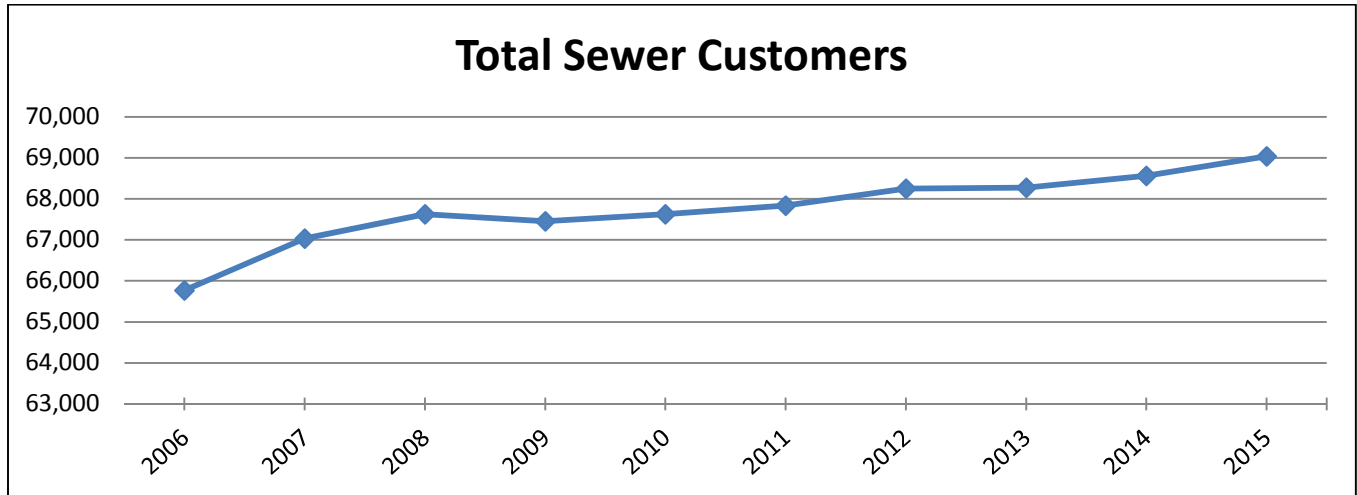
As management of Little Rock Wastewater (LRW), we offer readers of LRW's financial statements this narrative overview and analysis of the financial activities of LRW for the fiscal year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with additional 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). 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 \$488.6 million and exceeded Total Liabilities and Deferred Inflows of Resources that totaled \$300.9 million. Total Net Position was \$187.7 million, a decrease of 4.0% (primarily due to the adoption of GASB 68) from 2014 and an increase of 1.2% from 2013.
- Operating Revenue showed a slight decrease of 0.17% compared to 2014 at \$51.2 million. This was an increase of 6.7% or \$3.1 million from 2013.
- Operating Expenses, before Depreciation, increased by \$.6 million or 2.8%, compared to fiscal year 2014 and an increase of \$1.9 million from 2013. Operating Expenses, including Depreciation, increased by \$4.1 million from fiscal year 2014.
- Debt Service Coverage was 1.86, 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 2015 Revenue Refunding Bond Issue in the amount of \$160 million dollars. This bond refunded the 1996, 2004A, 2004B, and 2004C Sewer Revenue Bonds and advance funded the 2007A and 2007C Sewer Revenue Bonds. This new issue had no new construction proceeds. Gross savings on bond reissue was \$13.8 million dollars.
- In August 2015, the City of Little Rock Board of Directors passed a new Sewer Rate Ordinance. The ordinance included a five-step sewer rate adjustment timeline; 4.75% for January 2017; 4.75% for January 2018; 4.75% for January 2019; 4.75% for January 2020; and 4.75% for January 2021. A vast majority of this revenue is to fund debt service on future debt issues in 2016, 2018, and 2020.

General Trends

LRW’s customer accounts increased from 2014 by 481 or 0.7%. Over a 10-year period, the customer growth rate was 4.97%. As you can see from the chart below, customer growth has slow steady upward movement starting in 2009 to present.



Wastewater Customers	2015	2014	2013
Beginning Customer Accounts	68,558	68,272	68,246
Additional Accounts (net)	481	286	26
Ending Customer Accounts	69,039	68,558	68,272

The following chart shows a Domestic bill based on a consumption of 6 Ccf as of December 31 of each year. These amounts do not include a 10.0% franchise fee that is collected for and paid to the City of Little Rock or the monthly \$1.00 service line replacement fee.

Domestic Bill	2015	2014	2013
	\$31.71	\$31.71	\$30.89

Little Rock’s wastewater rates remain moderately higher than neighboring utilities. The Little Rock Water Reclamation Commission (LRWRC) 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 dollars. 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 water reclamation commission 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, liabilities, and deferred inflows with the difference between the four (4) reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of 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.

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

Fiscal Year 2013-2015 Financial Information

Statement of Net Position

Total Assets decreased by \$2.0 million from 2014 and increased by \$12.2 million from 2013. Current Assets show an increase of 0.86% from 2014 and a 51.2% 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 (GASB 62). Noncurrent Unrestricted & Restricted Assets shows a decrease of 56.9% or \$14.2 million from 2014. This reflects the 2012 bond proceeds spent toward new capital projects. Net Capital Assets has an increase of \$12.0 million from 2014 and a \$28.92 million or 7.1% increase from 2013. Both the Construction Work in Progress (CWIP) and Capital Assets line items increased in 2015. CWIP increased by \$17.7 million to \$54.0 million from 2014 while the Capital Assets of Building, Infrastructure, and Equipment increased by \$6.3 million. The Accumulated Depreciation category increased by \$12.1 million, from \$138.5 million to \$150.6 million. LRW only expects this to grow significantly larger each year as the newly added Capital Assets start to depreciate. Note 4 of the audit provides a breakdown between additions and retirements.

With the advance refunding of the 2005, 2007A and 2007C Revenue Bonds, a Deferred Outflow of Resources occurred based on carrying value of the old debt and new price. The remaining amount of \$9.7 million will be amortized over the life (May 2025) of the refunding debt. A new item to the Deferred Outflows is the pension funding and the implementation of GASB Statement #68. Notes 10 (B) Pension Benefits (APERS) and 15 Advanced Refunding provide greater detail on these Deferred Outflows of Resources.

Current Liabilities showed a decrease of 14.1% or \$2.6 million. The biggest contributing line item is Construction Accounts Payable decreasing from \$5.0 million to \$1.7 million in 2015. Noncurrent Liabilities showed an increase of 7.4% or \$19.5 million for 2015. The construction draws from the 2013 Revenue Bond in the amount of \$10.7 million has increased bond payables. LRW's bond information can be found in Note 6 on Page 44. With the implementation of GASB No.68, a Net Pension Liability line item was created in the amount of \$12.4 million. Total Liabilities increased by \$16.8 million from 2014.

Total Net Position had a decrease of 4.0% in 2015 due to the effects of implementing GASB 68. The Restricted Net Position increased by 0.8% from 2014. Net Investment in Capital Assets showed an increase of 2.3% or \$3.7 million and Unrestricted Net Position decreased by \$11.5 million.

	2015	Percent Change	2014	Percent Change	2013
ASSETS					
Current Assets	\$ 27,955,399	0.86%	\$ 27,717,547	51.16%	\$ 18,336,455
Noncurrent Unrestricted & Restricted Assets	10,778,723	-56.91%	25,016,300	-32.69%	37,168,366
Capital Assets (Net)	437,077,029	2.83%	425,029,345	4.13%	408,152,760
Total Assets	475,811,151	-0.41%	477,763,192	3.04%	463,657,581
DEFERRED OUTFLOWS OF RESOURCES					
Bond Refunding	9,735,252	3213.19%	293,833	100.00%	0
Pension Funding	3,053,329	100.00%	0	0.00%	0
Total Deferred Outflows of Resources	12,788,581	4252.33%	293,833	100.00%	0
Total Assets and Deferred Outflows Of Resources	\$ 488,599,732	2.21%	\$ 478,057,025	3.11%	\$ 463,657,581
LIABILITIES					
Current Liabilities	16,019,023	-14.11%	18,649,764	27.72%	14,602,582
Noncurrent Liabilities	283,426,074	7.38%	263,958,115	0.13%	263,614,907
Total Liabilities	299,445,097	5.96%	282,607,879	1.58%	278,217,489
DEFERRED INFLOWS OF RESOURCES					
Pension Funding	1,425,199	100.00%	0	0.00%	0
NET POSITION					
Net Investment in Capital Assets	166,962,094	2.26%	163,269,445	1.80%	160,379,889
Restricted	12,534,544	0.76%	12,440,594	-0.74%	12,533,307
Unrestricted	8,232,798	-58.29%	19,739,107	57.57%	12,526,896
Total Net Position	187,729,436	-3.95%	195,449,146	5.40%	185,440,092
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 488,599,732	2.21%	\$ 478,057,025	3.11%	\$ 463,657,581

Statement of Revenues, Expenses and Changes in Net Position

Operating revenue falls into three (3) general categories: assessments levied, industrial surcharges and other fees and income. Assessments levied are monthly residential/commercial service charge billings. Industrial surcharges consist of fees based on wastewaters having excessive Biochemical Oxygen Demand (BOD), Total Suspended Solids (TSS), Oil and Grease (O&G), Chemical Oxygen Demand (COD) or pH discharge. Other fees and income are permit fees, connection fees, inspection fees, sewer dump permits and co-generation revenue. Non-Operating revenue consists of interest income from investments and cash, and cash equivalent accounts, along with gain on disposal of property, unrealized gain on investments and miscellaneous income.

The Total Revenue decreased from 2014 to 2015 by \$0.4 million or 0.7%. LRW had no rate increases in 2015 but did have one for 7% that started in January 2014. Prior to that, there was an increase of 8% in January 2013. Assessments Levied had a 0.2% decrease from 2014 and were under budget projections by 0.4%. Industrial Surcharges increased by 7.5%. The difference between 2014 and 2013 reflects a full year of Odom's Sausage moving their processing facilities to another state in mid-2013. Other Fees and Income showed a decrease of 3.5%. Non-Operating Revenue showed a downward movement of 62.2% which reflects decreases in Interest Income, Unrealized Gain on Investments and Miscellaneous Income. The biggest decline was the Gain (loss) on Investments changing from \$148 thousand in 2014 to \$(20.7 thousand) in 2015 due to the Mark to Market adjustment.

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

Total Expense increased by \$6.3 million in 2015. Operating Expense increased by 2.8% or \$.6 million. Although Operating Expenses was under budget by 5.9%, the increase costs from 2014 reflect the filling of vacant several positions, associated benefits and normal business activities.

Nonoperating Expense had an increase of \$2.2 million in 2015 compared to 2014. The main line item that changed between the years was loss on disposal of property which \$1.6 million was from cancellation of projects and \$717 thousand from retirement of discontinued assets.

Change in Net Position represents a decrease of \$6.8 million due primarily to the change in Accounting Principle GASB 68 for Pension plan adjustment of \$11 million implemented in 2015. The change in Total Net Position – Ending showed a decrease of 3.95% comparing 2015 and 2014.

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 71.

