

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTOMANSFIELD, LOUISIANA

FINANCIAL STATEMENTS

December 31, 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/12/09

Marsha O. Millican
Certified Public Accountant
Shreveport, Louisiana

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

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Marsha O. Millican
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Waterworks District No. 1
of the Parish of DeSoto
Mansfield, Louisiana

I have audited the accompanying basic financial statements of Waterworks District No. 1 of the Parish of DeSoto, State of Louisiana, a component unit of the DeSoto Parish Police Jury, as of and for the year ended December 31, 2008, as listed in the table of contents. These financial statements are the responsibility of Waterworks District No. 1's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects the position of the Waterworks District No. 1 of the Parish of DeSoto as of December 31, 2008 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis presented on pages 3 through 6 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

In accordance with *Governmental Auditing Standards*, I have also issued a report dated June 5, 2009 on my consideration of Waterworks District No. 1 of the Parish of DeSoto's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Handwritten signature of Marsha D. Mulvan in black ink.

Certified Public Accountant
June 4, 2009

Waterworks District No. 1

of DeSoto Parish

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Mansfield, Louisiana 71052

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Waterworks District No. 1 of the Parish of DeSoto's annual financial report presents our discussion and analysis of the District's financial performance during the year ended December 31, 2008. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The District had total assets of \$17,753,448 at year end which represents an increase from the prior year of \$1,407,886.

The District's net assets increased \$1,407,886 for the current year.

During the year ended December 31, 2008, the District reduced its long-term debt by \$609,630.

OVERVIEW OF THE FINANCIAL STATEMENTS

These financial statements consist of the following - Management's Discussion and Analysis (this section), the basic financial statements, and notes to financial statements. These components are described below:

Basic Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and Cash Flows provide information about the activities of the District as a whole and present a longer-term view of the District's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report the District's net assets and changes in them. You can think of the District's net assets, the difference between assets and liabilities, as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating.

FINANCIAL ANALYSIS OF THE ENTITY

Net Assets

Net assets may serve over time as a useful indicator of the District's financial position. The District's assets exceeded liabilities by \$8,386,503 as of December 31, 2008.

The District's major assets are its fixed assets of \$14,157,607 representing its investment in its water distribution system and water treatment plant. The District owed \$9,136,704 at year end on the debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to the citizens of the District; consequently, these assets are not available for future spending.

\$1,151,230 (14%) of the District's net assets is restricted for debt service. These funds legally must be used to pay interest and principal on the outstanding general obligation bonds.

**Waterworks District No. 1 of the Parish of DeSoto
Statement of Net Assets
December 31,**

	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 2,315,125	\$ 1,493,956
Other assets	1,280,716	830,950
Capital Assets, net of depreciation	<u>14,157,607</u>	<u>14,562,438</u>
Total Assets	<u>17,753,448</u>	<u>16,289,277</u>
Accounts payable and accrued expenses	59,338	34,664
Bonds payable	9,136,704	9,746,335
Other Liabilities	<u>86,198</u>	<u>121,720</u>
Total Liabilities	<u>9,360,945</u>	<u>9,902,719</u>
Invested in capital assets, net of related debt	4,855,910	4,816,103
Reserved for construction	577	-
Reserved for bond retirement	1,151,230	691,454
Reserved for customer deposits	37,963	41,804
Unrestricted	<u>2,346,823</u>	<u>1,435,976</u>
Total Net Assets	<u>8,392,503</u>	<u>\$ 6,984,617</u>

Waterworks District No. 1 of the Parish of DeSoto
Statement of Changes in Net Assets
December 31,

	2008	2007
Operating Revenues	\$1,597,760	\$1,442,439
Operating Expenses	1,269,962	1,203,623
Operating Loss	327,798	238,816
Non operating Income/Expense	1,080,088	1,043,104
Changes in Net Assets	\$ 1,407,886	\$ 1,281,920

The District's total operating revenues increased by \$155,321 or 11% from the previous year. The total operating expenses increased by \$36,984 from the previous year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2008, the District had \$14,157,607, net of depreciation, invested in its capital assets. This amount represents a net decrease of \$404,831 as a result of additions of \$28,349, deletions of \$3,070 and depreciation expense of \$430,110.

