



LITTLE ROCK, ARKANSAS

A Component Unit of the City of Little Rock, Arkansas

Comprehensive Annual

Financial Report

For The Year Ended December 31, 2012

Prepared by:

Little Rock Wastewater Finance Department

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

Comprehensive Annual Financial Report
Year Ended December 31, 2012

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INTRODUCTORY SECTION



Little Rock
Wastewater

April 17, 2013

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

The staff of Little Rock Wastewater (LRW) is proud to present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2012. State law requires that every general-purpose local government publish a complete set of audited financial statements for each fiscal year. This report is published to fulfill that requirement for the fiscal year ended December 31, 2012. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with LRW. This CAFR was prepared by the Finance Division of LRW with the help of Cobb and Suskie, Ltd.

The CAFR is management's representation of the finances of LRW. Management assumes full responsibility for the completeness and reliability of all the information presented in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal controls should not outweigh their benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement.

LRW's financial statements have been audited by Cobb and Suskie, Ltd., a firm of licensed certified public accountants... Cobb and Suskie has issued an unqualified (clean) opinion on LRW's financial statements for the year ended December 31, 2012. The independent auditors' report is located at the front of the financial section of this report.

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

Profile of the Government

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

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

The LRSSC is required to adopt a final budget by no later than the close of the fiscal year. This annual operating and capital budget serves as the foundation for LRW's financial planning and control. The budget is submitted by each department, consolidated and prepared by the Finance Division, and reviewed by the budget sub-committee before final approval from the LRSSC. Each month, financials are presented to the LRSSC to show that operations are being conducted according to management's intentions.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment in which the LRW operates.

Local Economy - The City of Little Rock currently enjoys a favorable economic environment and local indicators point to continued stability. The City of Little Rock is the capital and largest city of Arkansas as well as the governmental, economic, cultural, and financial center of the state. The city and surrounding communities have a mix of industry – state government, centralized health-care centers serving the state, a financial sector, information sector, and a variety of other sectors that are not cyclical. In a national publication, *Kiplinger's Personal Finance*, the City of Little Rock was named as one of the top ten best places to live for the value-conscious. This was based on the cost of living, quality of life, and strong economics. Little Rock placed seventh on the list, which used factors such as population growth, unemployment rate, income growth, and housing costs.

The customer base has continued to grow but at a slower pace from previous years for the domestic and non-domestic users of the Sewer System. The number of domestic customer accounts has increased by 7.25% over the past ten years while non-domestic users have increased by 6.12% over the same time period. The overall growth of total customer accounts for the ten year period is 7.13%, a decrease of .18% from the 2011 audit.

Long-Term Financial Planning – In 2000, the LRSSC and LRW contracted with an engineering firm to evaluate LRW's sewer system capacity. The resulting report titled System Evaluation and Capacity Assurance Plan (SECAP) was finalized in 2002. The report recommended implementing a \$171,000,000 capacity-related capital improvement program over a 15 year time period, 2003-2017. After LRSSC authorized the SECAP, the Sierra Club filed a Complaint in Federal Court concerning non-capacity and capacity related

sanitary sewer overflows. The recommended capital improvement program was incorporated into a Settlement Agreement between the LRSSC and the Sierra Club. The Settlement Agreement mandates LRW meet specific overflow performance standards. For non-capacity sanitary sewer overflows, the performance requirement of six (6) per one-hundred miles of owned and operated sewer lines must be satisfied two (2) consecutive years before 2008. For capacity related overflows, the performance requirement is no overflows unless precipitation amounts are extremely heavy (two-year return frequency); the deadline for this performance level has been extended to 2018, as instructed by Order of the United States District Court dated August 3, 2011.

Since the lawsuit, LRW has stayed on a timeline to meet the CAO requirements. In 2009, LRW contracted with RJN Engineering Group to re-evaluate the wastewater system and performed a SECAP update. This update was completed in November 2010 and presented to the LRSSC in December 2010. The RJN report validated previous capital projects in the prior report and identified new capital items for a total estimate of \$324,765,260 in order to complete the CAO.

In addition, LRW petitioned the courts to extend the CAO completion date by three (3) years; from December 31, 2015 to December 31, 2018. The extension was approved by all parties involved in August, 2011.

