

LITTLE ROCK WASTEWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. **Reporting Entity**

The financial statements of the Little Rock Wastewater (LRW), a component unit (Enterprise Fund) of the City of Little Rock, conform to generally accepted accounting principles for state and local governments. The Utility provides sewer services for the greater Little Rock area. These services primarily consist of treatment and disposal of sewer water, inspection of sewer lines, and construction of sewer treatment plants, rehabilitation projects, and spot repairs. The vast majority of the Utility's customers are residential; however, the Utility also services commercial businesses. The Utility had 67,622 and 67,455 customers at December 31, 2010 and 2009, respectively. LRW is financially accountable to the City of Little Rock because the City's Board of Directors must approve any rate adjustments and debt issuances.

B. **Basis of Accounting**

LRW is a proprietary fund of the City and its financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. In accordance with paragraph 7 of Governmental Accounting Standards Board (GASB) Statement No. 20, the Utility applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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

LITTLE ROCK WASTEWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

LITTLE ROCK WASTEWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. **Investments**

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

E. **Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Details of accounts receivable and the related valuation account as of December 31, 2010 and 2009 are more fully explained in Note 4.

F. **Inventory**

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

G. **Restricted Assets**

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

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

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

H. **Unamortized Bond Issuance Costs**

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

LITTLE ROCK WASTEWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. **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 1 year. Depreciation is computed using the straight-line method of depreciation with estimated useful lives of 10 to 50 years for buildings and improvements, 5 to 25 years for machinery and equipment, and 50 years for collection systems (primarily sewer lines).

J. **Compensated Absences**

Employees earn Personal Time Off (PTO) as the only paid personal leave as it covers time away from the workplace for vacation, personal time, funeral, illness, etc. There are no restrictions on how much PTO can be accrued and no deadline to use the time accrued, 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 8.

K. **Pension Plan**

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

L. **Other Post Employment Benefits**

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

M. **Basis of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

LITTLE ROCK WASTEWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Reclassifications

Amounts have been reclassified in the 2009 financial statements to conform to the presentation in the 2010 and 2009 comparative financial statements.

NOTE 2: CASH AND CASH EQUIVALENTS

A reconciliation of cash per the statement of cash flows to the balance sheets as of December 31, 2010 and 2009, respectively, follows:

	<u>2010</u>		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash at Beginning of Year	\$ 9,771,485	\$ 9,666,524	\$ 19,438,009
Net Increase (Decrease)	<u>(3,387,796)</u>	<u>(118,858)</u>	<u>(3,506,654)</u>
Cash at End of Year	<u>\$ 6,383,689</u>	<u>\$ 9,547,666</u>	<u>\$ 15,931,355</u>
	<u>2009</u>		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash at Beginning of Year	\$ 14,781,609	\$ 28,287,612	\$ 43,069,221
Net Increase (Decrease)	<u>(5,010,124)</u>	<u>(18,621,088)</u>	<u>(23,631,212)</u>
Cash at End of Year	<u>\$ 9,771,485</u>	<u>\$ 9,666,524</u>	<u>\$ 19,438,009</u>

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Utility's deposit policy for custodial credit risk requires compliance with the provisions of state law. Arkansas law requires collateralization of all municipal deposits by federal depository insurance (FDIC) and qualified pledged securities consisting of obligations of the U.S. Treasury and U.S. agencies.

Included in the Utility's total cash balances of \$15,931,355, and \$19,438,009 (restricted and unrestricted) at December 31, 2010 and 2009, respectively, are deposits with financial institutions of \$16,424,884 at December 31, 2010 and \$20,521,004 at December 31, 2009. These deposits were fully covered by FDIC insurance and appropriate collateralization at these respective dates.

LITTLE ROCK WASTEWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 3: INVESTMENTS

Investments at December 31, 2010 and 2009 consisted of U.S. Government obligations, stated at fair values of \$15,847,949, and \$56,882,649, respectively. Net unrealized gain (loss) for each of the years ended December 31, 2010 and 2009, was \$353,193 and \$(650,101), respectively.

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

Credit risk is the risk that the issuer or other counterparty will not fulfill its obligation. The Utility manages its credit risk by investing exclusively in obligation of the U.S. Government.

All of the Utility's investments at December 31, 2010 and 2009 are insured or registered and held by the Utility or its agent in the Utility's name. Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Utility will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Trade Receivables, Current	\$ 2,896,549	\$ 2,449,365
Trade Receivables, Past Due	354,704	302,608
Total	<u>3,251,253</u>	<u>2,751,973</u>
Allowance for Uncollectibles, Beginning of Year	(302,608)	(260,819)
Writeoff of Uncollectibles	314,743	273,981
Provision for Bad Debt Expense	<u>(366,839)</u>	<u>(315,770)</u>
Allowance for Uncollectibles, End of Year	<u>(354,704)</u>	<u>(302,608)</u>
Accounts Receivables, Net of Allowance for Uncollectibles	2,896,549	2,449,365
Less Noncurrent Amount	<u>23,762</u>	<u>39,604</u>
Current Accounts Receivable	<u>\$ 2,872,787</u>	<u>\$ 2,409,761</u>

LITTLE ROCK WASTEWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 5: CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2010 and 2009 was as follows:

2010	Balance 12/31/09	Additions	Retirements	Balance 12/31/10
Capital assets not being depreciated:				
Land and Right-of-Way	\$ 3,125,891	\$ 236,185	\$ -	\$ 3,362,076
Construction in Progress	130,107,253	38,819,526	-	168,926,779
Total capital assets not being depreciated	<u>133,233,144</u>	<u>39,055,711</u>	<u>-</u>	<u>172,288,855</u>
Capital assets being depreciated:				
Building and Improvements	54,910,035	54,603	25,900	54,938,738
Infrastructure-Collection & Treatment	223,098,082	9,238,811	27,960	232,308,933
Equipment	39,738,236	923,490	247,978	40,413,748
Total capital assets being depreciated	<u>317,746,353</u>	<u>10,216,904</u>	<u>301,838</u>	<u>327,661,419</u>
Less accumulated depreciation for:				
Buildings and Improvements	20,849,925	1,140,042	12,682	21,977,285
Infrastructure-Collections & Treatment	59,648,030	4,815,601	4,079	64,459,552
Equipment	20,555,306	1,782,016	139,849	22,197,473
Total accumulated depreciation	<u>101,053,261</u>	<u>7,737,659</u>	<u>156,610</u>	<u>108,634,310</u>
Capital Assets, Net	<u>\$ 349,926,236</u>	<u>\$ 41,534,956</u>	<u>\$ 145,228</u>	<u>\$ 391,315,964</u>
2009	Balance 12/31/08	Additions	Retirements	Balance 12/31/09
Capital assets not being depreciated:				
Land and Right-of-Way	\$ 3,110,501	\$ 15,390	\$ -	\$ 3,125,891
Construction in Progress	96,931,550	75,931,986	42,756,283	130,107,253
Total capital assets not being depreciated	<u>100,042,051</u>	<u>75,947,376</u>	<u>42,756,283</u>	<u>133,233,144</u>
Capital assets being depreciated:				
Building and Improvements	39,539,998	15,469,842	99,805	54,910,035
Infrastructure-Collection & Treatment	205,364,007	18,745,960	1,011,885	223,098,082
Equipment	27,727,308	12,041,895	30,967	39,738,236
Total capital assets being depreciated	<u>272,631,313</u>	<u>46,257,697</u>	<u>1,142,657</u>	<u>317,746,353</u>
Less accumulated depreciation for:				
Buildings and Improvements	20,099,513	784,180	33,768	20,849,925
Infrastructure-Collections & Treatment	55,256,414	4,394,321	2,705	59,648,030
Equipment	19,378,008	1,717,411	540,113	20,555,306
Total accumulated depreciation	<u>94,733,935</u>	<u>6,895,912</u>	<u>576,586</u>	<u>101,053,261</u>
Capital Assets, Net	<u>\$ 277,939,429</u>	<u>\$ 115,309,161</u>	<u>\$ 43,322,354</u>	<u>\$ 349,926,236</u>

LITTLE ROCK WASTEWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 5: CAPITAL ASSETS (CONTINUED)

Construction in Progress at December 31, 2010 and 2009 included capitalized construction period interest of \$109,174 and \$205,120 that was incurred in each respective year.