	2015	Percent Change	2014	Percent Change	2013
REVENUES:					
Operating Revenues:					
Assessments Levied	\$ 49,616,847	-0.17%	\$ 49,699,493	6.84%	\$ 46,515,532
Industrial Surcharges	953,219	7.49%	886,815	-17.35%	1,072,928
Other Fees and Income	605,803	-3.52%	627,882	13.53%	553,052
Nonoperating Revenues	193,278	-62.22%	511,530	160.78%	196,152
Total Revenues:	51,369,147	-0.69%	51,725,720	7.01%	48,337,664
EXPENSES:					
Operating Expense	23,956,665	2.76%	23,313,891	5.48%	22,102,353
Depreciation Expense	13,722,622	33.49%	10,280,104	-0.10%	10,290,374
Nonoperating Expense	12,259,637	22.42%	10,014,412	-6.01%	10,654,770
Total Expense:	49,938,924	14.52%	43,608,407	1.30%	43,047,497
Income Before Contributions	1,430,223	-82.38%	8,117,313	53.44%	5,290,167
Capital Contributions	1,819,214	-3.83%	1,891,741	79.64%	1,053,061
Change in Net Position	3,249,437	-67.54%	10,009,054	57.79%	6,343,228
Change in Accounting Principle	(10,969,147)	-100.00%	-	0.00%	-
Total Net Position – Beginning	195,449,146	5.40%	185,440,092	3.54%	179,096,864
Total Net Position – Ending	\$ 187,729,436	-3.95%	\$ 195,449,146	5.40%	\$ 185,440,092

Capital Assets and Debt Administration

The additions to LRW's wastewater system capital improvements was \$26.3 million in fiscal year 2015. The largest major construction dollars were spent on CAO collection projects in the amount of \$12.5 million, CAO pumping projects in the amount of \$7.8 million, CAO treatment projects of \$1.7 million, Collection System Maintenance of \$1.4 million and New Development in the amount of \$1.1 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 2015 Sewer Refunding Bond Issue in the amount of \$160,070,000. This bond refunded the 1996, 2004A, 2004B, and 2004C Sewer Revenue Bonds and advance funded the 2007A and 2007C Sewer Revenue Bonds. This new issue had no new construction proceeds. Note 15 will provide more detailed dollar figures for the advanced refunding and defeasance of debt. The total long-term debt (less bond payable within one year) decreased by \$0.6 million in 2015.

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

Long-Term Debt	2015	2014	2013
1990 Sewer Revenue	\$ -	\$ -	\$ 250,873
1991 Sewer Revenue	-	-	215,034
1996 Sewer Revenue	-	1,733,305	2,083,097
1999 Sewer Revenue	-	-	6,504,479
2004A Sewer Revenue	-	16,122,554	17,153,178
2004B Sewer Revenue	-	10,086,079	10,700,711
2004C Sewer Revenue	-	9,936,377	10,488,999
2005 Sewer Revenue	-	-	6,905,000
2007A Sewer Revenue	-	54,760,000	56,085,000
2007B Sewer Revenue	13,589,763	14,375,892	15,140,839
2007C Sewer Revenue	-	71,085,000	71,085,000
2008 Sewer Revenue	14,015,000	14,335,000	14,640,000
2009A Sewer Revenue	6,819,541	7,165,246	7,504,139
2009B Sewer Revenue	5,860,000	6,000,080	6,135,080
2011 Sewer Revenue	13,950,000	15,525,000	16,590,000
2012 Sewer Revenue	26,550,000	27,175,000	27,790,391
2013 Sewer Revenue	20,383,597	9,662,331	163,363
2014 Sewer Revenue	10,765,000	11,980,000	-
2015 Sewer Revenue	157,910,000	-	-
Less Debt Payable, due within one year	\$ (9,495,548)	\$ (9,023,866)	\$ (8,632,477)
Total Long-Term Debt	\$ 260,347,353	\$ 260,917,998	\$ 260,802,704

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 2016 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) that transferred operations to a different state in 2013, which reduced LRW's Assessments levied and Industrial Surcharge in 2014. Industrial Surcharges increased in 2015, however.

The ten-year capital improvement plan set forth in the 2016 budget encompasses the amended deadline of December 31, 2023 to meet the requirements of the Settlement Agreement and the CAO will remain. Unfinished capital projects represented in the 2016 budget primarily relate to wastewater collection, transmission and treatment improvements. Total capital expenditures of \$39.4 million are planned for 2016. Of this amount, \$27.3 million relates to carryover projects and \$12.1 million is proposed for new capital projects

The Utility estimates the capital improvements required over the next ten years, both to comply with the Settlement Agreement and the CAO and for routine capital improvements, will cost \$376,935,627. In August of 2015, the City of Little Rock Board of Directors passed a five-step rate increase for the following timelines and percentage adjustments; 4.75% on Jan 1, 2017, 4.75% on Jan 1, 2018, 4.75% on Jan 1, 2019, 4.75% on Jan 1, 2020, and 4.75% on Jan 1, 2021.

Moody's Investors Service maintained LRW's rating at Aa3 with a negative outlook for the 2015 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.

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, 2015 AND 2014

ASSETS	2015	2014
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 14,921,866	\$ 11,841,279
Accounts Receivable (Net of Allowance for Doubtful Accounts of \$398,891 in 2015, and \$493,023 in 2014)	3,427,144	3,507,302
Inventories	1,395,960	1,414,084
Prepaid Items	52,087	162,528
Construction Receivable	98,693	134,616
Restricted Current Assets		
Restricted for Bond Requirements		
Cash and Cash Equivalents	6,064,162	4,670,411
Accrued Interest Receivable	15,288	45,291
Prepaid Items	277,197	918,200
Restricted for Construction and Improvements		
Cash and Cash Equivalents	<u>1,703,002</u>	<u>5,023,836</u>
Total Current Assets	<u>27,955,399</u>	<u>27,717,547</u>
<u>NONCURRENT ASSETS</u>		
Prepaid Other Postemployment Benefits	<u>1,509,671</u>	<u>1,389,937</u>
Total Unrestricted Noncurrent Assets	<u>1,509,671</u>	<u>1,389,937</u>
Restricted for Workers' Compensation Fund		
Investments	593,046	599,484
Restricted for Bond Requirements		
Investments	8,052,084	12,175,561
Restricted for Construction and Improvements		
Cash and Cash Equivalents	623,922	4,108,883
Investments	<u>-</u>	<u>6,742,435</u>
Total Restricted Noncurrent Assets	<u>9,269,052</u>	<u>23,626,363</u>
Capital Assets (Net of Accumulated Depreciation)	<u>437,077,029</u>	<u>425,029,345</u>
Total Noncurrent Assets	<u>447,855,752</u>	<u>450,045,645</u>
 Total Assets	 <u>475,811,151</u>	 <u>477,763,192</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Amounts on Bond Refunding	9,735,252	293,833
Deferred Amounts on Pension Funding	<u>3,053,329</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>12,788,581</u>	<u>293,833</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 <u>\$ 488,599,732</u>	 <u>\$ 478,057,025</u>

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

LITTLE ROCK WASTEWATER
STATEMENTS OF NET POSITION (CONTINUED)
DECEMBER 31, 2015 AND 2014

LIABILITIES	2015	2014
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 338,162	\$ 464,079
Franchise Fee Collections Due to City of Little Rock	417,734	400,204
Sewer Line Replacement Fee	141,922	143,771
Accrued Wages Payable and Related Liabilities	527,573	444,003
Accrued Expenses and Other	56,863	25,954
Compensated Absences	886,273	865,936
Construction Contracts Payable	1,703,002	5,023,836
Accrued Bond/Note Interest Payable	2,451,946	2,258,115
Bond/Note Payable - Current	<u>9,495,548</u>	<u>9,023,866</u>
Total Current Liabilities	<u>16,019,023</u>	<u>18,649,764</u>
<u>NONCURRENT LIABILITIES</u>		
Bonds/Note Payable (net of unamortized premiums and discount)	270,978,559	263,881,185
Compensated Absences	73,140	76,930
Net Pension Liability	<u>12,374,375</u>	-
Total Noncurrent Liabilities	<u>283,426,074</u>	<u>263,958,115</u>
Total Liabilities	<u>299,445,097</u>	<u>282,607,879</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amounts on Pension Funding	<u>1,425,199</u>	-
NET POSITION		
Net Investment in Capital Assets	166,962,094	163,269,445
Restricted		
Debt Service	11,941,498	11,841,110
Workers' Compensation	<u>593,046</u>	<u>599,484</u>
Total Restricted	12,534,544	12,440,594
Unrestricted	<u>8,232,798</u>	<u>19,739,107</u>
Total Net Position	<u>187,729,436</u>	<u>195,449,146</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 488,599,732</u>	<u>\$ 478,057,025</u>

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

LITTLE ROCK WASTEWATER
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>OPERATING REVENUES</u>		
Sewer Charges	\$ 49,616,847	\$ 49,699,493
Industrial Surcharges	953,219	886,815
Other	<u>605,803</u>	<u>627,882</u>
Total Operating Revenues	<u>51,175,869</u>	<u>51,214,190</u>
<u>OPERATING EXPENSES</u>		
Salaries and Benefits	15,654,261	15,097,683
Supplies	2,207,314	2,218,406
Contract Services	2,870,359	2,725,022
Vehicle Expenses	341,969	495,932
Utilities	1,818,133	1,623,697
Administrative	<u>1,064,629</u>	<u>1,153,151</u>
Total Operating Expenses	<u>23,956,665</u>	<u>23,313,891</u>
<u>PROVISION FOR DEPRECIATION</u>		
Building and Improvements	3,735,348	1,758,088
Infrastructure - Collections, Pumping & Treatments	7,226,853	6,516,747
Equipment	<u>2,760,421</u>	<u>2,005,269</u>
Total Provision for Depreciation	<u>13,722,622</u>	<u>10,280,104</u>
OPERATING INCOME	<u>13,496,582</u>	<u>17,620,195</u>
<u>NONOPERATING INCOME (EXPENSE)</u>		
Interest Income	154,003	172,864
Interest Expense	(8,279,403)	(9,656,926)
Bond Amortization Expense	(84,077)	(34,114)
Current Year Bond Issuance Costs	(1,528,933)	(179,941)
Gain (Loss) on Disposal of Capital Assets	(2,331,935)	(18,413)
Gain (Loss) on Investments	(20,707)	148,019
Other	<u>24,693</u>	<u>65,629</u>
Net Nonoperating Expense	<u>(12,066,359)</u>	<u>(9,502,882)</u>
INCREASE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	1,430,223	8,117,313
CAPITAL CONTRIBUTIONS	<u>1,819,214</u>	<u>1,891,741</u>
CHANGE IN NET POSITION	<u>3,249,437</u>	<u>10,009,054</u>
NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	195,449,146	185,440,092
CHANGE IN ACCOUNTING PRINCIPLE	<u>(10,969,147)</u>	<u>-</u>
NET POSITION, BEGINNING OF YEAR, AS RESTATED	<u>184,479,999</u>	<u>185,440,092</u>
NET POSITION, END OF YEAR	<u>\$ 187,729,436</u>	<u>\$ 195,449,146</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, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash Received from Customers	\$ 50,665,908	\$ 50,854,859
Other Receipts	605,803	627,882
Payments to Employees	(15,805,635)	(14,997,208)
Payments to Suppliers	(2,315,107)	(2,041,227)
Payments for Contractual Services	(2,870,359)	(2,725,022)
Payments for Utilities	(1,818,133)	(1,623,697)
Other Payments	<u>(1,296,108)</u>	<u>(1,703,835)</u>
Net Cash Provided by Operating Activities	<u>27,166,369</u>	<u>28,391,752</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Bond Issuance Costs	(1,528,933)	(214,055)
Acquisition and Construction of Capital Assets	(28,090,946)	(21,341,466)
Proceeds from Disposal of Property and Equipment	28,918	655,786
Principal Paid on Indebtedness	(14,238,125)	(8,511,444)
Interest Paid on Indebtedness	(8,085,572)	(11,253,916)
Net Proceeds from Issuance of Indebtedness	<u>10,721,266</u>	<u>9,498,968</u>
Net Cash Used in Capital and Related Financing Activities	<u>(41,193,392)</u>	<u>(31,166,127)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest on Investments	199,294	159,491
Proceeds from Sale of Investments	10,877,787	13,068,953
Purchase of Investments	<u>(5,437)</u>	<u>(131,210)</u>
Net Cash Provided by Investing Activities	<u>11,071,644</u>	<u>13,097,234</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (2,955,379)</u>	<u>\$ 10,322,859</u>

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

LITTLE ROCK WASTEWATER
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
<u>CASH AND CASH EQUIVALENTS</u>		
Beginning of Year	\$ 25,644,409	\$ 15,319,560
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(2,331,457)</u>	<u>10,324,849</u>
End of Year	<u>\$ 23,312,952</u>	<u>\$ 25,644,409</u>

RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING
ACTIVITIES:

Operating Income	\$ 13,496,582	\$ 17,620,195
Adjustments:		
Depreciation	13,722,622	10,280,104
Change in Operating Assets and Liabilities:		
Decrease in Accounts Receivable	80,158	275,409
Decrease in Inventories	18,124	16,530
Decrease in Prepaid Items and Other Assets	110,441	160,155
Increase (Decrease) in Accounts Payable	(125,917)	160,649
Increase (Decrease) in Accrued Expenses	87,261	(121,290)
Decrease in Net Pension Liability and Related Accounts	<u>(222,902)</u>	<u>-</u>
Net Cash Provided by Operating Activities	<u>\$ 27,166,369</u>	<u>\$ 28,391,752</u>

RECONCILIATION OF TOTAL CASH AND
CASH EQUIVALENTS

Current Assets - Cash and Cash Equivalents	\$ 14,921,866	\$ 11,841,279
Restricted for Bond Requirements	6,064,162	4,670,411
Restricted for Construction and Improvement	<u>2,326,924</u>	<u>9,132,719</u>
Total Cash and Cash Equivalents	<u>\$ 23,312,952</u>	<u>\$ 25,644,409</u>

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

During 2015 and 2014, the Utility received donated sewer lines capitalized in the amount of \$1,819,214 and \$1,891,741 respectively. During 2015 and 2014, capital asset additions in Accounts Payable were \$1,703,002 and \$5,023,836 respectively.