With the lawsuit and the updated SECAP being the driving forces behind capital improvements, the strategic capital operating plan schedules projects using a 7-year capital budget outlook that will consist of the following major construction projects:

Fourche Creek Wastewater Treatment Facility Digester #3 Repair

On April 28, 2011, a welding incident at Fourche Creek Wastewater Treatment Facility caused methane in Primary Digester number 3 to ignite. Following the incident, LRW staff investigated the digester and determined that the structure was damaged. Staff then filed an insurance claim to fully investigate the extent of damage. The insurance company hired an engineering firm to investigate. The firm determined that the structure's roof slab was damaged and recommended replacement. This project calls for the replacement of the roof and supporting columns as well as the replacement of any equipment damaged in the incident. This project is forecasted to be completed by the end of 2013 at a cost of \$3,648,900.

This project is to repair and return to service an existing asset. No additional costs are anticipated to operate and maintain the structure once it is complete. Additionally, the damage to this digester was the result of an accident and is covered by LRW's property insurance so the total cost to fund the construction of this project is equivalent to the deductible of \$50,000.

Collection System Rehabilitation Capacity Assurance Projects

The majority of the collection system rehabilitation and capacity assurance projects have been extracted from the 15-year capital improvement plan outlined in the SECAP report and the SECAP update completed in 2010. The total cost of work scheduled for 2013 is \$5,697,100. The 7-year forecast includes over \$90,495,300 for collection system rehabilitation and capacity assurance projects.

Trenchless Sewerline Rehabilitation

Trenchless sewer line rehabilitation is for the renewal of structurally deteriorated line segments that contribute to non-capacity overflows. Trenchless methods include Cured-in-Place Pipe (CIPP) and Pipe Bursting. Sewer line segments are identified through Sewer System Overflow (SSO) follow-up inspections and routine collection system inspections by LRW crews. The line segments slated for trenchless rehabilitation are typically located in areas where replacement by reconstruction is costly due to site restrictions. Lines identified by LRW as needing rehabilitation are added to the GLES (General Engineering Study) list of projects. Each line segment is evaluated and a ranking value is assigned based on criteria established by LRW. Utilizing the GLES list and ranking system, line segments are scheduled for rehabilitation. LRW is projecting that \$2,000,000 will be needed each year from 2013 to 2018 for rehabilitation of sewer lines by trenchless methods as the lines are identified and added to the GLES list.

Cantrell Road Pump Station Force Main

The Cantrell Road Pump Station Force Main was placed in service in 1967. Current technology does not allow for the inspection of an active force main. Therefore, the structural condition of the main is unknown. Design life for similar structures can be 50 years. This project calls for the installation of a new force main and the inspection and rehabilitation of the existing force main after the new main is placed in service. This project is expected to begin construction in 2013 and be completed by the end of 2015. Total cost is projected at \$3,151,100 with funding coming from the 2012 Sewer Revenue Bond issue.

Cantrell Road Pump Station Upgrade

The Cantrell Road Pump Station came on-line in 1967. Structurally the facility is in good condition. Mechanically and electrically, the pump station components are in need of replacement. Two bar screens were installed in 1986. Two of the original pumps from 1967 were replaced in 1986. A portion of the switchgear is original while some components were replaced or added in 1986. The station does not have back-up power generation. With portions of the equipment at 44 years old and the remaining at 25 years, the reliability of equipment and availability of replacement parts have and will be an issue. This project calls for replacement of all mechanical and electrical equipment, and installation of back-up power. The Cantrell Road Pump Station Upgrade is scheduled to begin construction in 2013 and be completed by the end of 2015. This project is estimated to cost \$7,950,700 and will be funded by the 2012 Sewer Revenue Bond issue.

Cantrell Road Pump Station Force Main

The Cantrell Road Pump Station Force Main also came on-line in 1967. Current technology does not allow for the inspection of an active force main. Therefore, the structural condition of the main is unknown. Design life for similar structures can be 50 years. This project calls for the installation of a new force main and the inspection and rehabilitation of the existing force main after the new main is placed in service. This project is expected to begin construction in 2013 and be completed by the end of 2015. This project is estimated to cost \$3,151,000 and will be funded by the 2012 Sewer Revenue Bond issue.