Depreciation expense was \$7,737,659 and \$6,895,912 for the years ended December 31, 2010 and 2009, respectively.

NOTE 6: CONTRIBUTIONS IN AID OF CONSTRUCTION

Contributions in aid of construction, as a result of acceptance of sewer lines from private contractors and individuals, were \$1,320,229 and \$1,422,898 for the years ended December 31, 2010 and 2009, respectively.

NOTE 7: LONG-TERM DEBT

Long-term debt consists of Sewer Revenue Bonds for which the changes in the years ended December 31, 2010 and 2009 are as follows:

	<u>2010</u>				Amount Due
	Beginning Balance	Increases	Decreases	Ending Balance	Within One Year
Sewer Revenue Bonds	\$ 260,634,401	\$ 7,437,729	\$ 6,614,888	\$ 261,457,242	\$ 6,855,607
Unamortized Bond Premium (Discount)	630,972	210,609	214,773	626,808	167,934
	<u>\$ 261,265,373</u>	<u>\$ 7,648,338</u>	<u>\$ 6,829,661</u>	<u>\$ 262,084,050</u>	<u>\$ 7,023,541</u>
	<u>2009</u>				
	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due Within One Year
Sewer Revenue Bonds	\$ 248,458,477	\$ 17,767,672	\$ 5,591,748	\$ 260,634,401	\$ 6,614,886
Unamortized Bond Premium (Discount)	876,421	218,686	464,135	630,972	206,948
	<u>\$ 249,334,898</u>	<u>\$ 17,986,358</u>	<u>\$ 6,055,883</u>	<u>\$ 261,265,373</u>	<u>\$ 6,821,834</u>

LITTLE ROCK WASTEWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 7: 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, 2010</u>	<u>Within One Year</u>
1990	4.00%	2014	\$ 1,656,120	\$ 449,992
1991	4.00%	2014	1,419,530	385,707
1996	3.50%	2019	3,062,511	315,213
1999	3.75%	2022	8,232,248	554,662
2001	4.000% to 5.125%	2022	18,600,000	455,000
2004A	3.25%	2027	20,052,989	935,614
2004B	3.25%	2027	12,430,065	557,972
2004C	3.25%	2027	12,043,885	501,679
2005	3.00% to 4.375%	2025	8,160,000	405,000
2007A	3.63% to 5.00%	2037	59,770,000	1,185,000
2007B	2.75%	2029	16,420,775	704,768
2007C	4.25% to 5.00%	2037	71,085,000	
2008	3.50% to 5.75%	2038	15,495,000	275,000
2009A	2.00%	2032	6,499,119	-
2009B	2.00%	2039	<u>6,530,000</u>	<u>130,000</u>
Total			<u>\$ 261,457,242</u>	<u>\$ 6,855,607</u>

Payment dates for the revenue bonds are as follows:

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

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

LITTLE ROCK WASTEWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 7: LONG-TERM DEBT (CONTINUED)

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

<u>Sewer Revenue Bond Issue</u>	<u>Bond Issue</u>
Series 1990 (December, 1990)	\$ 7,000,000
Series 1991 (April, 1991)	\$ 6,000,000
Series 1996 (January, 1996)	\$ 6,000,000
Series 1999 (July 1999)	\$ 12,000,000
Series 2004A (March, 2004)	\$ 23,100,000
Series 2004B (March 2004)	\$ 14,000,000
Series 2004C (March 2004)	\$ 13,000,000
Series 2007B (February 2007)	\$ 18,000,000
Series 2009A (March 2009)	\$ 8,000,000
Series 2009B (November 2009)	\$ 6,655,000

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

In March, 2004, the City of Little Rock, Arkansas authorized a Sewer Revenue Bond issue of \$23,100,000, \$14,000,000, and \$13,000,000 to be issued by ANRC, for the purpose of financing the costs of constructing extensions, betterments, and improvements to the Adams Field Treatment Plant, the Utility's collection system, and unsewered areas

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

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

In July, 2007 the City of Little Rock authorized a Sewer Revenue Bond Issue of \$18,000,000 for the remaining unsewered area and collection system projects, and in March 2009, it issued \$8,000,000 in Sewer Revenue Bonds. As of December 31, 2010, the Utility had drawn \$17,106,554 and \$6,499,119, respectively, on these bond issues, with additional draws of \$893,446 and \$1,500,881 remaining. These draws, which amount to \$2,394,327 in the aggregate, will be made as the aforementioned construction progresses.

LITTLE ROCK WASTEWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 7: LONG-TERM DEBT (CONTINUED)

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

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

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

In addition to the \$261,457,242 balance of Sewer Revenue Bonds outstanding at December 31, 2010, an additional \$2,394,327 will, as previously described, be drawn in fulfillment of current bond issues, for a total Sewer Revenue Bond indebtedness of \$263,851,569.

The annual requirements to amortize sewer revenue bond indebtedness outstanding, and scheduled, including interest, as of December 31, 2010, are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 6,855,607	\$ 11,004,113	\$ 17,859,720
2012	7,250,023	10,840,360	18,090,383
2013	7,679,601	10,657,582	18,337,183
2014	7,952,476	10,372,532	18,325,008
2015	8,257,397	10,073,594	18,330,991
2015 to 2019	46,288,171	45,310,853	91,599,024
2020 to 2024	45,729,696	35,934,165	81,663,861
2025 to 2029	47,802,051	27,272,061	75,074,112
2030 to 2034	57,436,547	15,376,268	72,812,815
2035 to 2039	28,600,000	2,148,898	30,748,898
Total	<u>\$ 263,851,569</u>	<u>\$ 178,990,426</u>	<u>\$ 442,841,995</u>

Interest expense incurred during construction amounted to \$109,174 and \$205,120 all of which was capitalized to construction in progress in the years ended December 31, 2010 and December 31, 2009, respectively.

LITTLE ROCK WASTEWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 8: COMPENSATED ABSENCES

Net changes in the liability for compensated absences for the years ended December 31, 2010 and 2009 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
2010	\$ 853,765	\$ 4,309	\$ 207,720	\$ 650,354	\$ 636,391
2009	\$ 976,192	\$ 5,416	\$ 127,843	\$ 853,765	\$ 713,657

NOTE 9: LITIGATION

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

A judgment approving this settlement was filed on November 16, 2001, subject to an award of the plaintiff's statutory attorneys' fees, which were awarded on December 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, 2010 and 2009, respectively, do not include any provisions of potential liability with regard to this litigation.