Capital Assets at Year End
(Net of Depreciation)

	2008	2007
Office Furniture	\$ 4,958	\$ 4,958
Machinery & Equipment	150,633	156,038
Water System	17,177,155	17,806,806
Total	17,332,746	17,309,440
Less: Accumulated Depreciation	3,175,139	2,747,002
Net fixed assets	\$14,157,607	\$14,562,438

Debt

The District had \$9,136,704 in long-term debt as follows:

	General Obligation Bonds	Water Revenue Bonds 2001	DEQ	Water Revenue 2006
Balance, January 1, 2008	\$ 6,015,000	\$1,371,899	\$1,824,000	\$ 439,435
Proceeds from debt	-	-	-	-
Bonds retired	(492,000)	(16,984)	(96,000)	(4,646)
Balance, December 31, 2008	<u>\$ 5,523,000</u>	<u>\$1,354,915</u>	<u>\$ 1,824,000</u>	<u>\$ 434,789</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Management of the District considers the following factors and indicators when setting next year's rates and fees. These factors and indicators include:

- Long-term debt.
- Cost of operations.
- Number of customers.

The District was able to sell a records amount of "bulk water" in 2008 due to the emergence of the Haynesville Shale Play. To help the District maintain its profit potential in the coming years, the profit from 2008 is being invested in an enlargement project at the treatment plant. By year end of 2009 the District plans to have doubled its capacity from .5MGD to 1 MGD by installing tube settlers and several "membrane" filtration units. Funding will come from the District's reserved as well as a loan from the DEQ Revolving Loan Fund and the DeSoto Parish Police Jury.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the of the Waterworks District No. 1 of the Parish of DeSoto's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Robert Wells, 302 N Washington, Mansfield, Louisiana 71052, or by calling (318) 872-0004.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Exhibit 1

Statement of Net Assets

December 31, 2008

Assets

Current Assets

Cash	\$ 537,042
Taxes Receivable	1,623,371
Accounts Receivable (Net)	131,580
Prepaid Insurance	23,132
Total Current Assets	<u>2,315,125</u>

Other Assets

Restricted Assets

Cash	4,795
Investments	1,184,975
Deposits	800
Fixed Assets (Net)	14,157,607
Bond Issuance Costs	90,146
Total Other Assets	<u>15,438,323</u>

Total Assets	<u>\$ 17,753,448</u>
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Liabilities and Net Assets

Liabilities

Current Liabilities

Accounts Payable and Accrued Expenses	\$ 59,338
Current Portion of Long-Term Debt	620,174
Total Current Liabilities	<u>679,512</u>

Long-Term Liabilities

Customer Deposits Payable	78,705
Long-Term Debt, Net of Current Portion	8,516,530
Accrued Interest Payable	86,198
Total Long-Term Liabilities	<u>8,681,433</u>

Total Liabilities	<u>9,360,945</u>
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Net Assets

Invested in Capital Assets, Net of Related Debt	4,855,910
Reserved for Construction	577
Reserved for Debt Service	1,151,230
Reserved for Customer Deposits	37,963
Unreserved	2,346,823
Total Net Assets	<u>8,392,503</u>

Total Liabilities and Net Assets	<u>\$ 17,753,448</u>
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See accompanying notes to financial statements.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Exhibit 2