Cantrell Road Area In-Line Storage

This four (4) million gallon in-line storage facility will alleviate overflows generated from wet weather flows in the Jimmerson and Cantrell Road areas of the City. In addition, this storage facility will allow the pumping capacity at the Cantrell Road Pump Station to remain the same, which is essential to eliminate further overflows downstream of the pump station along the Riverfront portion of the City. This project is expected to begin construction in 2016 and be completed by the end of 2018. The project is estimated at \$16,987,500 and will be funded by a sewer revenue bond issue in 2016.

Jamison Pump Station Upgrade

The Jamison Road Pump Station was constructed in 1993. The station consists of five (5) submersible pumps which include two 25 hp and three 150 hp pumps. There are two (2) grinders and screens - one on each of the inlet channels. Dry weather flow at the station is approximately 2 mgd. Peak pumping capacity is approximately 16 mgd. Overall the wet well, valve vault, and building structure are in good condition and the station is functioning as designed. No changes are immediately required but the SECAP recommended installing back-up power, painting the ferrous surfaces at the station, and replacing the grinders with a mechanical bar screen when maintenance of the grinders becomes an issue. This project is expected to begin construction in 2016 and be completed by the end of 2018. The project is estimated to be \$2,184,300 and will be funded by a sewer revenue bond issue in 2016

Mabelvale Pike Peak Flow Attenuation Facility

The SECAP update identified the need for additional storage to complement the existing storage facility located at Scott Hamilton Drive. The additional storage, along with a hydraulic upgrade at the Peak Flow Pump Station, will further reduce the surcharge of rainfall dependent inflow and infiltration within the North and South 60 Sewer Interceptors thereby mitigating sanitary sewer overflows within the service area. The total capital cost for this project is estimated at \$61,478,400 with funding sources from the 2012 and 2015 Revenue Bonds.

Rock Creek Storage

A seven (7) million gallon in-line storage facility is essential to store wet weather flows generated along the Rock Creek Interceptor and the western portion of the City. This storage allows for considerable cost savings by not having to upgrade the entire length of sewer that makes up the Rock Creek Interceptor. This project is expected to begin construction in 2013 and be completed by the end of 2017. The total cost is estimated at \$26,489,700 and will be funded by sewer revenue bonds issued in 2012, 2015, and 2016.

Adams Field Storage Facility

An additional storage facility at the Adams Field Wastewater Treatment Facility is needed to complement existing and proposed storage facilities (Scott Hamilton and Mabelvale Pike, respectively) that will allow for extended hydraulic pass-through of rainfall dependent infiltration and inflow volume. This should help in mitigating sanitary sewer overflow within the service area. The total capital cost for this project is estimated at \$13,050,400 with construction

beginning in 2015 and completed by 2018. The funding source will be a proposed 2015 Revenue Bond issue.

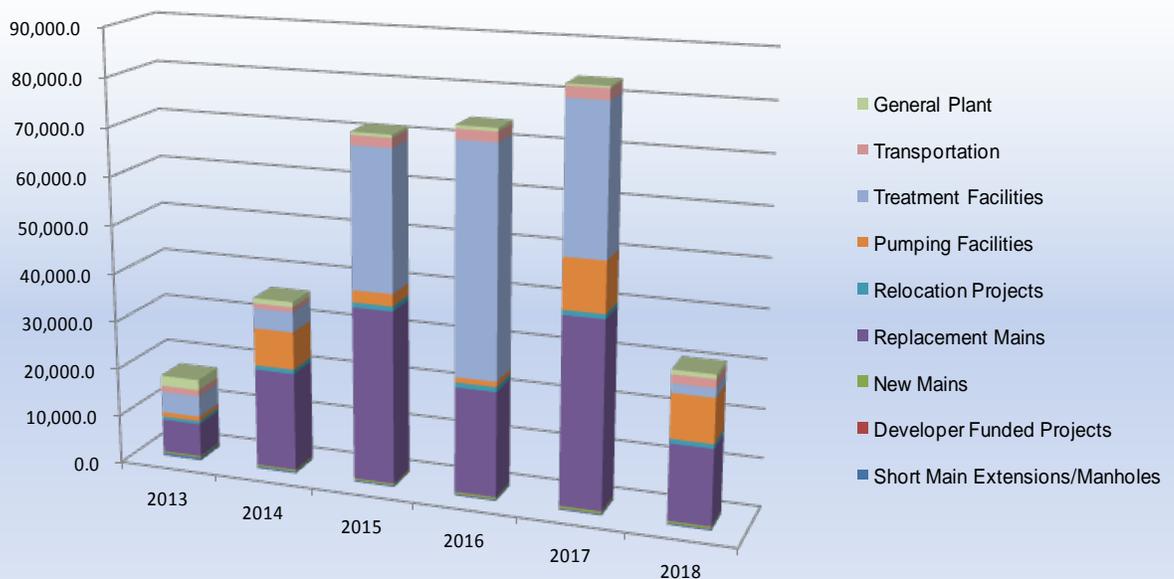
Fourche Creek Wastewater Treatment Facility Phase III - Rehabilitation