However, pursuant to the settlement agreement between the plaintiff and LRSSC, the Court retained jurisdiction for the purpose of enforcing the provisions of the settlement agreement incorporated by reference in the judgment. Under the provisions of the settlement, LRSSC is required to follow certain reporting, notice, and maintenance procedures, as well as the requirement of completion of a study to address sanitary sewer overflows in the system. These requirements are specified in the settlement agreement, and the schedules for developing, adopting, and implementing the necessary programs and improvements within specified deadlines, which LRSSC 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, 2010 AND 2009

NOTE 9: LITIGATION (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 two consecutive years in reducing non-capacity SSOs, LRW is deemed to have complied with all provisions 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 delays in securing necessary financing to comply with the Settlement Agreement (as provided in the SECAP approved by LRSSC), the sewage treatment facility was not completed as originally proposed, but it is expected to be completed in April 2011. Further court action could occur as a consequence, if the plaintiff chooses to challenge LRSSC's compliance with the Settlement. However, there is no indication such a challenge is likely.

Management completed annual reports for 2010, as required by both the CAO and the settlement agreement each year, detailing compliance actions taken during the year 2010, and the Sierra Club report was presented by staff to the LRSSC at its monthly meeting February 16, 2011 and then sent to the attorney for the Sierra Club. The annual report required by the Consent Administrative Order (CAO) was delivered to Arkansas Department of Environmental Quality (ADEQ) February 28, 2011, with a copy sent to the City of Little Rock Board of Directors on February 28, 2011. Prior such reports starting with the report for 2002 and CAO for 2006, were all approved by LRSSC.

Management expects to remain in compliance with the Settlement Agreement, except for the completion schedule of the Little Maumelle Wastewater Treatment Facility, currently estimated to be completed April 8, 2011, beyond the date mentioned in the SECAP in 2002, and will in good faith take all reasonable steps in that regard to comply with the provisions of the settlement agreement, which will require the expenditure of substantial sums.

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

LITTLE ROCK WASTEWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 9: LITIGATION (CONTINUED)

The CAO will not terminate until such time as full compliance has been achieved and LRW is given written notice of termination by ADEQ. Management is of the opinion that LRW is presently in compliance with the CAO, and is diligently working to complete the various projects mandated by the CAO in accordance with the implementation schedule set forth therein, except for the completion of the Little Maumelle Wastewater Treatment Facility which is expected by April 8, 2011. Management expects to remain on schedule, otherwise, with the CAO throughout its term except also for the Fourche Creek Wastewater Treatment Facility upgrade mentioned hereafter. The ultimate deadline for compliance with the implementation schedule for completion of the projects required by the CAO is January 1, 2016.

LRW has progressed in 2010 with the required projects, including completion of construction of the Peak Flow Attenuation Facility in 2009, and obtained additional financing during 2009 in two bond issues for the total sum of \$14,655,000. Completion date schedules for LRW projects are set forth in the CAO, with the last project to be completed by December 31, 2015. Due to various delays with construction of the Little Maumelle Wastewater Treatment Facility, this project was not completed by December 2010, but rather it is expected to be completed by April 2011. Also, the Fourche Creek Wastewater Treatment Facility upgrades were scheduled for completion. LRW started the first of four phases in 2009 and the second phase in January 2010. Schedule 1- Disinfection- was completed in December 2010. Schedule 2 – Secondary Clarifier – was completed January 14, 2011. Schedule 3 is on hold.

Management is of the opinion that LRW staff is in compliance with the CAO, but LRW is off the implementation schedule for the Little Maumelle Wastewater Treatment Facility and the Fourche Creek Wastewater Treatment Facility upgrade. However, LRW is diligently working to complete the other projects under the circumstances in accordance with the schedule set forth in the CAO. However, LRW plans to ask ADEQ to extend the required time period for completing the project.

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

LITTLE ROCK WASTEWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 9: LITIGATION (CONTINUED)

A commercial customer of LRW has claimed past sewer overcharges in the sum of \$290,000, alleging that an appreciable quantity of its water use does not reach the sewer system; and it is therefore entitled to credit for past sewer service charges paid. LRW has stated that this customer has been in violation of its compliance order and schedule, dated August 23, 2001, as well as its pretreatment ordinance for violating certain provisions of the order, ordinance, and the industrial wastewater discharge permit issued by LRW.

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

This customer filed suit on June 26, 2009, against both LRW and Central Arkansas Water (CAW) seeking a preliminary injunction to stop collection and get credit on its account, which was denied by the court by order dated June 26, 2009. Previously, LRW held a show cause hearing on May 13, 2009, for various violations by the plaintiff of a compliance order and schedule, as well as ordinances, and LRW administrative order was entered against this customer on July 24, 2009, ordering compliance with the show cause order, which the plaintiff appealed to the Pulaski Circuit Court. On September 27, 2010, the Pulaski County Circuit Court entered a judgment denying all relief requested by the customer and upheld the Order on Show Cause which directed the customer to pay the \$67,000 in arrearages. The customer has filed an appeal from that order. At the present time, LRW does not have sufficient information to state what the outcome of the pending litigation will be or what amount of any recovery or loss may be.

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

LITTLE ROCK WASTEWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 9: LITIGATION (CONTINUED)

Although not in active litigation at this time, LRW is involved in a previously dismissed matter that it is still being addressed. It was a condemnation matter concerning easements over land upon which a new sewer line has been laid. Although there was some initial resistance from the landowner to the condemnation action, an Order of Possession was granted and the line was laid. There was no resolution over the question of just compensation, but there was no activity in the case after construction began. After giving notice, the Court dismissed the case without prejudice in October 2010. At that time, LRW considered whether to make an attempt to revive the matter, but decided that there was no benefit to LRW. LRW decided to see if owner would do anything about the money (\$47,500) still in the registry of the Court. Finally, following the dismissal, the owner has proposed a consent agreement that would finalize the easements and release the funds. LRW is still working with opposing counsel in an attempt to finalize the negotiation and language of the consent agreement, but to reach this result, the action that has been dismissed will have to be reopened for entry of a final order. We do not anticipate any further exposure for LRW.

LRW is involved in the defense of two EEOC charges. Both charges involve allegations of race discrimination based on terminations. Both employees are white males who were terminated for cause. Both individuals seek back pay and rehire. Back pay amounts are unspecified at this time. LRW intends to vigorously defend both matters.

Also, LRW has an active lawsuit in Pulaski County Circuit Court, which involves a former employee's claim for wrongful termination. Plaintiff seeks unspecified punitive and compensatory damages. There will be a vigorous defense of this claim.

NOTE 10: OTHER COMMITMENTS AND CONTINGENCIES

The Utility had commitments totaling approximately \$7,986 at December 31, 2010, for the expansion of plant capacity.

NOTE 11: PENSION BENEFITS

A. Defined Contribution Plan

LRW offers a voluntary 401(a) qualified Pension Plan to all of its employees. Those employees hired after December 31, 2008 must wait five 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.

LITTLE ROCK WASTEWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 11: PENSION BENEFITS (CONTINUED)

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

The Pension expense is recorded for the amount of LRW's required contribution, determined in accordance with the terms of the plan. The employee contributions are pre-tax. Total employee and employer contributions were approximately \$874,951 and \$909,385 in 2010 and 2009, respectively.