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

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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 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 69,039 and 68,558 customers at December 31, 2015 and 2014, respectively. LRW is financially accountable to the City of Little Rock because the City's Board of Directors must approve any rate adjustments and debt issuances.

B. **Basis of Accounting**

LRW is a proprietary fund 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 position into three components: net investment in capital assets; restricted; and unrestricted.

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

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

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

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting (Continued)

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.

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 income (expense) in the accompanying statements of revenues, expenses and changes in net position.

E. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the 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, 2015 and 2014, are more fully explained in *Note 3*.

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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).

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

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. **Pension Plan**

The provision for retirement pension costs is recorded when the related payroll is accrued and the obligation is incurred. LRW implemented GASB Statement 68 Accounting and Financial Reporting for Pensions which are reflected in the 2015 financial statement. See *Note 10*.

K. **Other Postemployment Benefits**

Effective for the year beginning January 1, 2007, the Utility implemented Government Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employer 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 11*.

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. **Adoption of New Accounting Standard**

The GASB has issued the following statement, which became effective for fiscal year 2015. Statement No. 68, *Accounting and Financial Reporting for Pensions— an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*. This statement changes the focus of pension accounting for employers funding their plan over time to a point-in-time liability that is reflected in the employer's financial statements for any actuarially unfunded portion of pension benefits earned to date. Restatement of the 2014 financial statements is not practical because prior year information calculated under the provisions of GASB 68 is not available, accordingly, LRW has reported the cumulative effect of applying GASB 68 as a restatement of net position as of January 1, 2015.

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Adoption of New Accounting Standard (Continued)

Net position at January 1, 2015, as previously reported	\$ 195,449,146
Recording of net pension liability as of January 1, 2015	(9,189,106)
Deferred outflows of resources for pension contributions made after the measurement date	862,199
Deferred outflows of resources for changes in assumptions	1,088,481
Deferred inflows of resources for differences between expected and actual experience	(116,744)
Deferred inflows of resources for differences between projected and actual earnings on pension plan investments	<u>(3,613,977)</u>
Net position at January 1, 2015, as restated	<u>\$ 184,479,999</u>

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

A summary of cash, cash equivalents, and investments per the statement of net position to the balance sheet as of December 31, 2015 and 2014, respectively, follows:

	<u>December 31, 2015</u>			
	<u>Cash</u>	<u>Cash Equivalents</u>	<u>Total</u>	<u>Investments</u>
Unrestricted Assets	<u>\$ 14,921,866</u>	<u>\$ -</u>	<u>\$ 14,921,866</u>	<u>\$ -</u>
Restricted Assets				
Bond Requirements	-	6,064,162	6,064,162	8,052,084
Construction and Improvements	-	2,326,924	2,326,924	-
Worker's Compensation Fund	-	-	-	593,046
Total Restricted Assets	<u>-</u>	<u>8,391,086</u>	<u>8,391,086</u>	<u>8,645,130</u>
Total	<u>\$ 14,921,866</u>	<u>\$ 8,391,086</u>	<u>\$ 23,312,952</u>	<u>\$ 8,645,130</u>

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

	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
Worker's 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

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.

The Utility had deposits with financial institutions of \$16,403,320 at December 31, 2015 and \$12,269,953 at December 31, 2014. As of December 31, 2015, \$641,947 of the Utility's bank balance was uninsured and exposed to custodial credit risk because it was under-collateralized by the pledging financial institution.

Investments

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

**LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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

Cash equivalents and investments at December 31, 2015 and 2014, consisted of Federated Treasury Obligations, U.S. Government Obligations, and bonds from Arkansas School Districts stated at fair values of \$17,036,216 and \$33,320,610, respectively. Net unrealized gain (loss) for each of the years ended December 31, 2015 and 2014, was \$(20,707) and \$148,019, respectively.

Investment Type	December 31, 2015				Credit Rating
	Fair Value	Less than 1 year	1-5 years	6-10 years	
Cash Equivalents and Investments					
Cash Equivalents:					
Federated Treasury Obligation	\$ 8,391,086	\$ 8,391,086	\$ -	\$ -	AA+/Aaa
Investments:					
Fannie Mae	715,493	-	715,493	-	AA+/Aaa
Federal Farm Credit Bank	726,637	-	726,637	-	AA+/Aaa
Federal Home Loan Dist	6,667,764	-	6,667,764	-	AA+/Aaa
Harrisburg AR School Dist	140,062	140,062	-	-	AA+/Aaa
Newport AR School Dist	395,174	395,174	-	-	AA+/Aaa
	<u>8,645,130</u>	<u>535,236</u>	<u>8,109,894</u>	<u>-</u>	
	<u>\$ 17,036,216</u>	<u>\$ 8,926,322</u>	<u>\$ 8,109,894</u>	<u>\$ -</u>	

Investment Type	December 31, 2014				Credit Rating
	Fair Value	Less than 1 year	1-5 years	6-10 years	
Cash Equivalents and Investments					
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 Dist	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	-	395,115.00	-	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 WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

Interest Rate Risk

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

Credit Risk

Credit risk is the risk that the issuer or other counterparty will not fulfill its obligation. The Utility manages its credit risk by investing exclusively in government-issued treasuries and agencies. All of the Utility's investments at December 31, 2015 and 2014, are insured or registered and held by the Utility or its agent in the Utility's name.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2015 and 2014, consisted of the following:

	<u>2015</u>	<u>2014</u>
Trade Receivables, Current	\$3,427,144	\$3,507,302
Trade Receivables, Past Due	<u>398,891</u>	<u>493,023</u>
Total	<u>3,826,035</u>	<u>4,000,325</u>
Allowance for Uncollectibles, Beginning of Year	(493,023)	(300,092)
Writeoff of Uncollectibles	469,490	340,166
Provision for Bad Debt Expense	<u>(375,358)</u>	<u>(533,097)</u>
Allowance for Uncollectibles, End of Year	<u>(398,891)</u>	<u>(493,023)</u>
Accounts Receivables, Net of Allowance for Uncollectibles	<u>3,427,144</u>	<u>3,507,302</u>
Current Accounts Receivable	<u><u>\$3,427,144</u></u>	<u><u>\$3,507,302</u></u>

**LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

NOTE 4: CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2015 and 2014, was as follows:

2015	Balance 12/31/14	Additions & Transfers In	Retirements & Transfers Out	Balance 12/31/15
Capital assets not being depreciated:				
Land and Right-of-Way	\$ 5,221,412	\$ 155,923	\$ -	\$ 5,377,335
Construction in Progress	<u>36,277,792</u>	<u>26,504,635</u>	<u>8,804,602</u>	<u>53,977,825</u>
Total capital assets not being depreciated	<u>41,499,204</u>	<u>26,660,558</u>	<u>8,804,602</u>	<u>59,355,160</u>
Capital assets being depreciated:				
Building and Improvements	126,549,727	1,442,013	58,446	127,933,294
Infrastructure-Collection & Treatment	326,993,110	5,730,184	1,633,620	331,089,674
Equipment	<u>68,500,835</u>	<u>1,476,481</u>	<u>666,393</u>	<u>69,310,923</u>
Total capital assets being depreciated	<u>522,043,672</u>	<u>8,648,678</u>	<u>2,358,459</u>	<u>528,333,891</u>
Less accumulated depreciation for:				
Buildings and Improvements	26,641,755	3,735,348	55,519	30,321,584
Infrastructure-Collections & Treatment	81,884,982	2,760,421	633,575	84,011,828
Equipment	<u>29,986,794</u>	<u>7,226,853</u>	<u>935,037</u>	<u>36,278,610</u>
Total accumulated depreciation	<u>138,513,531</u>	<u>13,722,622</u>	<u>1,624,131</u>	<u>150,612,022</u>
Capital Assets, Net	<u>\$ 425,029,345</u>	<u>\$ 21,586,614</u>	<u>\$ 9,538,930</u>	<u>\$ 437,077,029</u>
2014	Balance 12/31/13	Additions & Transfers In	Retirements & Transfers Out	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	<u>108,361,177</u>	<u>20,391,388</u>	<u>92,474,773</u>	<u>36,277,792</u>
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	<u>53,199,932</u>	<u>16,691,480</u>	<u>1,390,577</u>	<u>68,500,835</u>
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	787,226	81,884,982
Equipment	<u>23,470,047</u>	<u>6,516,747</u>	<u>-</u>	<u>29,986,794</u>
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>

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 4: CAPITAL ASSETS (CONTINUED)

Construction in Progress at December 31, 2015 and 2014, included capitalized construction period interest of \$1,052,478 and \$869,647 that was incurred in each respective year.

Depreciation expense was \$13,722,622 and \$10,280,104 for the years ended December 31, 2015 and 2014, 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 \$1,819,214 and \$1,891,741 for the years ended December 31, 2015 and 2014, respectively.

NOTE 6: LONG-TERM DEBT

Long-term debt consists of Sewer Revenue Bonds for which the changes in the years ended December 31, 2015 and 2014, are as follows:

December 31, 2015					
	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within One Year
Sewer Revenue Bonds	\$ 269,941,864	\$ 170,791,267	\$ 170,890,230	\$ 269,842,901	\$ 9,495,548
Unamortized Bond Premium (Discount)	<u>2,963,187</u>	<u>11,538,167</u>	<u>3,870,148</u>	<u>10,631,206</u>	<u>-</u>
	<u>\$ 272,905,051</u>	<u>\$ 182,329,434</u>	<u>\$ 174,760,378</u>	<u>\$ 280,474,107</u>	<u>\$ 9,495,548</u>

December 31, 2014					
	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within One Year
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>

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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, 2015</u>	<u>Within One Year</u>
2007B	2.75%	2029	\$ 13,589,763	\$ 807,894
2008	3.50% to 5.75%	2038	\$ 14,015,000	\$ 330,000
2009A	2.00%	2032	\$ 6,819,541	\$ 352,654
2009B	2.00%	2039	\$ 5,860,000	\$ 145,000
2011	2.00% to 5.00%	2022	\$ 13,950,000	\$ 1,610,000
2012	2.00% to 4.00%	2042	\$ 26,550,000	\$ 635,000
2013	2.25%	2036	\$ 20,383,597	\$ -
2014	1.00 to 4.00%	2025	\$ 10,765,000	\$ 1,230,000
2015	2.00 to 5.00%	2037	\$ 157,910,000	\$ 4,385,000
Total			<u>\$ 269,842,901</u>	<u>\$ 9,495,548</u>

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

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 was a special obligation through the ANRC with permission from the City of Little Rock, Arkansas, payable solely from the net revenues of the sewer system. Principal and interest payments were due semiannually on April 15 and October 15. This issue was refunded with the 2015 Sewer Revenue Bond Series.

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 was a special obligation through the ANRC with permission from the City of Little Rock, Arkansas, payable solely from the net revenues of the sewer system. Principal and interest payments were due semiannually on April 15 and October 15. This issue was refunded with the 2015 Sewer Revenue Bond Series.

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 6: LONG-TERM DEBT (CONTINUED)

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 was a special obligation through the ANRC with permission from the City of Little Rock, Arkansas, payable solely from the net revenues of the sewer system. Principal and interest payments were due semiannually on April 15 and October 15. The final payment is scheduled for October 2027. This issue was refunded with the 2015 Sewer Revenue Bond Series.

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 was a special obligation through the ANRC with permission from the City of Little Rock, Arkansas, payable solely from the net revenues of the sewer system. Principal and interest payments were due semiannually on April 15 and October 15. This issue was refunded with the 2015 Sewer Revenue Bond Series.