Recent improvements to the Fourche Creek Wastewater Treatment Facility have increased the hydraulic capacity of the facility from 36 million gallons per day (MGD) to 45 MGD. This level of hydraulic throughput was needed to address the hydraulic improvements at the Arch Street Pump Station. However, in the 2008 Facility Plan for the facility, the ultimate hydraulic throughput of the facility was placed at 52 MGD to allow for anticipated growth in the industrial port complex. The budget allocates \$13,322,100 in future years for the construction of additional hydraulic improvements and other capital improvements at the Fourche Treatment Facility. This project is scheduled to begin in 2016 and be completed by the end of 2017. The total cost is estimated at \$13,322,100 and will be funded by a sewer revenue bond issue in 2016.

Strategic Capital Operating Plan

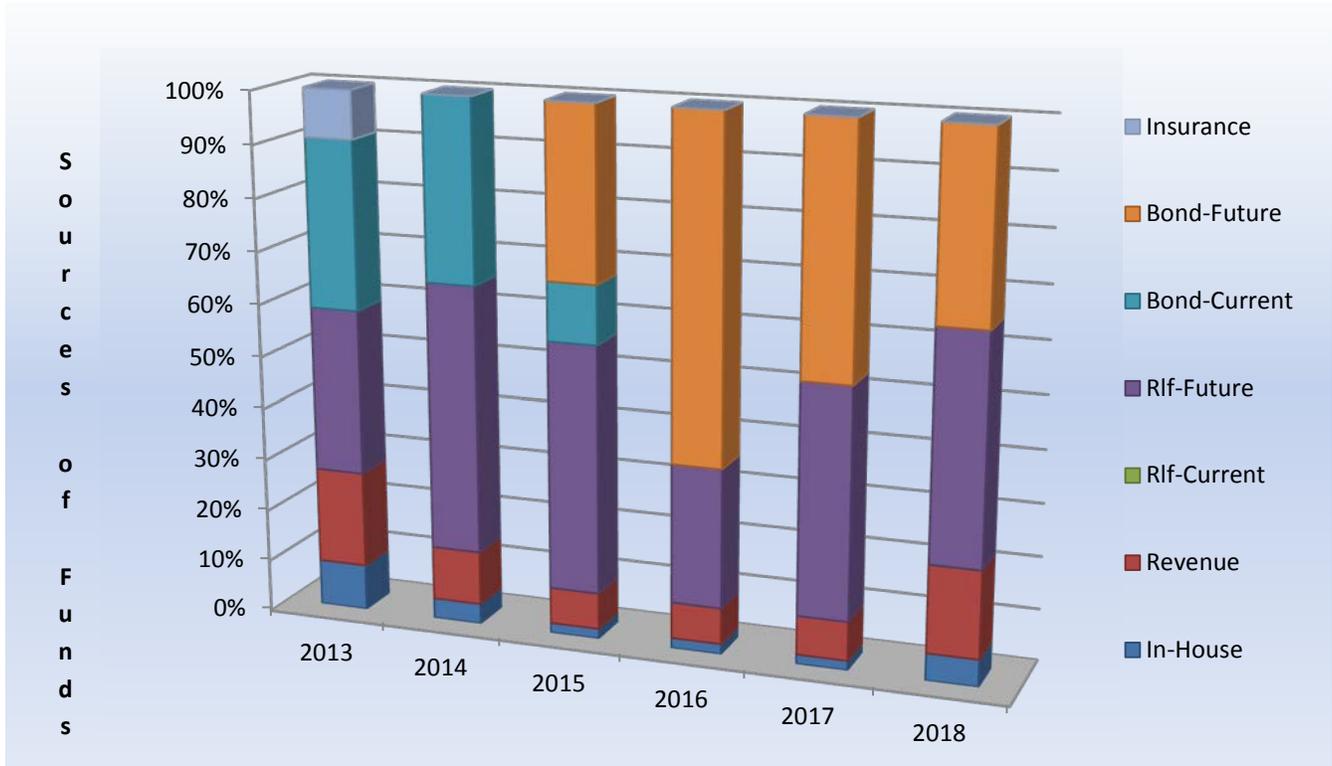
The LRW capital strategic plan includes projects from 2013 through 2018 adjusted by an annual inflation allowance of 5%. Net expenditures of approximately \$313,482,100 are forecasted to be completed through 2018.