B. Arkansas Public Employees Retirement System (APERS)

LRW participates in a cost-sharing multiple-employer pension plan, administered by the Arkansas Public Employees Retirement System (APERS). Members participate in a contributory plan or a noncontributory plan. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Prior to July 1, 2005, voluntary contributory plan members were required to contribute 5.0% of their annual salary to APERS. The employer's contributions are actuarially determined on an annual basis. The authority for establishing and amending both funding policies and benefits offered rests with APERS. No employees participated in this voluntary plan for the years ended June 30, 2010, 2009, and 2008. Contributions to the noncontributory plan are also actuarially determined on an annual basis.

Contributions to the noncontributory plan were approximately \$1,414,317, \$1,453,385, and \$1,529,176 for the plan years ended June 30, 2010, 2009, and 2008, respectively, and represented 11.00%, 11.01%, and 12.54%, of covered payroll for each of the plan years, respectively. These amounts represent 100% of required contributions for these three years. Employees hired on or after July 1, 2005 are subject to mandatory employee contributions of 5% of compensation. For the plan years ended June 30, 2010, 2009 and 2008, the 5% mandatory employee contributions were \$124,121 and \$124,775, and \$91,580 respectively, and are not included in the amount above.

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

LITTLE ROCK WASTEWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 12: OTHER POST EMPLOYMENT BENEFITS

A. Plan Description

Little Rock Wastewater's (LRW) defined benefit post employment healthcare plan, Little Rock Wastewater Healthcare Plan (LRWHP), provides medical benefits to eligible retired employees and their beneficiaries. Employees are eligible for retiree medical coverage, including dental, 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. LRW is required to pay actual claims. The cost of retiree health care benefits is recognized as an expense as liabilities are incurred. For the year 2010, there were 26 retirees plus 22 dependents on the LRWHP. Retiree premiums are set yearly with 2010 ranging from \$100 to \$700, which are paid directly to LRW. LRW funded approximately 97% of the postretirement healthcare benefit costs, which totaled \$439,953 for the fiscal year ended December 31, 2010.

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

The contribution requirements are based on the most current actuarial valuations (last bi-annual was completed for December 2010) of the plan. Little Rock Wastewater makes every effort to contribute on a monthly basis toward the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The unfunded liabilities of this plan are amortized over an open, 30-year period using the Projected Unit Credit Cost Method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or finding 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.

LITTLE ROCK WASTEWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 12: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

B. Funding Policy

LRW's health care plan is a self-insurance plan. Premium rates are set on an annual basis with members of LRW and an outside benefits consulting firm and are approved by the Little Rock Sanitary Sewer Committee. LRW's budget policy maintains that total benefits should be no more than 35% of total salaries each year. As a part of the benefits, the health insurance plans are adjusted accordingly.

C. Annual OPEB Cost and Net OPEB Obligation

For 2010 and 2009, LRW's annual OPEB cost (expense) was \$51,435 and \$50,018, respectively, and the ARC was \$47,893 and \$49,024, respectively. The following table shows the components of LRW's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Annual required contribution	\$ 47,893	\$ 49,024	\$ 49,024
Interest on net OPEB obligation	(23,417)	(6,570)	(83)
Adjustment to annual required contribution	<u>26,959</u>	<u>7,564</u>	<u>96</u>
Annual OPEB cost (expense)	51,435	50,018	49,037
Contributions made	<u>(439,953)</u>	<u>(290,686)</u>	<u>(1,282,351)</u>
Increase (Decrease) in net OPEB	(388,518)	(240,668)	(1,233,314)
Net OPEB obligation-beginning of year	<u>(334,526)</u>	<u>(93,858)</u>	<u>1,139,456</u>
Net OPEB obligation-end of year	<u>\$ (723,044)</u>	<u>\$ (334,526)</u>	<u>\$ (93,858)</u>

LRW's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2010 and 2009 are 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>
12/31/10	\$51,435	\$439,953	855.36%	\$ (723,044)
12/31/09	50,018	290,686	581.15%	(334,526)
12/31/08	49,037	1,233,314	2515.07%	(93,858)

LITTLE ROCK WASTEWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 12: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

D. Funded Status and Funding Progress:

With the most recent actuarial valuation of December 31, 2010, the plan's assets and liabilities are shown in the table below:

Actuarial Accrued Liability (AAL)	\$5,676,221
Less Actuarial Value of Plan Assets	<u>1,203,797</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>4,472,424</u></u>
Funded ratio (actuarial value of plan assets/AAL)	21.21%
Covered payroll	\$13,033,208
Unfunded actuarial accrued liability as a Percentage of covered payroll	34.32%

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.

E. Actuarial Methods and Assumptions

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

Actuarial Valuation Date	12/31/2010
Actuarial Cost Method	Projected Unit Credit Cost
Amortization Method	Level Dollar, Open
Remaining Amortization Period	30 Years
Asset Valuation Method	Market Value

LITTLE ROCK WASTEWATER  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 12: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

E. Actuarial Methods and Assumptions (Continued)

The actuarial assumptions included a 7.00% investment rate, net of expenses (because the plan is funded in an irrevocable trust) and an annual health care trend rate of 10% initially, reduced 0.5% annually until reaching an ultimate rate of 5.5% for 2012 and thereafter. Mortality rates were determined using the RP-2000 mortality table for males and females. Retirement rates were provided by the Arkansas Public Employees Retirement System pension valuation. Membership data was based on the census information provided by LRW.

NOTE 13: CONCENTRATIONS

The Utility pays Central Arkansas Water for billing and collection services provided by that entity. Such payments amounted to approximately \$680,051 and \$669,398 for the years ended December 31, 2010 and 2009, respectively, and are included as operating expenses in the accompanying statements of income.

NOTE 14: RISK MANAGEMENT

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

The Utility maintains a self-funded workers' compensation plan. All employees are covered by the plan. It is self-funded to a maximum of \$350,000 per occurrence per employee. Coverage amounts in excess of this limit have been obtained by means of a stop loss reinsurance policy. The Utility records an estimated liability based on claims made against the Utility. Claims liabilities are based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims incurred but not yet reported based on historical experience. Settlements have not exceeded coverage in each of the past three years.

The following represents the changes in approximate aggregate liabilities of the workers' compensation plan for the Utility for January 1, 2009 to December 31, 2010:

Liability balance, January 1, 2009	\$	26,628
Claims and changes in estimates		67,662
Claims payments		(43,390)
Liability balance, December 31, 2009		50,900
Claims and changes in estimates		9,117
Claims payments		(6,091)
Liability balance, December 31, 2010	\$	<u>53,926</u>

LITTLE ROCK WASTEWATER  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2010