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. This bond was a special obligation of the Issuer with permission from the City of Little Rock, Arkansas, payable solely from the net revenues of the sewer system. Principal payments were due annually on June 1 and interest payments are due semiannually on June 1 and December 1. This issue was refunded with the 2015 Sewer Revenue Bond Series.

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

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 6: LONG-TERM DEBT (CONTINUED)

payments are due semiannually on April 15 and October 15. The final payment is scheduled for October 2029.

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. This bond was a special obligation of the Issuer with permission from the City of Little Rock, Arkansas, payable solely from the net revenues of the sewer system. Principal payments were due annually starting on October 1, 2024 and interest payments are due semiannually on April 1 and October 1. This issue was refunded with the 2015 Sewer Revenue Bond Series.

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. This bond is a special obligation of the Issuer with permission from the City of Little Rock, Arkansas, payable solely from the net revenues of the sewer system. Principal payments are due annually 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.

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 6: LONG-TERM DEBT (CONTINUED)

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. This bond is a special obligation of the Issuer with permission from the City of Little Rock, Arkansas, payable solely from the net revenues of the sewer system. Principal payments are due annually on December 1, and interest payments are due semiannually on June 1 and December 1. The final payment is scheduled for December 2039.

2011 Sewer Revenue and Refunding Bond

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

2012 Sewer Revenue Bond

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

2013 Sewer Revenue Bond

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

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 6: LONG-TERM DEBT (CONTINUED)

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. This bond is a special obligation of the Issuer with permission from the City of Little Rock, Arkansas, payable solely from the net revenues of the sewer system. Principal and interest payments are due semiannually on May 1 and November 1. The final payment is scheduled for May 2025.

2015 Sewer Refunding Revenue Bond

The Series 2015 Bond was issued in March 2015 in the amount of \$160,070,000 to refund the 1996, 2004A, 2004B, 2004C, and advance fund the 2007A and 2007C Sewer Revenue Bond. These bonds are special obligation of the Issuer with permission from the City of Little Rock, Arkansas, payable solely from the net revenues of the sewer system. Principal and interest payments are due semiannually on April 1 and October 1. The final payment is scheduled for October 2037.

The 2007B, 2009A, and 2013 Series Sewer Revenue Bonds are subordinate to the 2008, 2009B, 2011, 2012, 2014 and 2015 Series Revenue Bonds.

In addition to the \$269,842,984 balance of Sewer Revenue Bonds outstanding at December 31, 2015, an additional \$15,616,403 will, as previously described, be drawn in fulfillment of current bond issues, for a total Sewer Revenue Bond indebtedness of \$285,459,387.

The annual requirements to amortize sewer revenue bond indebtedness outstanding, and scheduled, including interest, as of December 31, 2015, are as follows

Year Ending December 31,	Principal	Interest	Total
2016	\$ 9,495,548	\$ 9,257,270	\$ 18,752,818
2017	\$ 10,517,209	\$ 9,507,045	\$ 20,024,254
2018	\$ 10,820,919	\$ 9,219,118	\$ 20,040,037
2019	\$ 11,115,829	\$ 8,909,056	\$ 20,024,885
2020	\$ 11,456,973	\$ 8,573,078	\$ 20,030,050
2021 to 2025	\$ 53,642,229	\$ 37,175,921	\$ 90,818,150
2026 to 2030	\$ 58,659,743	\$ 27,166,507	\$ 85,826,250
2031 to 2035	\$ 68,774,323	\$ 15,117,230	\$ 83,891,553
2036 to 2040	\$ 32,370,128	\$ 2,775,109	\$ 35,145,237
2041 to 2042	\$ 2,990,000	\$ 180,600	\$ 3,170,600
Total	<u>\$ 269,842,901</u>	<u>\$ 127,880,934</u>	<u>\$ 397,723,835</u>

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 7: COMPENSATED ABSENCES

Net changes in the liability for compensated absences for the years ended December 31, 2015 and 2014, are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
2015	\$ <u>942,866</u>	\$ <u>36,349</u>	\$ <u>19,802</u>	\$ <u>959,413</u>	\$ <u>886,273</u>
2014	\$ <u>929,969</u>	\$ <u>45,261</u>	\$ <u>32,364</u>	\$ <u>942,866</u>	\$ <u>865,936</u>

NOTE 8: LITIGATION

A. Sierra Club

The Little Rock Sanitary Sewer Committee (LRSSC), now known as Little Rock Water Reclamation Commission (LRWRC), was a defendant, along with the City of Little Rock, in a lawsuit filed in the U.S. District Court on January 13, 2000, by the Sierra Club. The plaintiff alleged violations of the Clean Water Act and the Resource Conservation and Recovery Act for sanitary sewer overflows (SSOs), and sought injunctions for the alleged violations as well as penalties. LRWRC and the plaintiff entered into a written settlement agreement releasing LRWRC's liability for any alleged violations up to the settlement agreement dated September 12, 2001.

A judgment approving this settlement was filed on November 16, 2001, subject to an award of the plaintiff's statutory attorneys' fees, which were awarded on December 13, 2002, and paid in full in 2003. There were no further sums due to the plaintiffs in this litigation; accordingly, LRW's financial statements as of December 31, 2015 and 2014, respectively, do not include any provisions of potential liability with regard to this litigation.

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

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 8: LITIGATION (CONTINUED)

A. **Sierra Club (Continued)**

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 ten (10) 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 LRWRC, the sewage treatment facility was not completed as originally scheduled, but was completed in July 2011.

Management completed annual reports for 2014, as required by both the Consent Administrative Order (CAO) and the settlement agreement each year, which detailed compliance actions taken during the year 2014. The Sierra Club report was presented by staff to the LRWRC at its monthly meeting February 18, 2015, where the LRWRC voted to accept the compliance report and then sent to the attorney for the Sierra Club.

The annual compliance report required by the Sierra Club was delivered to representing attorneys' on February 27, 2015. Prior such reports, starting in 2002, were all approved by LRWRC.

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

B. **ADEQ**

On March 9, 2006, staff representatives of ADEQ and 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.

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 8: LITIGATION (CONTINUED)

B. ADEQ (Continued)

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 annual report required by the CAO was delivered to Arkansas Department of Environmental Quality (ADEQ) February 27, 2015. Prior such reports, starting in 2006, were all approved by LRWRC.

On April 15, 2015, Amendment No. 2 to the CAO was approved. ADEQ granted LRW an extension of the CAO deadline to December 31, 2023. The extension allows for time to reduce sources of infiltration and inflow (I/I) in the areas that contribute to the Rock Creek and Cantrell Storage Projects thereby eliminating the need for in-system storage in those areas. On the collection system side, LRW initiated and completed the construction of projects in the Allsopp/Country Club area, Leawood, and Lower Swaggerty. Also during 2015, LRW continued its service line replacement program targeted at maintaining reliable sewer service to the ratepayers and will also provide the benefit of reducing private sources of inflow which contribute to the cause of capacity related overflows. Management expects to remain on schedule with the CAO.

The CAO will not terminate until such time as full compliance has been achieved and 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. 2 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>.

C: Funding

In 2015, the Little Rock Board of Directors granted LRW future rate adjustments in 2017, 2018, 2019, 2020, and 2021 that supports the funding of a projected 2016 revolving loan fund in the amount of \$61 million, a 2018 revolving loan fund in the amount of \$90.5 million and a 2020 revolving loan fund in the amount of \$77.4 million.

LITTLE ROCK WASTEWATER
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 8: LITIGATION (CONTINUED)

C. **Funding (Continued)**

This funding allows LRW to focus on improvements to the collection system that are designed to mitigate overflows and to initiate capacity-related facility projects such as expand storage at the Scott Hamilton Drive Peak Flow Facility, upgrade the Fourche Creek Wastewater Treatment Facility Hydraulics, and Adams Field Parallel Treatment modifications. 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.

The ten-year capital improvement plan set forth in the 2016 budget was designed with the intent of completing the Agreement and the CAO by December 31, 2023. Unfinished capital projects represented in the 2016 budget primarily relate to wastewater collection, transmission and treatment improvements. Total capital expenditures of \$39.4 million are planned for 2016. Of this amount, \$27.3 million relates to carryover projects and \$12.1 million is proposed for new capital projects. The Utility estimates that capital improvements and associated costs required over the next ten years, both to comply with the Settlement Agreement and the CAO and for routine capital improvements, will cost \$376,935,627.

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. 2 to the CAO.

NOTE 9: OTHER COMMITMENTS AND CONTINGENCIES

The Utility had commitments totaling approximately \$11,385,497 at December 31, 2015, for the expansion of plant capacity.

NOTE 10: PENSION BENEFITS

A. **Defined Contribution Plan**

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

<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%

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 10: PENSION BENEFITS (CONTINUED)

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

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 employer contributions were approximately \$294,796 and \$274,651 in 2015 and 2014, respectively. Any employer contributions returned as forfeitures offsets future employer contributions.

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

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

APERS is a cost-sharing multiple-employer defined benefit plan which covers all State employees who are not covered by another authorized plan. The plan was established by the authority of the Arkansas General Assembly with the passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings.

The general administration and responsibility for the proper operation of the System is vested in the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes three state and three non-state employees, all appointed by the Governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Department of Finance and Administration.

LITTLE ROCK WASTEWATER
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 10: PENSION BENEFITS (CONTINUED)

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

Benefits Provided: Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapters 5 and 6 and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest 3-year average compensation times the member's years of service. The percentage used is based upon whether a member is contributory or non-contributory as follows:

Contributory, prior to 7/1/2005	2.07%
Contributory, on or after 7/1/2005	2.03%
Non-Contributory	1.72%

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

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

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service at age 55 or at any age with 25 years of service.

Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. Death benefits are paid to a surviving spouse as if the member had 5 years of service and the monthly benefit is computed as if the member had retired and elected the Joint & 75% Survivor option. A cost-of-living adjustment of 3% of the current benefit is added each year.

Contributions: Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701)(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 10: PENSION BENEFITS (CONTINUED)

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

14.76% of compensation for plan year ended June 30, 2015. In some cases, an additional 2.5% of member and employer contributions are required for elected officials. Contributions to the pension plan from LRW were \$1,759,530 for the year ended December 31, 2015.

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

At December 31, 2015, LRW reported a liability of \$12,374,375 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. LRW's proportion of the net pension liability was based on projection of LRW's long-term share of contributions to the pension plan relative to the projected contributions of all participating APERS members, actuarially determined. At June 30, 2015 LRW's proportion was 0.67188745%, which was an increase of 0.02427119% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, LRW recognized pension expense of \$1,564,373. At December 31, 2015, LRW reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		\$811,245
Changes of assumptions	\$1,826,194	
Changes in proportion and differences between employer contributions and proportionate share	\$346,959	
Net difference between projected and actual earnings on pension plan investments		\$613,954
Contributions subsequent to the measurement date	\$880,176	
Total	<u>\$3,053,329</u>	<u>\$1,425,199</u>

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 10: PENSION BENEFITS (CONTINUED)

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

\$880,176 reported as deferred outflows of resources related to pensions resulting from LRW's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	
2016	\$68,687
2017	\$68,687
2018	(\$44,203)
2019	\$654,783

Actuarial Assumptions: The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level of Percent of Payroll
Remaining Amortization Period	25 years
Asset Valuation Method	4-year smoothed market; 25% corridor (Market Value for Still Paying Old Plan)
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Salary Increases	3.25 – 9.85% including inflation
Inflation Rate	2.50%
Post-Retirement Cost-of-Living Increases	3% Annual Compounded Increase
Mortality Table	Based on RP-2000 Combined Health mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 10: PENSION BENEFITS (CONTINUED)

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

Average Service Life of All Members 4.5972

The actuarial assumptions were based on the results of an actuarial experience study for the period of July 1, 2007 through June 30, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2015 are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	42%	6.82%
International Equity	25%	6.88%
Real Assets	12%	3.07%
Absolute Return	5%	3.35%
Domestic Fixed	16%	0.83%
Total	100%	

Discount Rate: A single discount rate of 7.50% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 10: PENSION BENEFITS (CONTINUED)

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

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

The following presents the proportionate share of the Net Pension Liability using the discount rate of 7.50%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

Sensitivity of Discount Rate

1% Lower 6.50%	Discount Rate 7.50%	1% Higher 8.50%
\$20,383,789	\$12,374,375	\$5,713,360

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

Prior to GASB 68, the annual funding progress in relation to the actuarial cost method was used to the employer’s contributions as well as determine actuarial information for Governmental Accounting Standards Board Statement No. 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
Actuarial Assumptions:	
Investment Rate of Return	8%
Projected Salary Increase Including Inflation at	4.0% - 10.6%
Cost-of-Living Adjustments	3.0% Annual Compounded Increase

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 10: PENSION BENEFITS (CONTINUED)

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

Contributions to the noncontributory plan were approximately \$1,570,323 and \$1,507,187 for the plan years ended June 30, 2014 and 2013, respectively, and represented 14.88% and 14.24% 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 and 2013, the 5% mandatory employee contributions were \$152,929 and \$119,250, respectively, and are not included in the amount above.