Of the \$313,482,100 forecasted through 2018 over \$8,917,300 will be completed by in-house construction crews, \$28,527,000 from system revenues, \$126,862,000 from future State Revolving Loans, \$1,588,000 from insurance, \$26,111,900 from current sewer revenue bonds, and \$121,475,900 from proposed sewer revenue bonds.



*Thousands of Dollars to One Decimal Place

Project Funding Comparison



In 2008, LRW contracted with Raftelis Financial Consultants, Inc. to review and update LRW's ancillary charges; to conduct a feasibility study of alternative system growth charges (System Development Fees); to analyze LRW's cost of wastewater collection, treatment and disposal services; recommend adjustments to the wastewater rate structure; and to conduct an asset management study of LRW's property, facility, and equipment. MWH Global assisted Raftelis with the asset management elements of this project. The results, along with updated Raftelis rate model based on 2012 requirements, were presented to the City of Little Rock Board of Directors in the first half of 2012. The result was the passing of the following rate increases: 12.75% in July 2012, 8% in 2013, 7% in 2014, and 4.75% in 2016. LRW's rate structure is broken down by Inside and Outside city customers and then by Domestic and Non-Domestic accounts. Within the rate structure itself, there is a flow and revenue equalization rate between Domestic and Non-Domestic; which is comprised of a Service Availability Charge (Minimum Bill), Operations Volumetric Charge and a Debt Repayment Volumetric Charge.

Financial Policies

LRW is accounted for as an Enterprise Fund, which is a proprietary fund. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of LRW is that the cost (including depreciation) of providing goods or services to the general public on a continuing basis be financed or

recovered primarily through user charges. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, operations, maintenance, financing and related debt issues, and billing and collection.

Flow of Funds Policy - The flow of funds is established based on parity bond ordinances. The most recent City of Little Rock Bond Ordinance is #20,604. The ordinance states that rates charged for services of the System are fixed by ordinances of the City and all System revenues shall be paid into a special fund designated "Sewer Fund" (or Revenue Fund). The System revenues so deposited in the Revenue Fund are pledged and applied in sequence to: (a) current expenses of maintenance and operations; (b) payment, pro rata, into the bond fund being maintained in connection with the Parity Bonds and any Additional Bonds that require monthly deposits; (c) payment, pro rata, into the bond fund being maintained in connection with the Subordinate Bonds; (d) payment into the Deprecation Fund (3% of System Revenues remaining after disbursement into (a), (b), and (c) from above; (e) any surplus in the Revenue Fund after making all disbursements and providing for all funds described above may be used for any lawful purpose related to the System authorized by the LRSSC.

Sewer Revenue Fund

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

Bond Fund

The following shall be deposited in the Bond Fund:

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

Reserve Fund

As long as the funds on deposit in the Reserve Fund created for the benefit of all bonds are equal to the Reserve Fund Requirement, no deposits need to be made to the credit on the Reserve Fund. However, should the Reserve Fund at any time contain less than the Reserve Fund Requirement, then subject and subordinate to making the required deposits to the credit of the Bond Fund, LRW shall transfer from the Net Revenues in the Revenue Fund and deposit to the credit of the Reserve Fund, by the 10th day of each month, such amounts in equal monthly installments to accumulate within at least a 24 month period equal to the

Reserve Fund Requirement. The money on deposit in the Reserve Fund may be used to pay the principal and interest on all bonds at any time there are not sufficient funds on deposit in the Bond Fund for such purposes.

