

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. **Reporting Entity**

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

B. **Basis of Accounting**

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

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

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

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NOTES TO FINANCIAL STATEMENTS  
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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

C. **Cash and Cash Equivalents**

LRW considers both restricted and unrestricted demand deposits, certificates of deposit, money market funds and cash management pools to be cash equivalents. In addition, all highly liquid investments, including repurchase agreements, with maturities of three months or less from the date of purchase are considered to be cash or cash equivalents.

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NOTES TO FINANCIAL STATEMENTS  
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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. **Investments**

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

E. **Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Details of accounts receivable and the related valuation account as of December 31, 2009 and 2008 are more fully explained in Note 4.

F. **Inventory**

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

G. **Restricted Assets**

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

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

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

H. **Unamortized Bond Issuance Costs**

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

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FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. **Capital Assets and Capital Contributions**

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

J. **Compensated Absences**

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

K. **Pension Plan**

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

L. **Other Post Employment Benefits**

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

M. **Basis of Estimates**

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Reclassifications

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

NOTE 2: CASH AND CASH EQUIVALENTS

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

	<u>2009</u>		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash at Beginning of Year	\$ 14,781,609	\$ 28,287,612	\$ 43,069,221
Net Increase (Decrease)	<u>(5,010,124)</u>	<u>(18,621,088)</u>	<u>(23,631,212)</u>
Cash at End of Year	<u>\$ 19,791,733</u>	<u>\$ 9,666,524</u>	<u>\$ 19,438,009</u>
	<u>2008</u>		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash at Beginning of Year	\$ 3,843,481	\$ 21,110,643	\$ 24,954,124
Net Increase (Decrease)	<u>10,938,128</u>	<u>7,176,969</u>	<u>18,115,097</u>
Cash at End of Year	<u>\$ 14,781,609</u>	<u>\$ 28,287,612</u>	<u>\$ 43,069,221</u>

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

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

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NOTE 3: INVESTMENTS

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

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

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

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

NOTE 4: ACCOUNTS RECEIVABLE

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

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

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NOTE 5: CAPITAL ASSETS

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

2009	Balance 12/31/08	Additions	Retirements	Balance 12/31/09
Capital assets not being depreciated:				
Land	\$ 3,110,501	\$ 15,390	\$ -	\$ 3,125,891
Construction in Progress	96,931,550	75,931,986	42,756,283	130,107,253
Total capital assets not being depreciated	<u>100,042,051</u>	<u>75,947,376</u>	<u>42,756,283</u>	<u>133,233,144</u>
Capital assets being depreciated:				
Building and Improvements	39,539,998	15,469,842	99,805	54,910,035
Infrastructure-Collection & Treatment	205,364,007	18,745,960	1,011,885	223,098,082
Equipment	<u>27,727,308</u>	<u>12,041,895</u>	<u>30,967</u>	<u>39,738,236</u>
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	<u>19,378,008</u>	<u>1,717,411</u>	<u>540,113</u>	<u>20,555,306</u>
Total accumulated depreciation	<u>94,733,935</u>	<u>6,895,912</u>	<u>576,586</u>	<u>101,053,261</u>
Capital Assets, Net	<u>\$ 277,939,429</u>	<u>\$ 115,309,161</u>	<u>\$ 43,322,354</u>	<u>\$ 349,926,236</u>

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

LITTLE ROCK WASTEWATER  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 5: CAPITAL ASSETS (CONTINUED)

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

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

NOTE 6: CONTRIBUTIONS IN AID OF CONSTRUCTION

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

NOTE 7: LONG-TERM DEBT

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

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

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NOTE 7: LONG-TERM DEBT (CONTINUED)

Sewer revenue bonds payable consist of the following:

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

Payment dates for the revenue bonds are as follows:

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

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

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NOTE 7: LONG-TERM DEBT (CONTINUED)

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

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

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

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

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

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

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NOTE 7: LONG-TERM DEBT (CONTINUED)

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

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

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

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

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

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

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

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NOTE 8: COMPENSATED ABSENCES

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

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

NOTE 9: LITIGATION

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

A judgment approving this settlement was filed on November 16, 2001, subject to an award of the plaintiff’s statutory attorneys’ fees, which were awarded on December 31, 2002 and paid in full in 2003. There were no further sums due to the plaintiffs in this litigation; accordingly, the Utility’s financial statements as of December 31, 2009 and 2008, respectively, do not include any provisions of potential liability with regard to this litigation.

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

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NOTE 9: LITIGATION (CONTINUED)

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

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

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

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

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

NOTE 9: LITIGATION (CONTINUED)

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

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

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

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

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

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

NOTE 9: LITIGATION (CONTINUED)

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

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

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

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

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

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

NOTE 10:OTHER COMMITMENTS AND CONTINGENCIES

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

NOTE 11:PENSION BENEFITS

A. Defined Contribution Plan

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

B. Arkansas Public Employees Retirement System (APERS)

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

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

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

NOTE 11:PENSION BENEFITS (CONTINUED)

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

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

NOTE 12:OTHER POST EMPLOYMENT BENEFITS

A. Plan Description

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

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

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

B. Funding Policy

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

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

NOTE 12: OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

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

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

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

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

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

D. Funded Status and Funding Progress:

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

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

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

NOTE 12:OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

E. Actuarial Methods and Assumptions (Continued)

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

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

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

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

NOTE 13:CONCENTRATIONS

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

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

NOTE 14: RISK MANAGEMENT

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

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

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

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

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

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

See independent auditors' report on required supplementary information.

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

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

See independent auditors' report on supplementary schedules.

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

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

See independent auditors' report on supplementary schedules.

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

Sewer Revenue Bonds (Series 1990)

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

See independent auditors' report on supplementary schedules.

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

Sewer Revenue Bonds (Series 1991)

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

See independent auditors' report on supplementary schedules.

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

Sewer Revenue Bonds (Series 1996)

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

See independent auditors' report on supplementary schedules.

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

Sewer Revenue Bonds (Series 1999)

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

See independent auditors' report on supplementary schedules.

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

Sewer Revenue Bonds (Series 2001)

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

See independent auditors' report on supplementary schedules.

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

Sewer Revenue Bonds (Series 2004A)

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

See independent auditors' report on supplementary schedules.

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

Sewer Revenue Bonds (Series 2004B)

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

See independent auditors' report on supplementary schedules.

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

Sewer Revenue Bonds (Series 2004C)

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

See independent auditors' report on supplementary schedules.

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

Sewer Revenue Bonds (Series 2005)

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

See independent auditors' report on supplementary schedules.

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

Sewer Revenue Bonds (Series 2007A)

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

See independent auditors' report on supplementary schedules.

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

Sewer Revenue Bonds (Series 2007B)

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

See independent auditors' report on supplementary schedules.

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

Sewer Revenue Bonds (Series 2007C)

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

See independent auditors' report on supplementary schedules.

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

Sewer Revenue Bonds (Series 2008)

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

See independent auditors' report on supplementary schedules.

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

Sewer Revenue Bonds (Series 2009A)

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

See independent auditors' report on supplementary schedules.

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

Sewer Revenue Bonds (Series 2009B)

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

See independent auditors' report on supplementary schedules.

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

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

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

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

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

NOTE 1: GENERAL

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

NOTE 2: BASIS OF ACCOUNTING

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

NOTE 3: PURPOSE OF FUNDS RECEIVED

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

NOTE 4: RELATIONSHIP TO FINANCIAL STATEMENTS

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

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