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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 Retirement System. Retiree Medical Benefits cease at age 65 or upon the retiree signing a waiver of coverage.

Participants included in the actuarial valuation include retirees and survivors, and active employees who may be eligible to participate in the Plan upon retirement. Arkansas statute (ACT 664) provides that any Utility employee vested in the retirement plan and 55 years of age or older may continue to receive the same medical benefits as active employees after retirement provided either the Utility or retiree pays both the employer and employee contributions to the health care plan. LRW is required to pay actual claims. The cost of retiree health care benefits is recognized as an expense as liabilities are incurred. At year-end for 2015, there were 17 retirees plus 12 dependents on the LRWHP. Retiree premiums are set yearly with 2015 ranging from \$111 to \$335, which are paid directly to LRW. LRW funded approximately 100% of the postretirement healthcare benefit costs, which totaled \$144,518 for the fiscal year ended December 31, 2015.

The Little Rock Water Reclamation Commission assigns authority to the CEO for any changes to the benefit provisions of the plan based on recommendations by the LRWHP. This post employment healthcare plan is administered by Regions Bank Trust Department. LRWHP does not issue a stand-alone financial report.

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 11:OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

A. Plan Description (Continued)

For inquires relating to the plan, please contact the Little Rock Wastewater, Finance Division (In Care Of LRWHP), 11 Clearwater Dr, Little Rock, AR 72204.

The contribution requirements are based on the most current actuarial valuations (December 2015) 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 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 has become a fully insured plan from a self-funded plan. 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 Water Reclamation Commission. 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.

C. Annual OPEB Cost and Net OPEB Obligation

For 2015, 2014 and 2013, LRW's annual OPEB cost was \$24,783, \$13,798 and \$7,696, respectively, and the ARC was \$0, \$0, and \$0, 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:

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

	2015	2014	2013
Annual required contribution	\$ -	\$ -	\$ -
Interest on net OPEB obligation	(55,597)	(91,238)	(50,887)
Adjustment to annual required contribution	<u>80,380</u>	<u>105,036</u>	<u>58,583</u>
Annual OPEB cost (benefit)	24,783	13,798	7,696
Contributions made	<u>(144,518)</u>	<u>(100,333)</u>	<u>(93,369)</u>
Increase (Decrease) in net OPEB obligation:	(119,735)	(86,535)	(85,673)
Net OPEB obligation-beginning of year	<u>(1,389,937)</u>	<u>(1,303,402)</u>	<u>(1,217,729)</u>
Net OPEB obligation-end of year	<u><u>\$ (1,509,672)</u></u>	<u><u>\$ (1,389,937)</u></u>	<u><u>\$ (1,303,402)</u></u>

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

	2015	2014	2013
Service Cost (one-year)	\$ 267,413	\$ 126,006	\$ 123,139
30-Year Amortization	512,686	513,194	531,276
10-Year Amortization	(780,099)	(639,200)	(654,415)
Interest Cost	-	-	-
ARC	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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>
2015	\$ 24,783	\$ (144,518)	583.13%	\$ (1,509,672)
2014	\$ 13,798	\$ (100,333)	727.16%	\$ (1,389,937)
2013	\$ 7,696	\$ (93,369)	1213.21%	\$ (1,303,402)

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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)	\$ (6,655,494)
Less Actuarial Value of Plan Assets	<u>1,272,992</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ (5,382,502)</u>
Funded ratio (actuarial value of plan assets/AAL)	19.13%
Covered payroll	\$12,548,644
Unfunded actuarial accrued liability as a Percentage of covered payroll	42.89%

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.

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:

LITTLE ROCK WASTEWATER
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

E. Actuarial Methods and Assumptions (Continued)

Actuarial Valuation Date	12/31/2015
Actuarial Cost Method	Projected Unit Credit Cost
Unfunded Liabilities	Open, 30 Years
Amortization Method	Level Dollar
Amendments to Period Amortization	10 Years, Level Dollar, Closed
Asset Valuation Method	Market Value

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

Retirement rates shown below are consistent with the rates used by the APERS 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
55	0.02
56	0.02
57	0.03
58	0.03
59	0.04
60	0.05
61	0.07

Attained Age	Rate
62	0.23
63	0.19
64	0.16
65	0.35
66	0.25
67	0.20
68-72	0.15

Attained Age	Rate
73	0.20
74-77	0.25
78	0.30
79	0.40
80-82	0.50
83	0.60
84	0.90
85	1.00

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 11: OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

E. Actuarial Methods and Assumptions (Continued)

Health Care Cost Trend Rates:

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%

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

Mortality: SOA RP-2014 Total Dataset Mortality with Scale MP-2014.

Discount Rate: 4.0% per annum. The plan is partially funded in an irrevocable trust maintained by the plan sponsor. This discount rate was changed to reflect lower expectations regarding returns on plan assets. The new rate is a proxy for annual long-term asset returns that are expected on high-quality AMT-free yields on municipal bonds with approximately 20 years until maturity.

Inflation: 2.5% per annum.

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

Effective January 1, 2008, when a retiree or spouse reaches age 65, medical coverage will no longer be available. Dental and/or vision insurance may be continued, but are totally paid for by employee.

In this valuation, it was assumed that spousal medical insurance coverage was elected for all future retirees based on current marital status. It have assumed a three year spouse difference with female spouses assumed to be three years younger than males.

NOTE 12: CONCENTRATIONS

The Utility pays Central Arkansas Water for billing and collection services provided by that entity. Such payments amounted to approximately \$756,108 and \$740,116 for the years ended December 31, 2015 and 2014, respectively, and are included as operating expenses in the accompanying statements of revenues, expenses and changes in net position.

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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 four years.

The following represents the changes in approximate aggregate liabilities of the workers' compensation plan for the Utility for January 1, 2014, to December 31, 2015:

Liability balance, January 1, 2014	\$ 55,820
Claims and changes in estimates	42,822
Claims payments	<u>(31,593)</u>
Liability balance, December 31, 2014	67,049
Claims and changes in estimates	(6,631)
Claims payments	<u>(28,269)</u>
Liability balance, December 31, 2015	<u>\$ 32,149</u>

NOTE 14: SUBSEQUENT EVENTS

Little Rock Wastewater did not have any recognized or nonrecognized subsequent events occur after December 31, 2015, the date of the statement of net position.

NOTE 15: ADVANCE REFUNDINGS

The government issued in 2014 \$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

LITTLE ROCK WASTEWATER
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

NOTE 15: ADVANCE REFUNDINGS (CONTINUED)

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.

The reacquisition price exceeded the net carrying amount of the old debt by \$303,868. This deferred loss on refunding (deferred outflow) is being amortized over the remaining 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.

In 2015 the government issued \$160,070,000 in sewer revenue bonds with interest rates ranging from 2.0% to 5.0% (including a premium of \$10,680,249). At a cost of \$1,528,933 for the issuance of the new bond, designated proceeds were used to advance refund \$54,760,000 and \$71,085,000 of the outstanding 2007A and 2007C Sewer Revenue Bond issue which had interest rates ranging from 4.0% to 5.0%. The net proceeds of \$54,563,879 and \$78,965,600 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 2007A and 2007C Sewer Revenue Bond Series are considered defeased and the liability for those bonds has been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount by \$10,049,672. This deferred loss is being amortized over the remaining life of the refunded debt. The government advance refunded the 2007A and 2007C Sewer Revenue Bond Series to reduce its total debt service payments over 23 years by approximately \$357k per year and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$8.2M.

Prior year defeasance of debt. The trust account assets and the liability for the defeased bonds from 2014 and 2015 are not included in the government's financial statements. At December 31, 2015, \$501,623 from 2014 and \$133,286,629 from 2015 of defeased bonds remain outstanding.

Schedules of Required Supplementary Information
LITTLE ROCK WASTEWATER
SCHEDULE OF LRW'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
Arkansas Public Employees Retirement System

	2015	2014
LRW's proportion of the net pension liability	0.67188745%	0.64761626%
LRW's proportionate share of the net pension liability	\$ 12,374,375	\$ 9,189,106
LRW's covered-employee payroll	\$ 11,905,159	\$ 11,527,750
LRW's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	103.94%	79.71%
Plan fiduciary net position as a percentage of the total pension liability	80.39%	84.15%

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

Schedules of Required Supplementary Information
LITTLE ROCK WASTEWATER
SCHEDULE OF LRW'S CONTRIBUTIONS
Arkansas Public Employees Retirement System

	2015	2014
Contractually required contributions	\$ 1,759,530	\$ 1,703,752
Contributions in relation to the contractually required contributions	<u>1,759,530</u>	<u>1,703,752</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
LRW's covered-employee payroll	\$ 12,146,278	\$ 11,658,706
Contributions as a percentage of covered-employee payroll	14.5%	14.6%

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

Schedules of Required Supplementary Information
LITTLE ROCK WASTEWATER
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS PLAN
FOR THE YEAR ENDED DECEMBER 31, 2015

Actuarial Valuation Date	<u>12/31/2015</u>	<u>12/31/2014</u>	<u>12/31/2012</u>
Actuarial Accrued Liability (AAL)	\$ 6,655,494	\$ 3,821,936	\$ 2,945,514
Less Actuarial Value of Plan Assets	<u>1,272,992</u>	<u>1,233,555</u>	<u>1,243,173</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 5,382,502</u>	<u>\$ 2,588,381</u>	<u>\$ 1,702,341</u>
Funded ratio (actuarial value of plan assets/AAL)	19.13%	32.28%	42.21%
Covered payroll	\$ 12,548,644	\$ 11,990,475	\$ 11,589,622
Unfunded actuarial accrued liability as a Percentage of covered payroll	42.89%	21.59%	14.69%

LITTLE ROCK WASTEWATER
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2015

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Over(Under)</u>
<u>OPERATING REVENUE</u>			
Sewer Charges	\$ 49,801,800	\$ 49,616,847	\$ (184,953)
Industrial Surcharges	900,000	953,219	53,219
Other	<u>593,609</u>	<u>605,803</u>	<u>12,194</u>
Total Operating Revenue	<u>51,295,409</u>	<u>51,175,869</u>	<u>(119,540)</u>
<u>OPERATING EXPENSES EXCLUDING DEPRECIATION</u>			
Committee	65,700	57,339	(8,361)
Management	1,630,701	1,513,762	(116,939)
Finance and Administration	2,466,471	2,429,794	(36,677)
Engineering	1,002,907	1,136,122	133,215
Information Systems	1,856,029	1,765,130	(90,899)
Maintenance	7,325,259	6,886,416	(438,843)
Operations	5,083,028	4,763,361	(319,667)
Environmental Assessment	2,176,135	1,992,181	(183,954)
Facilities and Equipment	3,850,400	3,412,560	(437,840)
Total Operating Expenses, Excluding Depreciation	<u>25,456,630</u>	<u>23,956,665</u>	<u>(1,499,965)</u>
Operating Income Before Depreciation	<u>25,838,779</u>	<u>27,219,204</u>	<u>1,380,425</u>
<u>PROVISION FOR DEPRECIATION</u>			
Building and Improvements	3,538,826	3,735,348	196,522
Infrastructure - Collections, Pumping & Treatments	6,846,631	7,226,853	380,222
Equipment	<u>2,615,183</u>	<u>2,760,421</u>	<u>145,238</u>
Total Provision for Depreciation	<u>13,000,640</u>	<u>13,722,622</u>	<u>721,982</u>
OPERATING INCOME (LOSS)	<u>12,838,139</u>	<u>13,496,582</u>	<u>658,443</u>
<u>NONOPERATING INCOME (EXPENSE)</u>			
Interest Income	51,000	154,003	103,003
Interest Expense	(10,174,760)	(8,279,403)	1,895,357
Bond Issuance Costs	(23,001)	(1,613,010)	(1,590,009)
Gain (Loss) on Disposal of Capital Assets	3,600	(2,331,935)	(2,335,535)
Gain (Loss) on Investments	-	(20,707)	(20,707)
Other	<u>10,200</u>	<u>24,693</u>	<u>14,493</u>
Net Nonoperating Income (Expense)	<u>(10,132,961)</u>	<u>(12,066,359)</u>	<u>(1,933,398)</u>
INCREASE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	<u>\$ 2,705,178</u>	<u>\$ 1,430,223</u>	<u>\$ (1,274,955)</u>

