

OTHER REQUIRED REPORTS



Little Rock
Wastewater

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COBB AND SUSKIE, LTD.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Component Unit Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited the financial statements of the business-type activities of Little Rock Wastewater (LRW), a component unit of the City of Little Rock, Arkansas, as of and for the year ended December 31, 2009, and have issued our report thereon dated March 12, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Little Rock Wastewater's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Utility's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Utility's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Utility's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Utility's financial statements that is more than inconsequential will not be prevented or detected by the Utility's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Utility's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Internal Control Over Compliance

The management of Little Rock Wastewater is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered LRW's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Little Rock Wastewater's internal control over compliance.

A *control deficiency* is an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

This report is intended solely for the information of the Sanitary Sewer Committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cobb and Sustie, Ltd.

Certified Public Accountants

March 12, 2010

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Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of Little Rock Wastewater (LRW), a component unit of the City of Little Rock, Arkansas, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. Little Rock Wastewater's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Little Rock Wastewater's management. Our responsibility is to express an opinion on the LRW's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *"Audits of States, Local Governments, and Non-Profit Organizations."* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Little Rock Wastewater's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on LRW's compliance with those requirements.

In our opinion, Little Rock Wastewater complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2009.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Little Rock Wastewater's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Sanitary Sewer Committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cobb and Suskie, Ltd.

Certified Public Accountants
March 12, 2010

LITTLE ROCK WASTEWATER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH OMB CIRCULAR A-133
FOR THE YEAR ENDED DECEMBER 31, 2009

SECTION I: SUMMARY OF AUDITORS' RESULTS

1. Type of Report Issued, Financial Statements
The independent auditors' report expresses an unqualified opinion on the basic financial statements.
2. Significant Deficiencies, Financial Statements
No significant deficiencies were disclosed during the audit of the basic financial statements.
3. Material Noncompliance, Financial Statements
No instances of noncompliance material to the financial statements were disclosed during the audit.
4. Significant Deficiencies, Major Programs
No significant deficiencies were disclosed during the audit of the major federal award programs.
5. Type of Report Issued, Compliance
The auditors' report on compliance for the major federal award programs expresses an unqualified opinion.
6. Audit Findings Under Section 510(a)
As reported below, there were no audit findings relative to the major federal award programs.
7. Major Programs
Environmental Protection Agency CFDA Number 66.458.
8. Threshold between Type A and Type B Programs
The threshold for distinguishing Type A and B programs was \$555,634.
9. Type of Auditee
Little Rock Wastewater qualified as a low-risk auditee as that term is defined by OMB Circular A-133.

Section II: FINANCIAL STATEMENT FINDINGS

1. Significant Deficiencies
None
2. Significant Deficiencies – Prior Year
None

Section III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

1. Significant Deficiencies
None
2. Significant Deficiencies – Prior Year
None