	Original and Final Budget	Actual	Variance Over (Under)
<b><u>OPERATING REVENUE</u></b>			
Sewer Charges	\$ 40,064,220	\$ 39,788,224	\$ (275,996)
Industry Surcharges	1,123,800	1,702,263	578,463
Connection Fees		30,011	30,011
Other	<u>604,740</u>	<u>494,342</u>	<u>(110,398)</u>
Total Operating Revenues	<u>41,792,760</u>	<u>42,014,840</u>	<u>222,080</u>
<b><u>OPERATING REVENUES EXCLUDING DEPRECIATION</u></b>			
Committee	73,500	59,045	(14,455)
Management	1,749,029	1,503,414	(245,615)
Finance and Administration	2,387,011	2,485,777	98,766
Engineering	1,568,000	1,528,645	(39,355)
Information Systems	1,968,673	1,753,551	(215,122)
Maintenance	10,054,642	10,117,918	63,276
Operations	4,812,774	4,341,926	(470,848)
Environmental Assessment	<u>1,667,888</u>	<u>1,520,201</u>	<u>(147,687)</u>
Total Operating Expenses, Excluding Depreciation	<u>24,281,517</u>	<u>23,310,477</u>	<u>(971,040)</u>
Operating Income Before Depreciation	<u>17,511,243</u>	<u>18,704,363</u>	<u>1,193,120</u>
<b><u>PROVISION FOR DEPRECIATION</u></b>			
Building and Improvement	1,017,879	1,140,042	122,163
Infrastructure-Collection & Treatment	4,299,577	4,815,601	516,024
Equipment	<u>1,591,061</u>	<u>1,782,016</u>	<u>190,955</u>
Total Provision for Depreciation	<u>6,908,517</u>	<u>7,737,659</u>	<u>829,142</u>
OPERATING INCOME (LOSS)	<u>10,602,726</u>	<u>10,966,704</u>	<u>363,978</u>
<b><u>NONOPERATING INCOME (EXPENSE)</u></b>			
Interest Income	781,900	147,124	(634,776)
Interest Expense	(11,134,893)	(10,770,853)	364,040
Amortization of Bond Issuance Costs	(223,740)	(210,609)	13,131
Gain (Loss) on Disposal of Capital Assets	3,600	(30,932)	(34,532)
Gain (Loss) on Investments		353,193	353,193
Other	<u>10,000</u>	<u>62,246</u>	<u>52,246</u>
Total Operating Revenues	<u>(10,563,133)</u>	<u>(10,449,831)</u>	<u>113,302</u>
OPERATING INCOME (LOSS)	<u>\$ 39,593</u>	<u>\$ 516,873</u>	<u>\$ 477,280</u>

See independent auditors' report on required supplementary information.

LITTLE ROCK WASTEWATER  
SCHEDULES OF OPERATING EXPENSES BY DEPARTMENT  
EXCLUDING DEPRECIATION  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
<u>Sewer Committee:</u>		
Committee Expense Reimbursement	\$ 46,351	\$ 47,021
Insurance	9,467	11,402
Other	3,227	8,409
Total	<u>59,045</u>	<u>66,832</u>
 <u>Utility Management:</u>		
Salaries	797,472	920,415
Employee Benefits	277,010	317,986
Supplies	48,691	85,760
Contract Services	233,080	140,359
Vehicle Maintenance	10,342	16,722
Utilities	8,859	11,231
Insurance	6,531	7,680
Training and Administration	121,429	194,654
Total	<u>1,503,414</u>	<u>1,694,807</u>
 <u>Finance:</u>		
Salaries	908,101	934,387
Employee Benefits	346,760	291,245
Supplies	24,922	33,475
Contract Services	753,367	751,506
Vehicle Maintenance	7,352	8,035
Utilities	11,064	10,668
Insurance	5,965	6,493
Delinquent Accounts	366,839	315,770
Training and Administration	61,407	79,599
Total	<u>2,485,777</u>	<u>2,431,178</u>
 <u>Engineering:</u>		
Salaries	1,072,182	1,106,729
Employee Benefits	192,029	135,521
Supplies	47,046	67,671
Contract Services	153,051	130,667
Vehicle Maintenance	30,646	23,295
Utilities	14,018	16,009
Insurance	5,352	4,494
Training and Administration	14,321	18,818
Total	<u>1,528,645</u>	<u>1,503,204</u>

See independent auditors' report on supplementary schedules.

LITTLE ROCK WASTEWATER  
SCHEDULES OF OPERATING EXPENSES BY DEPARTMENT  
EXCLUDING DEPRECIATION (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
<u>Collection System and Facilities/</u>		
<u>Equipment Maintenance:</u>		
Salaries	\$ 5,207,506	\$ 5,112,762
Employee Benefits	2,425,012	1,751,483
Supplies	1,141,868	1,159,378
Contract Services	512,092	959,889
Vehicle Maintenance	557,728	225,770
Utilities	140,255	165,246
Insurance	67,915	62,376
Training and Administration	65,542	63,769
Total	10,117,918	9,500,673
 <u>Operations - Adams, Fourche, and</u>		
<u>Industrial Monitoring:</u>		
Salaries	1,563,900	1,565,151
Employee Benefits	632,447	553,650
Supplies	177,884	156,406
Contract Services	581,123	747,618
Vehicle Maintenance	18,182	17,269
Utilities	1,248,018	1,515,522
Insurance	31,470	32,372
Training and Administration	88,902	95,817
Total	4,341,926	4,683,805
 <u>Technical Services:</u>		
Salaries	841,804	915,822
Employee Benefits	366,465	326,828
Supplies	141,786	233,673
Contract Services	245,813	258,948
Vehicle Maintenance	13,163	16,318
Utilities	125,498	115,965
Insurance	1,051	935
Training and Administration	17,971	50,462
Total	1,753,551	1,918,951
 <u>Environmental Assessment</u>		
<u>Department (EAD):</u>		
Salaries	939,928	1,022,311
Employee Benefits	422,008	395,539
Supplies	80,791	128,232
Contract Services	45,655	41,380
Vehicle Maintenance	14,701	20,073
Utilities	3,729	4,459
Insurance	1,181	1,124
Training and Administration	12,208	24,595
Total	1,520,201	1,637,713
Total Operating Expenses	\$ 23,310,477	\$ 23,437,163

See independent auditors' report on supplementary schedules.

LITTLE ROCK WASTEWATER  
SCHEDULE OF BONDED INDEBTEDNESS  
DECEMBER 31, 2010

Sewer Revenue Bonds (Series 1990)

<u>Year of Maturity</u>	<u>Interest Rate</u>	<u>Principal Payable</u>		<u>Interest Payable</u>		<u>Total Annual Requirement</u>
		<u>4/15</u>	<u>10/15</u>	<u>4/15</u>	<u>10/15</u>	
2011	4%	\$ 222,769	\$ 227,223	\$ 33,122	\$ 28,666	\$ 511,780
2012	4%	231,768	236,403	24,123	19,486	511,780
2013	4%	241,131	245,954	14,759	9,937	511,781
2014	4%	250,872	-	5,017	-	255,889
		<u>\$ 946,540</u>	<u>\$ 709,580</u>	<u>\$ 77,021</u>	<u>\$ 58,089</u>	<u>\$ 1,791,230</u>

See independent auditors' report on supplementary schedules.

LITTLE ROCK WASTEWATER  
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)  
DECEMBER 31, 2010

Sewer Revenue Bonds (Series 1991)

<u>Year of Maturity</u>	<u>Interest Rate</u>	<u>Principal Payable</u>		<u>Interest Payable</u>		<u>Total Annual Requirement</u>
		<u>4/15</u>	<u>10/15</u>	<u>4/15</u>	<u>10/15</u>	
2011	4%	\$ 190,944	\$ 194,763	\$ 28,391	\$ 24,572	\$ 438,670
2012	4%	198,658	202,631	20,676	16,703	438,668
2013	4%	206,684	210,817	12,651	8,517	438,669
2014	4%	215,033	-	4,301	-	219,334
		<u>\$ 811,319</u>	<u>\$ 608,211</u>	<u>\$ 66,019</u>	<u>\$ 49,792</u>	<u>\$ 1,535,341</u>

See independent auditors' report on supplementary schedules.