LITTLE ROCK WASTEWATER
SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT
EXCLUDING DEPRECIATION
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>Water Reclamation Commission:</u>		
Commission Expense Reimbursement	\$ 40,956	\$ 77,627
Insurance	14,310	16,347
Other	<u>2,073</u>	<u>5,164</u>
Total	<u>57,339</u>	<u>99,138</u>
 <u>Utility Management:</u>		
Salaries	853,863	618,694
Employee Benefits	315,955	266,174
Supplies	63,827	43,971
Contract Services	136,745	319,591
Vehicle Maintenance	13,423	7,714
Utilities	8,647	6,805
Insurance	5,336	4,707
Training and Administration	<u>115,966</u>	<u>67,346</u>
Total	<u>1,513,762</u>	<u>1,335,002</u>
 <u>Finance:</u>		
Salaries	770,235	696,367
Employee Benefits	276,295	253,095
Supplies	26,443	24,090
Contract Services	907,609	821,601
Vehicle Maintenance	6,307	4,300
Utilities	7,265	6,171
Insurance	10,240	8,395
Delinquent Accounts	375,358	533,097
Training and Administration	<u>50,042</u>	<u>47,404</u>
Total	<u>2,429,794</u>	<u>2,394,520</u>
 <u>Engineering:</u>		
Salaries	732,598	733,162
Employee Benefits	153,199	105,343
Supplies	50,314	43,451
Contract Services	139,566	115,942
Vehicle Maintenance	23,515	26,483
Utilities	12,126	12,032
Insurance	10,679	10,266
Training and Administration	<u>14,125</u>	<u>10,760</u>
Total	<u>1,136,122</u>	<u>1,057,439</u>

LITTLE ROCK WASTEWATER
SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT
EXCLUDING DEPRECIATION (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
<u>Collection System Maintenance:</u>		
Salaries	\$ 3,900,082	\$ 3,757,540
Employee Benefits	1,686,699	1,711,408
Supplies	601,508	612,330
Contract Services	389,038	296,993
Vehicle Maintenance	178,056	294,988
Utilities	39,339	36,646
Insurance	58,669	54,795
Training and Administration	33,025	18,345
Total	6,886,416	6,783,045
 <u>Operations - Adams, Fourche, and Industrial Monitoring:</u>		
Salaries	1,663,804	1,592,553
Employee Benefits	647,383	642,346
Supplies	390,229	330,942
Contract Services	418,240	562,056
Vehicle Maintenance	12,273	13,153
Utilities	1,458,653	1,291,018
Insurance	84,849	73,558
Training and Administration	87,930	83,215
Total	4,763,361	4,588,841
 <u>Technical Services:</u>		
Salaries	760,838	740,378
Employee Benefits	281,187	291,484
Supplies	220,942	212,444
Contract Services	327,363	286,107
Vehicle Maintenance	9,875	21,747
Utilities	142,219	132,084
Insurance	2,095	1,605
Training and Administration	20,611	22,470
Total	1,765,130	1,708,319
 <u>Environmental Assessment Department:</u>		
Salaries	1,245,292	1,259,200
Employee Benefits	522,387	575,898
Supplies	118,420	102,923
Contract Services	52,840	61,007
Vehicle Maintenance	20,903	29,966
Utilities	12,044	11,376
Insurance	6,399	5,336
Training and Administration	13,896	9,240
Total	1,992,181	2,054,946

LITTLE ROCK WASTEWATER
 SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT
 EXCLUDING DEPRECIATION (CONTINUED)
 FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
<u>Facilities/Maintenance:</u>		
Salaries	1,288,212	1,282,989
Benefits	556,231	571,051
Supplies	735,632	848,255
Contract Services	498,956	261,725
Vehicle Expenses	77,618	97,581
Utilities	137,840	127,565
Insurance	108,797	92,032
Other	9,274	11,444
Total	3,412,560	3,292,642
Total Operating Expenses	\$ 23,956,665	\$ 23,313,892

LITTLE ROCK WASTEWATER
SCHEDULE OF BONDED INDEBTEDNESS
DECEMBER 31, 2015

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	
2016	2.75%	401,189	406,705	186,859	181,343	1,176,096
2017	2.75%	412,298	417,966	175,750	170,082	1,176,096
2018	2.75%	423,713	429,540	164,335	158,508	1,176,096
2019	2.75%	435,445	441,433	152,603	146,615	1,176,096
2020	2.75%	447,503	453,656	140,545	134,392	1,176,096
2021	2.75%	459,893	466,217	128,155	121,831	1,176,096
2022	2.75%	472,628	479,126	115,420	108,922	1,176,096
2023	2.75%	485,715	492,393	102,333	95,655	1,176,096
2024	2.75%	499,163	506,027	88,885	82,021	1,176,096
2025	2.75%	512,984	520,038	75,064	68,010	1,176,096
2026	2.75%	527,188	534,437	60,860	53,611	1,176,096
2027	2.75%	541,786	549,235	46,262	38,813	1,176,096
2028	2.75%	556,788	564,444	31,260	23,604	1,176,096
2029	2.75%	572,205	580,048	15,843	7,975	1,176,071
		<u>\$6,748,498</u>	<u>\$6,841,265</u>	<u>\$1,484,174</u>	<u>\$1,391,382</u>	<u>\$16,465,319</u>

LITTLE ROCK WASTEWATER
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)
DECEMBER 31, 2015

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	
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
		<u>\$ -</u>	<u>\$ 14,015,000</u>	<u>\$ 5,628,986</u>	<u>\$ 5,628,981</u>	<u>\$ 25,272,967</u>

LITTLE ROCK WASTEWATER
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)
DECEMBER 31, 2015

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	
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%	241,223	-	2,412	-	243,635
		<u>\$3,514,017</u>	<u>\$3,305,524</u>	<u>\$627,938</u>	<u>\$592,796</u>	<u>\$ 8,040,275</u>

LITTLE ROCK WASTEWATER
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)
DECEMBER 31, 2015

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	
2016	2.00%	-	145,000	132,794	132,794	410,588
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	412,896
2023	2.00%	-	190,000	110,016	110,016	410,032
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	409,562
2028	2.00%	-	235,000	87,219	87,219	409,438
2029	2.00%	-	245,000	81,784	81,784	408,568
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	63,532	63,532	412,064
2033	2.00%	-	295,000	56,762	56,762	408,524
2034	2.00%	-	310,000	49,756	49,756	409,512
2035	2.00%	-	325,000	42,394	42,394	409,788
2036	2.00%	-	340,000	34,676	34,676	409,352
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%	-	390,000	9,262	9,262	408,524
		<u>\$</u>	<u>\$5,860,000</u>	<u>\$1,990,166</u>	<u>\$1,990,166</u>	<u>\$ 9,840,331</u>

LITTLE ROCK WASTEWATER
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)
DECEMBER 31, 2015

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>	
2016		800,000	810,000	237,200	228,200	2,075,400
2017		815,000	830,000	219,086	206,863	2,070,949
2018		845,000	855,000	194,413	181,738	2,076,151
2019		975,000	990,000	168,913	154,288	2,288,201
2020		1,110,000	1,140,000	136,963	109,213	2,496,176
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>\$6,910,000</u>	<u>\$7,040,000</u>	<u>\$1,079,812</u>	<u>\$ 963,600</u>	<u>\$ 15,993,412</u>

LITTLE ROCK WASTEWATER
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)
DECEMBER 31, 2015

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	
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
		<u>\$</u>	<u>\$ 26,550,000</u>	<u>\$ 8,117,469</u>	<u>\$ 8,117,470</u>	<u>\$ 42,784,939</u>

LITTLE ROCK WASTEWATER
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)
DECEMBER 31, 2015

Sewer Revenue Bonds (Series 2013)^a

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		4/15	10/15	4/15	10/15	
2017	2.250%	\$ 406,316	\$ 410,888	\$ 229,315	\$ 224,744	\$ 1,271,263
2018	2.250%	415,510	420,184	220,122	215,447	1,271,263
2019	2.250%	424,911	429,692	210,720	205,940	1,271,263
2020	2.250%	434,526	439,414	201,106	196,217	1,271,263
2021	2.250%	444,357	449,356	191,274	186,276	1,271,263
2022	2.250%	454,412	459,524	181,220	176,107	1,271,263
2023	2.250%	464,693	469,921	170,938	165,711	1,271,263
2024	2.250%	475,208	480,554	160,424	155,077	1,271,263
2025	2.250%	485,960	491,427	149,671	144,205	1,271,263
2026	2.250%	496,956	502,547	138,676	133,084	1,271,263
2027	2.250%	508,200	513,917	127,431	121,715	1,271,263
2028	2.250%	519,699	525,546	115,933	110,085	1,271,263
2029	2.250%	531,458	537,437	104,174	98,194	1,271,263
2030	2.250%	543,483	549,597	92,149	86,034	1,271,263
2031	2.250%	555,780	562,033	79,851	73,599	1,271,263
2032	2.250%	568,356	574,750	67,276	60,881	1,271,263
2033	2.250%	581,216	587,754	54,416	47,877	1,271,263
2034	2.250%	594,366	601,053	41,265	34,579	1,271,263
2035	2.250%	607,815	614,653	27,817	20,978	1,271,263
2036	2.250%	621,568	628,560	14,064	7,071	1,271,263
		<u>\$ 10,134,790</u>	<u>\$ 10,248,807</u>	<u>\$ 2,577,842</u>	<u>\$ 2,463,821</u>	<u>\$ 25,425,260</u>

^a Bond principal and interest is based on total draws of \$20,383,597 as of December 31, 2015. The 2013 Series has available proceeds up to \$36,000,000.

LITTLE ROCK WASTEWATER
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)
DECEMBER 31, 2015

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	
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>\$5,520,000</u>	<u>\$5,245,000</u>	<u>\$ 769,377</u>	<u>\$ 698,873</u>	<u>\$ 12,233,250</u>

LITTLE ROCK WASTEWATER
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)
DECEMBER 31, 2015

Sewer Revenue Bonds (Series 2015)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		04/01	10/01	04/01	10/01	
2016	2.000%	2,180,000	2,205,000	3,029,921	3,008,121	10,423,042
2017	2.500%	2,225,000	2,250,000	2,986,071	2,963,821	10,424,892
2018	3.000%	2,285,000	2,325,000	2,930,071	2,895,796	10,435,867
2019	3.000%	2,345,000	2,180,000	2,860,921	2,825,746	10,211,667
2020	3.000%	2,215,000	2,245,000	2,793,046	2,759,821	10,012,867
2021	4.000%	2,285,000	2,325,000	2,726,146	2,680,446	10,016,592
2022	3.500%	2,375,000	2,405,000	2,633,946	2,598,321	10,012,267
2023	4.000%	2,460,000	2,495,000	2,550,221	2,513,321	10,018,542
2024	4.000%	2,775,000	2,820,000	2,450,946	2,409,321	10,455,267
2025	4.000%	2,890,000	2,935,000	2,338,821	2,295,471	10,459,292
2026	4.375%	3,355,000	3,430,000	2,222,096	2,148,705	11,155,801
2027	4.500%	3,880,000	3,210,000	2,073,674	1,986,374	11,150,048
2028	4.700%	3,660,000	3,745,000	1,914,149	1,828,139	11,147,288
2029	3.125%	3,830,000	3,890,000	1,740,131	1,680,288	11,140,419
2030	3.250%	4,510,000	4,585,000	1,619,506	1,546,219	12,260,725
2031	3.250%	4,665,000	4,735,000	1,471,713	1,395,906	12,267,619
2032	5.000%	4,810,000	4,930,000	1,318,963	1,198,713	12,257,676
2033	5.000%	5,055,000	5,185,000	1,075,463	949,088	12,264,551
2034	5.000%	5,315,000	5,445,000	819,463	686,588	12,266,051
2035	3.500%	5,585,000	5,685,000	550,463	452,725	12,273,188
2036	3.500%	5,785,000	5,885,000	353,238	252,000	12,275,238
2037	3.500%	4,220,000	4,295,000	149,013	75,163	8,739,176
		<u>\$ 78,705,000</u>	<u>\$ 79,205,000</u>	<u>\$ 42,607,982</u>	<u>\$ 41,150,093</u>	<u>\$ 241,668,075</u>