Depreciation Fund

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

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

Contributions in Aid of Construction Fund

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

Capital Projects Fund

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

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

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

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

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

Upon approval, all proposed expenditures included in the Capital Budget will be classified as "Planned Expenditures." Any of the capital expenditures proposed during the course of the

plan year which are not included in the approved capital budget, will be classified as “Unplanned Expenditures.”

Expenditures equal to or greater than \$5,000 on construction projects or purchases of new equipment are hereby defined as capital expenditures. Expenditures equal to or greater than \$5,000 on work, equipment parts, or a combination of the two, that add discernible life to an existing depreciated asset are also defined as capital expenditures. In general, expenses associated with additions, replacements, reconstructions, improvements, or betterments qualify as capital expenditures.

Due to state procurement laws and the nature of capital improvement expenditures, it generally takes more than one (1) fiscal year to complete most capital improvement projects. Therefore, many projects carry over from year to year before they are completed and placed into service. LRW does not award a project contract unless it is fully funded. However, many large projects have multiple year and/or multiple phase construction periods. LRW uses several benchmarks of efficiency to ensure capital budget integrity. These include timely completion clauses, aggressive efforts to minimize change orders, and tracking the progress of the overall Capital Improvement Plan (CIP).

The following is a typical schedule for the development of a CIP and an O&M budget:

- January 1 – fiscal year begins.
- July and August – division heads formulate their requests for Operation and Maintenance (O&M) budgets as well as their capital budget requests for the upcoming budget year and the succeeding four years.
- September and October – department supervisors submit their budget requests, which are then combined into the first draft of the overall LRW budget. The finance staff is responsible for combining them for each department’s O&M and capital requests, budget revenues, and other expenditures.
- October and November – the CEO, division directors, and supervisors review the submitted budgets and establish priorities based on need and availability of funds. Any changes resulting from the management reviews are made at that time.
- November – one or more members of the LRSSC, serving as the Budget Subcommittee, review the budget document with LRW staff. Any revisions resulting from the Budget Subcommittee’s review are made at that time. The budget is presented at the regularly scheduled November or December LRSSC meeting. The budget for the coming year is considered for approval at that time.

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

Revenue Policy – City of Little Rock Ordinance No. 20,594 also requires that the LRSSC maintain rates sufficient to produce or yield revenues to produce in each fiscal year an amount

adequate to pay all expenses incurred for the operations and maintenance of the System as such expenses that shall accrue during the year. The current bond ordinance requires that LRW produce an additional amount equal to 100% of the aggregate amount required to be paid in such year for principal and interest and redemption premiums on bonds payable from the Bond Fund. Another financial target that is used in preparing the 5-year financial plan is maintaining a 30-day operating reserve fund balance.

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

Investment Policy - LRW also has an Investment Policy outlined in the bond ordinances that state available monies shall be invested and reinvested at the direction of the LRSSC in eligible investments. Those Eligible Investments shall have a maturity of not longer than five (5) years from the date of acquisition unless, as documented at the time of acquisition, the investment is to fund or support a specific purpose and there are no expectations that the investment will be sold before maturity. The primary objectives of the investment policy are 1) preservation of capital; 2) safety of LRW funds; 3) maintenance of sufficient liquidity; 4) maximization of return within acceptable risk constraints; and 5) diversification of investments. The investment policy requires an annual review of its investment policy and strategies.

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

Debt Service Policy - Planned rate increases on a consistent basis are programmed in the Financial Plan, and are mainly driven by the capital improvement program and debt service coverage required both by the revenue bond covenants and by the LRSSC benchmarks for financial management. The parity revenue bond covenants require debt service coverage of

1.2 times or greater (meaning 120% of the current year's debt service requirements must be available that fiscal year to issue new debt). LRW does not have a legal debt limit.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Little Rock Wastewater, Little Rock, Arkansas for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2011. This was the eighth year in a row that LRW has received this prestigious award. In order to be awarded a Certificate of Achievement, LRW had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one (1) year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

Respectfully submitted,



Reggie A. Corbitt
Chief Executive Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Little Rock Wastewater Arkansas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