LITTLE ROCK WASTEWATER  
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)  
DECEMBER 31, 2010

Sewer Revenue Bonds (Series 1996)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		4/15	10/15	4/15	10/15	
2011	3.5%	\$ 156,239	\$ 158,974	\$ 53,594	\$ 50,860	\$ 419,667
2012	3.5%	161,756	164,585	48,078	45,247	419,666
2013	3.5%	167,466	170,397	42,367	39,436	419,666
2014	3.5%	173,379	176,413	36,454	33,420	419,666
2015	3.5%	179,500	182,641	30,333	27,192	419,666
2016	3.5%	185,837	189,089	23,995	20,743	419,664
2017	3.5%	192,399	195,766	17,434	14,067	419,666
2018	3.5%	199,192	202,678	10,641	7,155	419,666
2019	3.5%	206,200	-	3,609	-	209,809
		<u>\$ 1,621,968</u>	<u>\$ 1,440,543</u>	<u>\$ 266,505</u>	<u>\$ 238,120</u>	<u>\$ 3,567,136</u>

See independent auditors' report on supplementary schedules.

LITTLE ROCK WASTEWATER  
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)  
DECEMBER 31, 2010

Sewer Revenue Bonds (Series 1999)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		4/15	10/15	4/15	10/15	
2011	3.75%	\$ 274,755	\$ 279,907	\$ 154,355	\$ 149,203	\$ 858,220
2012	3.75%	285,155	290,502	143,955	138,608	858,220
2013	3.75%	295,949	301,498	133,161	127,612	858,220
2014	3.75%	307,151	312,910	121,959	116,200	858,220
2015	3.75%	318,777	324,754	110,333	104,356	858,220
2016	3.75%	330,843	337,046	98,267	92,064	858,220
2017	3.75%	343,366	349,804	85,744	79,306	858,220
2018	3.75%	356,363	363,045	72,747	66,065	858,220
2019	3.75%	369,852	376,787	59,258	52,323	858,220
2020	3.75%	383,851	391,048	45,259	38,062	858,220
2021	3.75%	398,381	405,850	30,729	23,260	858,220
2022	3.75%	413,460	421,194	15,650	7,898	858,202
		<u>\$ 4,077,903</u>	<u>\$ 4,154,345</u>	<u>\$ 1,071,417</u>	<u>\$ 994,957</u>	<u>\$ 10,298,622</u>

See independent auditors' report on supplementary schedules.

LITTLE ROCK WASTEWATER  
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)  
DECEMBER 31, 2010

Sewer Revenue Bonds (Series 2001)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		<u>2/1</u>	<u>8/1</u>	<u>2/1</u>	<u>8/1</u>	
2011	4.150%	\$ 225,000	\$ 230,000	\$ 453,018	\$ 448,350	\$ 1,356,368
2012	4.250%	235,000	240,000	443,577	438,583	1,357,160
2013	4.350%	245,000	250,000	433,483	428,155	1,356,638
2014	5.125%	490,000	510,000	422,717	410,161	1,832,878
2015	5.125%	760,000	775,000	397,092	377,617	2,309,709
2016	4.650%	795,000	815,000	357,758	339,273	2,307,031
2017	4.750%	830,000	855,000	320,325	300,613	2,305,938
2018	4.800%	875,000	895,000	280,306	259,306	2,309,612
2019	4.850%	1,020,000	1,045,000	237,827	213,091	2,515,918
2020	5.000%	1,175,000	1,205,000	187,750	158,375	2,726,125
2021	5.000%	1,230,000	1,270,000	128,250	97,500	2,725,750
2022	5.000%	1,300,000	1,330,000	65,750	33,250	2,729,000
		<u>\$ 9,180,000</u>	<u>\$ 9,420,000</u>	<u>\$ 3,727,853</u>	<u>\$ 3,504,274</u>	<u>\$ 25,832,127</u>

See independent auditors' report on supplementary schedules.

LITTLE ROCK WASTEWATER  
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)  
DECEMBER 31, 2010

Sewer Revenue Bonds (Series 2004A)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		4/15	10/15	4/15	10/15	
2011	3.25%	\$ 464,037	\$ 471,577	\$ 325,861	\$ 318,321	\$ 1,579,796
2012	3.25%	479,241	487,028	310,657	302,870	1,579,796
2013	3.25%	494,942	502,985	294,956	286,913	1,579,796
2014	3.25%	511,159	519,465	278,739	270,433	1,579,796
2015	3.25%	527,906	536,485	261,992	253,413	1,579,796
2016	3.25%	545,203	554,062	244,695	235,836	1,579,796
2017	3.25%	563,066	572,216	226,832	217,682	1,579,796
2018	3.25%	581,514	590,963	208,384	198,935	1,579,796
2019	3.25%	600,567	610,326	189,331	179,572	1,579,796
2020	3.25%	620,244	630,323	169,654	159,575	1,579,796
2021	3.25%	640,566	650,974	149,332	138,924	1,579,796
2022	3.25%	661,553	672,303	128,345	117,595	1,579,796
2023	3.25%	683,229	694,331	106,669	95,567	1,579,796
2024	3.25%	705,613	717,080	84,285	72,818	1,579,796
2025	3.25%	728,733	740,575	61,165	49,323	1,579,796
2026	3.25%	752,608	764,838	37,290	25,060	1,579,796
2027	3.25%	777,277	-	12,621	-	789,898
		<u>\$ 10,337,458</u>	<u>\$ 9,715,531</u>	<u>\$ 3,090,808</u>	<u>\$ 2,922,837</u>	<u>\$ 26,066,634</u>

See independent auditors' report on supplementary schedules.

LITTLE ROCK WASTEWATER  
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)  
DECEMBER 31, 2010

Sewer Revenue Bonds (Series 2004B)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		4/15	10/15	4/15	10/15	
2011	3.25%	\$ 276,738	\$ 281,234	\$ 201,988	\$ 197,492	\$ 957,452
2012	3.25%	285,805	290,449	192,921	188,277	957,452
2013	3.25%	295,169	299,965	183,557	178,761	957,452
2014	3.25%	304,839	309,794	173,887	168,932	957,452
2015	3.25%	314,828	319,944	163,898	158,782	957,452
2016	3.25%	325,142	330,426	153,584	148,300	957,452
2017	3.25%	335,795	341,252	142,931	137,474	957,452
2018	3.25%	346,798	352,433	131,928	126,293	957,452
2019	3.25%	358,160	363,980	120,566	114,746	957,452
2020	3.25%	369,894	375,906	108,832	102,820	957,452
2021	3.25%	382,013	388,221	96,713	90,505	957,452
2022	3.25%	394,531	400,941	84,195	77,785	957,452
2023	3.25%	407,457	414,078	71,269	64,648	957,452
2024	3.25%	420,807	427,645	57,919	51,081	957,452
2025	3.25%	434,594	441,656	44,132	37,070	957,452
2026	3.25%	448,833	456,126	29,893	22,600	957,452
2027	3.25%	463,539	471,073	15,187	7,653	957,452
		<u>\$ 6,164,942</u>	<u>\$ 6,265,123</u>	<u>\$ 1,973,400</u>	<u>\$ 1,873,219</u>	<u>\$ 16,276,684</u>

See independent auditors' report on supplementary schedules.