LITTLE ROCK WASTEWATER
 SCHEDULE OF EXPENDITURES OF GOVERNMENTAL ASSISTANCE
 FOR THE YEAR ENDED DECEMBER 31, 2015

<u>Federal Grantor/ Pass Through Grantor</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Award Amount</u>
<u>Environmental Protection Agency</u>			
Passed Through the Arkansas Natural Resources Commission - State Revolving Fund Program:			
Sewer Bonds (1996 Series)	66.458	N/A	6,000,000
Sewer Bonds (2004A Series)	66.458	N/A	23,100,000
Sewer Bonds (2004B Series)	66.458	N/A	14,000,000
Sewer Bonds (2004C Series)	66.458	N/A	13,000,000
Sewer Bonds (2007B Series)	66.458	N/A	18,000,000
Sewer Bonds (2009A Series)	66.458	N/A	8,000,000
Sewer Bonds (2013 Series)	66.458	N/A	<u>36,000,000</u>
Totals			<u>\$ 118,100,000</u>

See independent auditor's report on supplementary schedules and accompanying notes to Schedule of Expenditures of Governmental Assistance.

<u>Bonds Payable December 31, 2014</u>	<u>Cash Received in 2015</u>	<u>Principal Repayments in 2015</u>	<u>Bonds Payable December 31, 2015</u>	<u>Total Expenditures in 2015</u>
1,733,305	-	1,733,305	-	-
16,122,554	-	16,122,554	-	-
10,086,079	-	10,086,079	-	-
9,936,376	-	9,936,376	-	-
14,375,892	-	786,126	13,589,766	-
7,165,246	-	345,705	6,819,541	-
<u>9,662,331</u>	<u>10,721,266</u>	<u>-</u>	<u>20,383,597</u>	<u>10,721,266</u>
<u>\$ 69,081,782</u>	<u>\$10,721,266</u>	<u>\$ 39,010,144</u>	<u>\$ 40,792,904</u>	<u>\$ 10,721,266</u>

LITTLE ROCK WASTEWATER
NOTES TO SCHEDULE OF EXPENDITURES OF GOVERNMENTAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1: GENERAL

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

NOTE 2: BASIS OF ACCOUNTING

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

NOTE 3: PURPOSE OF FUNDS RECEIVED

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

NOTE 4: RELATIONSHIP TO FINANCIAL STATEMENTS

Principal repayments in 2015 are included in the statements of cash flows in LRW's financial statements. Bonds payable of \$40,792,904 at December 31, 2015, are included in *Note 6* to the Utility's financial statements. Total expenditures in 2015 are included in acquisition and construction of capital assets in the statements of cash flows in LRW's financial statements.

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.

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Schedule 1
Little Rock Wastewater
 Net Position by Component
 Last Ten Fiscal Years

	Fiscal Year				
	2011	2012	2013	2014	2015 ^(a)
Primary Government					
Net Investment in Capital Assets	139,771,009	153,882,712	160,379,889	163,269,445	166,962,094
Restricted					
Restricted for Debt Service	\$ 8,201,722	\$ 9,941,067	\$ 11,937,387	\$ 11,841,110	\$ 11,941,498
Workers Compensation	597,342	599,808	595,920	599,484	593,046
Total Restricted	8,799,064	10,540,875	12,533,307	12,440,594	12,534,544
Unrestricted	14,474,837	14,673,277	12,526,896	19,739,017	8,232,798
Total primary governmental net position	\$ 163,044,910	\$ 179,096,864	\$ 185,440,092	\$ 195,449,056	\$ 187,729,436

	Fiscal Year				
	2006	2007	2008	2009	2010
Primary Government					
Net Investment in Capital Assets	131,214,710	130,620,195	136,506,878	145,587,716	145,335,731
Restricted					
Restricted for Debt Service	\$ 953,764	\$ 6,760,046	\$ 8,140,653	\$ 9,032,548	\$ 8,717,901
Workers Compensation	563,868	592,341	604,102	589,770	573,864
Total Restricted	1,517,632	7,352,387	8,744,755	9,622,318	9,291,765
Unrestricted	7,257,965	9,434,483	9,642,936	675,125	3,094,765
Total primary governmental net position	\$ 139,990,307	\$ 147,407,065	\$ 154,894,569	\$ 155,885,159	\$ 157,722,261

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

Schedule 2

Little Rock Wastewater

Changes in Net Position

Last Ten Fiscal Years

Fiscal Year	Operating Revenue	Operating Expense	Depreciation Expense	Total			Change in Net Assets
				Nonoperating Revenues/ (Expenses)	Income/(Loss) before Capital Contributions	Capital Contributions	
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)	\$ (10,141,151)	\$ (13,273,368)	\$ 2,624,640	\$ 1,053,061	\$ 3,677,701
2014	\$ 51,214,190	\$ (23,313,891)	\$ (10,280,104)	\$ (9,502,882)	\$ 8,117,313	\$ 1,891,741	\$ 10,009,054
2015	\$ 51,175,869	\$ (23,956,665)	\$ (13,722,622)	\$ (12,066,359)	\$ 1,430,223	\$ 1,819,214	\$ 3,249,437

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

Fiscal Year	Sewer Charges	Industrial Surcharges ^a	Connection Fees	Other Income ^b	Total
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
2015	\$49,616,847	\$ 953,219	\$ 31,421	\$ 574,382	\$ 51,175,869

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

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

Schedule 4
Little Rock Wastewater
 Operating Expenses
 Last Ten Fiscal Years

Fiscal Year	Employment		Contract Services	Vehicle Maintenance	Utilities	Administrative Costs ^a	Less Capitalized Items ^b	Subtotal, Expense before		Total Operating Expense
	Costs	Supplies						Depreciation	Depreciation	
2006	\$17,511,524	\$1,984,357	\$2,130,193	\$ 641,644	\$1,470,846	\$ 1,139,964	\$ (2,789,678)	\$ 22,088,850	\$ 5,818,269	\$ 27,907,119
2007 ^c	\$16,164,446	\$2,067,605	\$2,512,370	\$ 347,790	\$1,409,536	\$ 1,037,816	\$ -	\$ 23,539,563	\$ 6,179,107	\$ 29,718,670
2008	\$15,499,294	\$2,196,815	\$2,662,092	\$ 571,792	\$1,683,068	\$ 1,118,046	\$ -	\$ 23,731,107	\$ 6,378,990	\$ 30,110,097
2009	\$15,349,826	\$1,864,600	\$3,030,364	\$ 327,481	\$1,839,095	\$ 1,025,797	\$ -	\$ 23,437,163	\$ 6,895,913	\$ 30,333,076
2010	\$15,992,624	\$1,662,988	\$2,524,181	\$ 652,114	\$1,551,441	\$ 927,129	\$ -	\$ 23,310,477	\$ 7,737,659	\$ 31,048,136
2011	\$13,997,893	\$2,220,871	\$2,390,989	\$ 443,134	\$1,470,380	\$ 852,259	\$ -	\$ 21,375,526	\$ 7,778,436	\$ 29,153,962
2012	\$13,436,496	\$2,029,640	\$2,736,347	\$ 474,662	\$1,363,224	\$ 804,690	\$ -	\$ 20,845,059	\$ 7,805,859	\$ 28,650,918
2013	\$14,315,370	\$2,193,620	\$2,622,055	\$ 573,276	\$1,456,322	\$ 941,710	\$ -	\$ 22,102,353	\$ 10,141,151	\$ 32,243,504
2014	\$15,097,683	\$2,218,406	\$2,725,022	\$ 495,932	\$1,623,697	\$ 1,153,151	\$ -	\$ 23,313,891	\$ 10,280,104	\$ 33,593,995
2015	\$15,654,261	\$2,207,314	\$2,870,359	\$ 341,969	\$1,818,133	\$ 1,064,629	\$ -	\$ 23,956,665	\$ 13,722,622	\$ 37,679,287

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

^b Capitalized labor, overhead and supplies

^c Starting in 2007, capitalized items have been 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	Bond Issuance Costs	Gain/Loss			Total Nonoperating Revenue/Expense
					on Disposal Capital Assets	Unrealized Gain/Loss on Investments	Other Gain/Loss	
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 ^a	\$ (10,989,879)	\$ 52,567	\$ (2,348,037)	\$ -	\$ 111,517	\$ (131,603)	\$ 32,067	\$ (13,273,368)
2014	\$ (9,656,926)	\$ 172,864	\$ (34,114)	\$ (179,941)	\$ (18,413)	\$ 148,019	\$ 65,629	\$ (9,502,882)
2015	\$ (8,279,406)	\$ 154,003	\$ (84,077)	\$ (1,528,933)	\$ (2,331,935)	\$ (20,707)	\$ 24,696	\$ (12,066,359)

^a. With the adoption of GASB Statement No. 65, LRW recognized outstanding amortization expense at year end.

Schedule 6

Little Rock Wastewater

New Construction/Inspections Completed

Last Ten Fiscal Years

Fiscal Year	Residential	Commercial	Total New Construction Permits
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
2015	357	100	457

Schedule 7

Little Rock Wastewater

Number of Sewer Customers^a by Type

Last Ten Fiscal Years

Fiscal Year	Domestic	Non-Domestic			Total
		Commercial	Industrial	Other ^b	
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
2015	62,239	6,335	73	392	69,039

^a Billed account totals from December

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

Schedule 8A

Little Rock Wastewater

Domestic Sewer Rates (Inside City)

Last Ten Fiscal Years

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

Base Rate ^a (Meter Size)	Fiscal Year Ending				
	2006 ^c	2007 ^d	2008 ^e	2009 ^f	2010 ^g
5/8"	\$ 11.00	\$ 13.66	\$ 14.07	\$ 14.63	\$ 15.37
3/4"	\$ 12.90	\$ 16.02	\$ 16.50	\$ 17.15	\$ 18.02
1"	\$ 17.25	\$ 21.42	\$ 22.07	\$ 22.95	\$ 24.10
1.5"	\$ 28.25	\$ 35.09	\$ 36.14	\$ 37.58	\$ 39.46
2"	\$ 41.40	\$ 51.42	\$ 52.96	\$ 55.08	\$ 57.83
3"	\$ 72.00	\$ 89.42	\$ 92.11	\$ 95.79	\$ 100.58
4"	\$ 115.85	\$ 143.89	\$ 148.20	\$ 161.84	\$ 161.84
6" or larger	\$ 225.40	\$ 279.95	\$ 288.35	\$ 299.88	\$ 314.87
Volumetric Rate ^b	\$ 2.21	\$ 2.74	\$ 2.83	\$ 2.94	\$ 3.09

^a Rate charge from 2006 to June 2012 included 200 cubic feet; Changed in July 2012 with zero water consumed.

^b Per 100 cubic feet

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

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

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

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

^g The last of a five step rate increase; 5% on January 1.

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

ⁱ Rate increase of 4.5% on January 1.

^j 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 Rates (Outside City)

Last Ten Fiscal Years

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

Base Rate ^a (Meter Size)	Fiscal Year Ending				
	2006 ^c	2007 ^d	2008 ^e	2009 ^f	2010 ^g
5/8"	\$ 16.50	\$ 20.49	\$ 21.11	\$ 21.95	\$ 23.05
3/4"	\$ 19.40	\$ 24.09	\$ 24.82	\$ 25.81	\$ 27.10
1"	\$ 25.85	\$ 32.11	\$ 33.07	\$ 34.39	\$ 36.11
1.5"	\$ 42.40	\$ 52.66	\$ 54.24	\$ 56.41	\$ 59.23
2"	\$ 63.35	\$ 78.68	\$ 81.04	\$ 84.28	\$ 88.50
3"	\$ 108.00	\$ 134.14	\$ 138.16	\$ 143.69	\$ 150.87
4"	\$ 173.80	\$ 215.86	\$ 222.34	\$ 231.23	\$ 242.79
6" or larger	\$ 338.10	\$ 419.92	\$ 432.52	\$ 449.82	\$ 472.31
Volumetric Rate ^b	\$ 3.32	\$ 4.12	\$ 4.24	\$ 4.41	\$ 4.63

^a Rate charge from 2006 to June 2012 included 200 cubic feet; Changed in July 2012 with zero water consumed.