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



Christopher P. Moivell

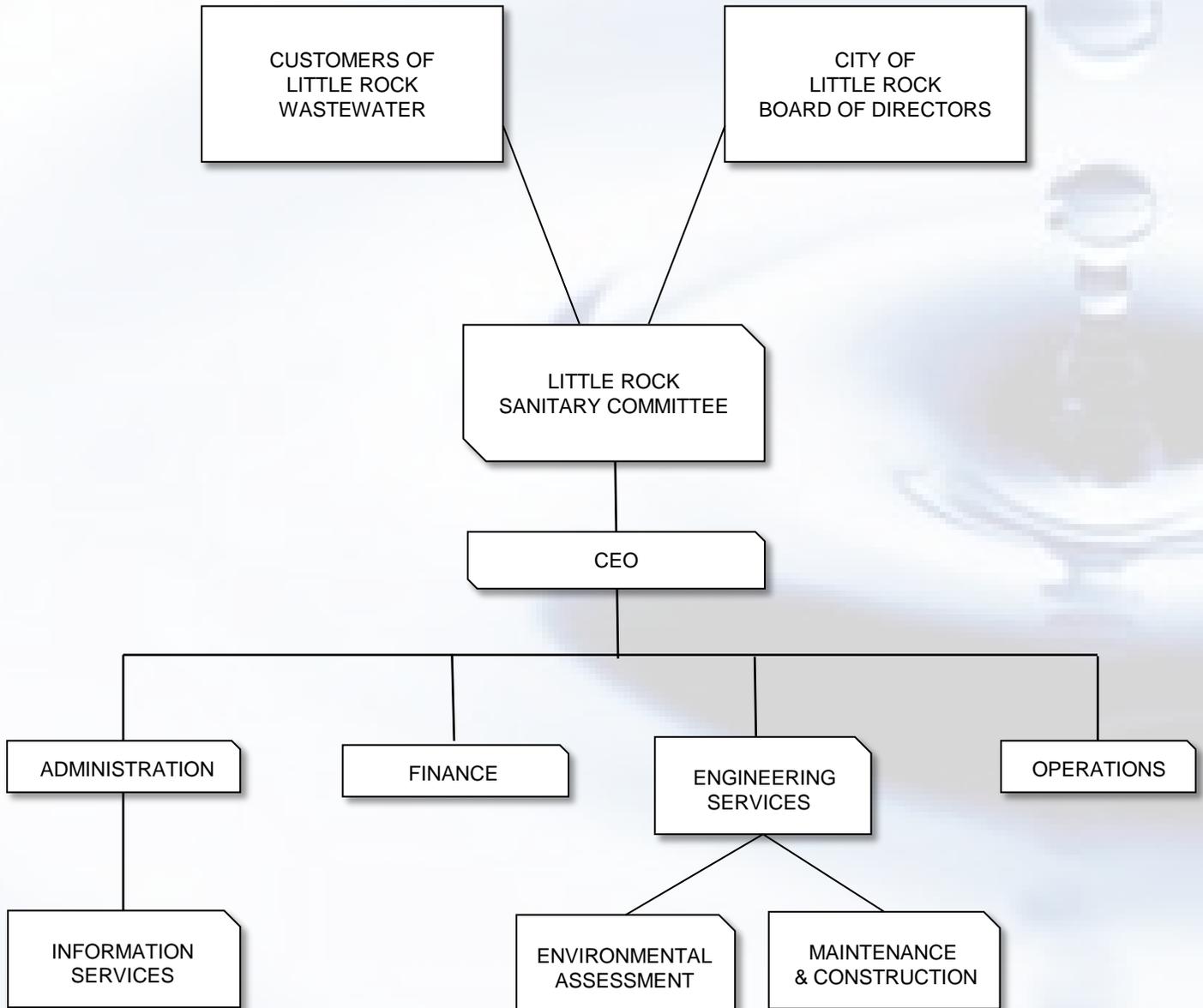
President

Jeffrey R. Emsw

Executive Director



Little Rock Wastewater



2012 LITTLE ROCK SANITARY SEWER COMMITTEE



Ken Griffey
Chair

Marilyn K. Perryman
Vice Chair



Jean Block
Member

Richard L. Mays Jr.
Secretary



Cindy C. Miller
Member

Pete Hornibrook
Member



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

Maurice Rigsby
Member



EXECUTIVE STAFF

Nancy Trotter – Administration Coordinator
John Jarratt – Administration and Community Relations
Howell Anderson, P.E. – Engineering & Maintenance
Stan Miller - Operations
Stanley Suel - Environmental Assessment