LITTLE ROCK WASTEWATER  
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)  
DECEMBER 31, 2010

Sewer Revenue Bonds (Series 2004C)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		4/15	10/15	4/15	10/15	
2011	3.25%	\$ 248,818	\$ 252,861	\$ 195,713	\$ 191,670	\$ 889,062
2012	3.25%	256,970	261,146	187,561	183,385	889,062
2013	3.25%	265,390	269,702	179,141	174,829	889,062
2014	3.25%	274,085	278,538	170,446	165,993	889,062
2015	3.25%	283,065	287,664	161,466	156,867	889,062
2016	3.25%	292,339	297,089	152,192	147,442	889,062
2017	3.25%	301,918	306,823	142,613	137,708	889,062
2018	3.25%	311,810	316,877	132,721	127,654	889,062
2019	3.25%	322,026	327,258	122,505	117,273	889,062
2020	3.25%	332,576	337,981	111,955	106,550	889,062
2021	3.25%	343,473	349,055	101,058	95,476	889,062
2022	3.25%	354,727	360,491	89,804	84,040	889,062
2023	3.25%	366,349	372,302	78,182	72,229	889,062
2024	3.25%	378,352	384,500	66,179	60,031	889,062
2025	3.25%	390,748	397,098	53,783	47,433	889,062
2026	3.25%	403,551	410,108	40,980	34,423	889,062
2027	3.25%	416,773	423,546	27,758	20,985	889,062
2028	3.25%	430,428	437,448	14,103	7,108	889,087
		<u>\$ 5,973,398</u>	<u>\$ 6,070,487</u>	<u>\$ 2,028,160</u>	<u>\$ 1,931,096</u>	<u>\$ 16,003,141</u>

See independent auditors' report on supplementary schedules.

LITTLE ROCK WASTEWATER  
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)  
DECEMBER 31, 2010

Sewer Revenue Bonds (Series 2005)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		05/01	11/01	05/01	11/01	
2011	3.250%	\$ 405,000	\$ -	\$ 173,965	\$ 167,384	\$ 746,349
2012	4.000%	415,000	-	167,384	159,084	741,468
2013	4.000%	435,000	-	159,084	150,384	744,468
2014	4.000%	450,000	-	150,384	141,384	741,768
2015	4.000%	470,000	-	141,384	131,984	743,368
2016	0.050%	490,000	-	131,984	119,734	741,718
2017	4.000%	510,000	-	119,734	109,534	739,268
2018	4.100%	535,000	-	109,534	98,566	743,100
2019	5.000%	555,000	-	98,566	84,691	738,257
2020	4.200%	585,000	-	84,691	72,406	742,097
2021	4.375%	605,000	-	72,406	59,172	736,578
2022	4.375%	635,000	-	59,172	45,281	739,453
2023	4.375%	660,000	-	45,281	30,844	736,125
2024	4.375%	690,000	-	30,844	15,750	736,594
2025	4.375%	720,000	-	15,750	-	735,750
		<u>\$ 8,160,000</u>	<u>\$ -</u>	<u>\$ 1,560,163</u>	<u>\$ 1,386,198</u>	<u>\$ 11,106,361</u>

See independent auditors' report on supplementary schedules.

LITTLE ROCK WASTEWATER  
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)  
DECEMBER 31, 2010

Sewer Revenue Bonds (Series 2007A)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		6/01	12/01	6/01	12/01	
2011	3.63%	\$ 1,185,000		\$ 1,386,197	\$ 1,364,719	\$ 3,935,916
2012	4.00%	1,225,000		1,364,719	1,340,219	3,929,938
2013	4.00%	1,275,000		1,340,219	1,314,719	3,929,938
2014	4.50%	1,325,000		1,314,719	1,284,906	3,924,625
2015	4.54%	1,385,000		1,284,906	1,253,744	3,923,650
2016	4.50%	1,445,000		1,253,744	1,221,231	3,919,975
2017	5.00%	1,515,000		1,221,231	1,183,356	3,919,587
2018	4.00%	1,590,000		1,183,356	1,151,556	3,924,912
2019	4.38%	1,650,000		1,151,556	1,115,462	3,917,018
2020	4.50%	1,725,000		1,115,462	1,076,650	3,917,112
2021	4.50%	1,800,000		1,076,650	1,036,150	3,912,800
2022	4.50%	1,880,000		1,036,150	993,850	3,910,000
2023	4.75%	1,965,000		993,850	947,181	3,906,031
2024	4.75%	2,060,000		947,181	898,256	3,905,437
2025	4.75%	2,160,000		898,256	846,956	3,905,212
2026	4.75%	2,260,000		846,956	793,281	3,900,237
2027	4.75%	2,370,000		793,281	736,994	3,900,275
2028	5.00%	2,480,000		736,994	674,994	3,891,988
2029	5.00%	2,605,000		674,994	609,869	3,889,863
2030	5.00%	2,735,000		609,869	541,494	3,886,363
2031	4.375%	2,870,000		541,494	469,744	3,881,238
2032	4.375%	3,015,000		469,744	403,791	3,888,535
2033	4.75%	3,145,000		403,791	334,994	3,883,785
2034	4.75%	3,285,000		334,994	256,975	3,876,969
2035	4.75%	3,440,000		256,975	175,275	3,872,250
2036	4.75%	3,605,000		175,275	89,656	3,869,931
2037	4.75%	3,775,000	-	89,656	-	3,864,656
		<u>\$ 59,770,000</u>	<u>\$ -</u>	<u>\$ 23,502,219</u>	<u>\$ 22,116,022</u>	<u>\$ 105,388,241</u>

See independent auditors' report on supplementary schedules.

LITTLE ROCK WASTEWATER  
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)  
DECEMBER 31, 2010

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

See independent auditors' report on supplementary schedules.

LITTLE ROCK WASTEWATER  
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)  
DECEMBER 31, 2010

Sewer Revenue Bonds (Series 2007C)

Year of Maturity	Interest Rate	Principal Payable		Interest Payable		Total Annual Requirement
		4/1	10/1	4/1	10/1	
2011				\$ 1,739,384	\$ 1,739,384	\$ 3,478,768
2012				1,739,384	1,739,384	3,478,768
2013				1,739,384	1,739,384	3,478,768
2014				1,739,384	1,739,384	3,478,768
2015				1,739,384	1,739,384	3,478,768
2016				1,739,384	1,739,384	3,478,768
2017				1,739,384	1,739,384	3,478,768
2018				1,739,385	1,739,385	3,478,770
2019				1,739,385	1,739,385	3,478,770
2020				1,739,385	1,739,385	3,478,770
2021				1,739,385	1,739,385	3,478,770
2022				1,739,385	1,739,385	3,478,770
2023				1,739,385	1,739,385	3,478,770
2024	4.250%		\$ 440,000	1,739,385	1,739,385	3,918,770
2025	4.375%		460,000	1,730,034	1,730,034	3,920,068
2026	5.000%		1,185,000	1,719,972	1,719,972	4,624,944
2027	4.375%		1,995,000	1,690,347	1,690,347	5,375,694
2028	4.750%		3,755,000	1,646,706	1,646,706	7,048,412
2029	4.750%		4,780,000	1,557,525	1,557,525	7,895,050
2030	5.000%		6,130,000	1,444,000	1,444,000	9,018,000
2031	5.000%		6,445,000	1,290,750	1,290,750	9,026,500
2032	5.000%		6,760,000	1,129,625	1,129,625	9,019,250
2033	4.500%		7,100,000	960,625	960,625	9,021,250
2034	5.000%		7,425,000	800,875	800,875	9,026,750
2035	5.000%		7,805,000	615,250	615,250	9,035,500
2036	5.000%		8,195,000	420,125	420,125	9,035,250
2037	5.000%		8,610,000	215,250	215,250	9,040,500
		\$ -	\$ 71,085,000	\$ 39,572,467	\$ 39,572,467	\$ 150,229,934

See independent auditors' report on supplementary schedules.