^b Per 100 cubic feet

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

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

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

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

^g The last of a five step rate increase; 5% on January 1.

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

ⁱ Rate increase of 4.5% on January 1.

^j 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 Rates (Inside City)
 Last Ten Fiscal Years

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

Base Rate ^a (Meter Size)	Fiscal Year Ending				
	2006 ^c	2007 ^d	2008 ^e	2009 ^f	2010 ^g
5/8"	\$ 11.00	\$ 13.66	\$ 14.07	\$ 14.63	\$ 15.37
3/4"	\$ 12.90	\$ 16.02	\$ 16.50	\$ 17.15	\$ 18.02
1"	\$ 17.25	\$ 21.42	\$ 22.07	\$ 22.95	\$ 24.10
1.5"	\$ 28.25	\$ 35.09	\$ 36.14	\$ 37.58	\$ 39.46
2"	\$ 41.40	\$ 51.42	\$ 52.96	\$ 55.08	\$ 57.83
3"	\$ 72.00	\$ 89.42	\$ 92.11	\$ 95.79	\$ 100.58
4"	\$ 115.85	\$ 143.89	\$ 148.20	\$ 161.84	\$ 161.84
6" or larger	\$ 225.40	\$ 279.95	\$ 288.35	\$ 299.88	\$ 314.87
Volumetric Rate ^b	\$ 2.21	\$ 2.74	\$ 2.83	\$ 2.94	\$ 3.09

^a Rate charge from 2006 to June 2012 included 200 cubic feet; Changed in July 2012 with zero water consumed.

^b Per 100 cubic feet

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

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

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

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

^g The last of a five step rate increase; 5% on January 1.

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

ⁱ Rate increase of 4.5% on January 1.

^j 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 Rates (Outside City)

Last Ten Fiscal Years

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

Base Rate ^a (Meter Size)	Fiscal Year Ending				
	2006 ^c	2007 ^d	2008 ^e	2009 ^f	2010 ^g
5/8"	\$ 16.50	\$ 20.49	\$ 21.11	\$ 21.95	\$ 23.05
3/4"	\$ 19.40	\$ 24.09	\$ 24.82	\$ 25.81	\$ 27.10
1"	\$ 25.85	\$ 32.11	\$ 33.07	\$ 34.39	\$ 36.11
1.5"	\$ 42.40	\$ 52.66	\$ 54.24	\$ 56.41	\$ 59.23
2"	\$ 63.35	\$ 78.68	\$ 81.04	\$ 84.28	\$ 88.50
3"	\$ 108.00	\$ 134.14	\$ 138.16	\$ 143.69	\$ 150.87
4"	\$ 173.80	\$ 215.86	\$ 222.34	\$ 231.23	\$ 242.79
6" or larger	\$ 338.10	\$ 419.92	\$ 432.52	\$ 449.82	\$ 472.31
Volumetric Rate ^b	\$ 3.32	\$ 4.12	\$ 4.24	\$ 4.41	\$ 4.63

^a Rate charge from 2006 to June 2012 included 200 cubic feet; Changed in July 2012 with zero water consumed.

^b Per 100 cubic feet

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

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

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

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

^g The last of a five step rate increase; 5% on January 1.

^h In June 2012, City of Little Rock Board of Directors approved a four step rate increase that will effect rates from 2012 to 2016.

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

ⁱ Rate increase of 4.5% on January 1.

^j 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		
	Revenue Bonds	Revolving Fund Loans ^a	Unamortized Bond Premium (Discount)	Amount	Per Capita	As a Share of Personal Income
2006	\$ 29,915,000	\$ 57,177,864		\$ 87,092,864	\$ 476	1.38%
2007	\$ 163,305,000	\$ 64,288,425		\$227,593,425	\$ 1,243	3.39%
2008	\$ 177,480,000	\$ 70,978,477	\$ 876,421	\$249,334,898	\$ 1,361	3.64%
2009	\$ 181,995,000	\$ 88,471,455	\$ 630,972	\$271,097,427	\$ 1,480	4.01%
2010	\$ 179,640,000	\$ 81,817,242	\$ 626,808	\$262,084,050	\$ 1,354	3.67%
2011	\$ 176,720,000	\$ 79,397,360	\$ 891,488	\$257,008,848	\$ 1,328	3.44%
2012	\$ 202,543,537	\$ 75,086,015	\$ 688,405	\$278,317,957	\$ 1,438	3.54%
2013	\$ 199,230,470	\$ 70,204,709	\$ 2,737,344	\$272,172,523	\$ 1,406	3.53%
2014	\$ 200,860,080	\$ 69,081,782	\$ 2,963,187	\$272,905,049	\$ 1,410	3.45%
2015	\$ 229,050,000	\$ 40,792,901	\$ 10,631,206	\$280,474,107	\$ 1,449	3.50%

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.

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

Schedule 11

Little Rock Wastewater

Pledge-Revenue Coverage

Last Ten Fiscal Years

Fiscal Year	Gross Revenue ^a	Direct Operating Expense ^b	Net Revenue Available For Debt Service	At December 31, Fiscal Year			Coverage
				Total Outstanding Debt ^c	# of Years of Outstanding Debt	Avg Yearly Outstanding Debt	
2006 ^d	\$ 35,953,294	\$ (22,088,850)	\$ 13,864,444	\$ 139,992,855	22	\$ 6,363,312	2.18
2007 ^e	\$ 43,429,090	\$ (23,539,563)	\$ 19,889,527	\$ 436,244,778	30	\$ 14,541,493	1.37
2008 ^f	\$ 47,882,812	\$ (23,731,107)	\$ 24,151,705	\$ 454,758,950	30	\$ 15,158,632	1.59
2009 ^g	\$ 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	\$ 16,299,463	1.72
2015	\$ 51,329,872	\$ (23,956,665)	\$ 27,373,207	\$ 397,723,835	27	\$ 14,730,512	1.86

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.

^a Includes interest on investment income.

^b See Schedule 4.

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

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

^e 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.

^f 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.

^g 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 ^a	Personal Income ^b	Per Capita Personal Income	Unemployment Percentage Rate
2006	183,133	\$ 6,322,483,692	\$ 34,524	4.6%
2007	183,133	\$ 6,711,641,317	\$ 36,649	4.5%
2008	183,133	\$ 6,857,048,919	\$ 37,443	5.6%
2009	183,133	\$ 6,759,805,296	\$ 36,912	7.2%
2010	193,524	\$ 7,140,261,504	\$ 36,896	8.2%
2011	193,524	\$ 7,470,413,448	\$ 38,602	7.1%
2012	193,524	\$ 7,860,751,356	\$ 40,619	6.7%
2013	193,524	\$ 7,717,737,120	\$ 39,880	6.0%
2014	193,524	\$ 7,919,969,700	\$ 40,925	4.9%
2015	193,524	\$ 8,022,924,468	\$ 41,457	4.0%

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

^b Personal Income is a calculation of per capita income multiplied by the population.

Source: 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

Fiscal Year 2015		
Customer	Amount	Percent
1. Baptist Medical Center	\$ 504,279	1.02 %
2. University of Arkansas Medical Science	482,956	0.97
3. Little Rock Quick Rice Foods	414,140	0.83
4. Central Arkansas Water	394,657	0.80
5. V.A. Hospital	360,368	0.73
6. St. Vincent's Infirmary	254,326	0.51
7. Welspun Tubular	249,419	0.50
8. Hiland Dairy	208,759	0.42
9. Arkansas Children's Hospital	178,160	0.36
10. Statehouse Convention Center	138,605	0.28
Subtotal	3,185,669	6.42
Balance from other customers	46,431,178	93.58
Grand Totals ^a	<u>\$49,616,847</u>	<u>100.00 %</u>

Fiscal Year 2006		
Customer	Amount	Percent
1. University of Arkansas Medical Science	\$ 289,380	0.98 %
2. Odom Sausage	262,466	0.89
3. Central Arkansas Water	233,896	0.79
4. Baptist Medical Ct.	212,013	0.72
5. City of Shannon Hills	133,682	0.45
6. Coleman Dairy	123,159	0.42
7. St. Vincent's Hospital	116,907	0.40
8. Veterans Administration Hospitals	113,681	0.39
9. Coca-Cola Bottling	113,326	0.38
10. Arkansas Children's Hospital	103,807	0.35
Subtotal	1,702,317	5.77
Balance from other customers	27,780,201	94.23
Grand Totals ^a	<u>\$29,482,518</u>	<u>100.00 %</u>

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

Schedule 14

Little Rock Wastewater

Principal Employers

Current Year and Nine Years Ago

Employer	2015			2006		
	Employees	Percentage of Total	Rank	Employees	Percentage of Total	Rank
State of Arkansas	32,200	9.26%	1	32,000	9.91%	1
Local Government	28,800	8.28%	2	28,600	8.86%	2
Federal Government	9,200	2.65%	3	9,000	2.79%	3
University of Arkansas Medical Sciences	8,500	2.44%	4	8,500	2.63%	4
Baptist Health	7,000	2.01%	5	7,000	2.17%	5
Little Rock Air Force Base	4,500	1.29%	6	4,500	1.39%	6
Axiom	4,380	1.26%	7	3,000	0.93%	9
Little Rock School District	3,500	1.01%	8	3,500	1.08%	8
Central Arkansas Veterans Health Care	3,500	1.01%	9			
Entergy Arkansas	2,740	0.79%	10	2,781	0.86%	10
Alltel Corporation				4,000	1.24%	7
Total	104,320	30%		102,881	32%	

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

Schedule 15

Little Rock Wastewater

Number of Employees by Identifiable Activity

Last Ten Fiscal Years

	Full-time-Equivalent Employees as of December 31									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Administration:										
Executive Administrator	1	1	1	1	1	1	1	1	1	1
Safety & Communications	4	4	5	4	4	4	3	3	4	4
Human Resources	2	2	2	2	2	2	2	2	2	2
Finance/Accounting	8	9	12	12	12	10	8	9	12	12
Information Services	12	12	16	13	13	10	9	10	11	11
Legal	1	1	2	1	0	0	0	0	0	0
Clerical	18	15	10	11	10	9	7	7	7	7
Engineering	33	35	28	30	29	27	20	23	20	20
Sewer Plant Maintenance	13	18	12	23	21	21	22	23	24	24
Sewer Systems Maintenance	110	112	114	106	94	90	81	87	82	82
Sewer Plant Operations	22	22	24	21	20	20	21	18	22	22
Environmental Assessment	17	19	17	17	16	16	17	23	24	24
Total Employees	241	250	243	241	222	210	191	206	209	209

Schedule 16

Little Rock Wastewater

Operating and Capital Indicators,
Last Ten Fiscal Years

	Fiscal Year									
	2006	2007	2008	2009	2010	2011 ^a	2012	2013	2014	2015
Wastewater Treatment										
Miles of Sewer	1,270	1,293	1,314	1,312	1,320	1,346	1,353	1,359	1,368	1,375
Number of Treatment Plants	2	2	2	2	2	3	3	3	3	3
Treatment Capacity (MGD)										
- Biological Treatment	52.0	52.0	52.0	52.0	52.0	56.0	56.0	56.0	56.0	56.0
- Hydraulic Peak Capacity	130.0	130.0	130.0	130.0	130.0	144.0	144.0	144.0	144.0	144.0
Daily engineering maximum plant capacity (MGD)	30.92	32.71	35.18	40.63	40.58	35.55	31.04	33.91	34.17	37.04
Unused Capacity (MGD)	21.08	19.29	16.82	11.37	11.42	20.45	24.96	22.09	21.83	18.96
Percent of capacity utilized	59%	63%	68%	78%	78%	63%	55%	61%	61%	66%

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

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