LITTLE ROCK WASTEWATER  
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)  
DECEMBER 31, 2010

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		
2011			\$ 275,000	\$ 411,744	\$ 411,744	\$ 1,098,488	
2012			285,000	406,588	406,587	1,098,175	
2013			295,000	400,888	400,887	1,096,775	
2014			305,000	394,988	394,987	1,094,975	
2015			320,000	388,888	388,887	1,097,775	
2016			330,000	382,488	382,487	1,094,975	
2017			345,000	375,475	375,475	1,095,950	
2018			360,000	367,928	367,928	1,095,856	
2019			375,000	359,828	359,828	1,094,656	
2020			395,000	350,922	350,922	1,096,844	
2021			415,000	341,047	341,047	1,097,094	
2022			435,000	330,672	330,672	1,096,344	
2023			460,000	319,525	319,525	1,099,050	
2024			485,000	307,450	307,450	1,099,900	
2025			510,000	294,719	294,719	1,099,438	
2026			540,000	281,013	281,012	1,102,025	
2027			570,000	266,163	266,162	1,102,325	
2028			600,000	250,488	250,487	1,100,975	
2029			630,000	233,987	233,987	1,097,974	
2030			665,000	216,663	216,662	1,098,325	
2031			705,000	198,375	198,375	1,101,750	
2032			745,000	178,106	178,106	1,101,212	
2033			785,000	156,688	156,688	1,098,376	
2034			830,000	134,119	134,119	1,098,238	
2035			880,000	110,256	110,256	1,100,512	
2036			930,000	84,956	84,956	1,099,912	
2037			985,000	58,218	58,218	1,101,436	
2038			-	29,900	29,900	1,099,800	
			<u>\$ -</u>	<u>\$ 15,495,000</u>	<u>\$ 7,632,082</u>	<u>\$ 7,632,073</u>	<u>\$ 30,759,155</u>

See independent auditors' report on supplementary schedules.

LITTLE ROCK WASTEWATER  
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)  
DECEMBER 31, 2010

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	
2012	2.00%	\$ -	\$ 163,645	\$ -	\$ 80,000	\$ 243,645
2013	2.00%	165,281	166,935	78,364	76,710	487,290
2014	2.00%	168,603	170,289	75,042	73,356	487,290
2015	2.00%	171,993	173,713	71,652	69,932	487,290
2016	2.00%	175,449	177,205	68,196	66,440	487,290
2017	2.00%	178,977	180,765	64,668	62,880	487,290
2018	2.00%	182,573	184,399	61,072	59,246	487,290
2019	2.00%	186,243	188,105	57,402	55,540	487,290
2020	2.00%	189,987	191,887	53,658	51,758	487,290
2021	2.00%	193,805	195,743	49,840	47,902	487,290
2022	2.00%	197,701	199,677	45,944	43,968	487,290
2023	2.00%	201,675	203,691	41,970	39,954	487,290
2024	2.00%	205,729	207,785	37,916	35,860	487,290
2025	2.00%	209,863	211,963	33,782	31,682	487,290
2026	2.00%	214,081	216,223	29,564	27,422	487,290
2027	2.00%	218,385	220,569	25,260	23,076	487,290
2028	2.00%	222,775	225,003	20,870	18,642	487,290
2029	2.00%	227,253	229,525	16,392	14,120	487,290
2030	2.00%	231,819	234,139	11,826	9,506	487,290
2031	2.00%	236,479	238,845	7,166	4,800	487,290
2032	2.00%	241,223	-	2,412	-	243,635
		<u>\$ 4,019,894</u>	<u>\$ 3,980,106</u>	<u>\$ 852,996</u>	<u>\$ 892,794</u>	<u>\$ 9,745,790</u>

See independent auditors' report on supplementary schedules.

LITTLE ROCK WASTEWATER  
SCHEDULE OF BONDED INDEBTEDNESS (CONTINUED)  
DECEMBER 31, 2010

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	
2011	2.00%		\$ 130,000	\$ 141,544	\$ 141,544	\$ 413,089
2012	2.00%		130,000	140,244	140,244	410,489
2013	2.00%		135,000	138,782	138,782	412,564
2014	2.00%		135,000	137,094	137,094	409,189
2015	2.00%		140,000	135,069	135,069	410,139
2016	2.00%		145,000	132,794	132,794	410,589
2017	2.00%		150,000	130,257	130,257	410,514
2018	2.00%		155,000	127,257	127,257	409,514
2019	2.00%		160,000	124,157	124,157	408,314
2020	2.00%		170,000	120,957	120,957	411,914
2021	2.00%		175,000	117,557	117,557	410,114
2022	2.00%		185,000	113,948	113,948	412,895
2023	2.00%		190,000	110,016	110,016	410,033
2024	2.00%		200,000	105,979	105,979	411,958
2025	2.00%		205,000	101,629	101,629	408,258
2026	2.00%		215,000	97,119	97,119	409,238
2027	2.00%		225,000	92,281	92,281	409,563
2028	2.00%		235,000	87,219	87,219	409,438
2029	2.00%		245,000	81,784	81,784	408,569
2030	2.00%		260,000	76,119	76,119	412,238
2031	2.00%		270,000	69,944	69,944	409,888
2032	2.00%		285,000	63,531	63,531	412,063
2033	2.00%		295,000	56,763	56,763	408,525
2034	2.00%		310,000	49,756	49,756	409,513
2035	2.00%		325,000	42,394	42,394	409,788
2036	2.00%		340,000	34,675	34,675	409,350
2037	2.00%		355,000	26,600	26,600	408,200
2038	2.00%		375,000	18,169	18,169	411,338
2039	2.00%		390,000	9,263	9,262	408,524
		\$ -	\$ 6,530,000	\$ 2,682,900	\$ 2,682,900	\$ 11,895,800

See independent auditors' report on supplementary schedules.

LITTLE ROCK WASTEWATER  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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

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

Bonds Payable December 31, 2009	Cash Received in 2010	Principal Repayments in 2010	Bonds Payable December 31, 2010	Total Expenditures in 2010
\$ 2,088,637	\$ -	\$ 432,517	\$ 1,656,120	\$ -
1,790,260	-	370,730	1,419,530	-
3,366,976	-	304,465	3,062,511	-
8,766,680	-	534,432	8,232,248	-
20,958,921	-	905,932	20,052,989	-
12,970,336	-	527,271	12,443,065	-
12,529,648		485,763	12,043,885	
13,796,149	3,310,404	685,778	16,420,775	3,310,404
<u>2,371,794</u>	<u>4,127,325</u>	<u>-</u>	<u>6,499,119</u>	<u>4,127,325</u>
<u>\$ 78,639,401</u>	<u>\$ 7,437,729</u>	<u>\$ 4,246,888</u>	<u>\$ 81,830,242</u>	<u>\$ 7,437,729</u>

LITTLE ROCK WASTEWATER  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 1: GENERAL

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

NOTE 2: BASIS OF ACCOUNTING

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

NOTE 3: PURPOSE OF FUNDS RECEIVED

Funds received under 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 2010 are included in the statements of cash flows in the LRW's financial statements. Bonds payable of \$81,830,242 at December 31, 2010 are included in Note 7 to the Utility's financial statements. Total expenditures in 2010 are included in acquisition and construction of capital assets in the statements of cash flows in LRW's financial statements.