Statement of Revenues, Expenses and Changes in Net Assets

Year Ended December 31, 2008

Revenues:	
Ad Valorem Taxes	\$ 272,576
Charges for Services	1,285,077
Miscellaneous Revenues	<u>40,107</u>
Total Revenues	<u>1,597,760</u>
Operating Expenses:	
Personal Services	326,043
Utilities	276,148
Repair and Maintenance	65,929
Other Supplies and Expense	140,435
Insurance	23,832
Depreciation and Amortization	<u>437,575</u>
Total Expenses	<u>1,269,962</u>
Total Assets	
Operating Income (Loss)	327,798
Non-Operating Revenues (Expenses):	
Interest Income	35,101
Grants	20,000
Ad Valorem Taxes	1,428,206
Interest Expense	<u>(403,219)</u>
Total Non-Operating Revenues (Expenses)	<u>1,080,088</u>
Change in Net Assets	1,407,886
Net Assets - Beginning of Year	<u>6,984,617</u>
Net Assets - End of Year	<u>\$ 8,392,503</u>

See accompanying notes to financial statements.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Exhibit 3

Statement of Cash Flows - Proprietary Fund Type

Year Ended December 31, 2008

Cash flows from operating activities:	
Ad valorem taxes received	\$ 215,630
Cash received from customers	909,638
Cash payments to suppliers	(774,957)
Other operating income	40,107
Net cash provided by operating activities	<u>390,418</u>
Cash flows from capital and related financing activities:	
Proceed from Capital Grants	20,000
Fixed Asset Purchases	(28,349)
Proceeds from the Sale of Fixed Assets	1,175
Bond Issuance Costs	-
Ad Valorem Debt Service Proceeds	1,463,307
Interest paid on long-term debt	(369,544)
Proceeds of long-term debt	-
Principal payments on long-term debt	(609,630)
Net cash provided by capital and related financing activities	<u>476,959</u>
Cash flows from investing activities:	
Investments in LAMP investments	(1,137,461)
Withdrawals from LAMP investments	702,321
Interest received on investments	(29,556)
Net cash provided by investing activities	<u>(464,696)</u>
Net increase in cash	402,681
Cash, beginning of year (including \$12,259 in restricted assets)	<u>139,156</u>
Cash, end of year (including \$4,795 in restricted assets)	541,837
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	327,798
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	430,110
Amortization	7,465
Loss on sale of assets	1,895
Changes in assets and liabilities:	
Increase in taxes receivable	(375,439)
Increase in accounts receivable	(36,555)
Decrease in prepaid insurance	970
Increase in customer deposits	9,500
Increase in accounts payable	24,674
Net cash provided by operating activities	<u>\$ 390,418</u>

See accompanying notes to financial statements.

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2008

Waterworks District No. 1 of the Parish of DeSoto, State of Louisiana, was created by Ordinance No 2, of the DeSoto Parish Police Jury on July 24, 1969, and is a political subdivision of the DeSoto Parish Police Jury. The ordinance states that the purpose of the District is to facilitate plans and arrangements for feasibility studies and surveys and the financing, construction, development and operation of a water works system to provide a public water supply within the proposed District. The District is a component unit of the DeSoto Parish Police Jury and is governed by a board of nine commissioners appointed by DeSoto Parish Police Jury.

Waterworks District No. 1 of the Parish of DeSoto, State of Louisiana is in the process of constructing a water system to assist in meeting the domestic, commercial and fire protection demands in DeSoto Parish within the boundaries of the District. Construction of this system is being funded with revenues from a 5.19 mill ad valorem tax proposition passed by voters of April 5, 1997. A 1.02 mill property tax millage authorized to be levied in the years 1997 through 2006 to subsidize operation and maintenance expenses of the system was also passed April 5, 1997.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Waterworks District No. 1 of the Parish of DeSoto have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying component unit financial statements have been prepared in conformity with GASB Statement No. 34, Basic financial statements - and Management's Discussion and Analysis for State and Local Governments, issued in June 1999. The following is a summary of the more significant accounting policies:

Basis of Accounting. The accrual basis of accounting is utilized by the District. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Investments. Investments are stated at cost which approximates market.

Cash Flows. For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Bad Debts. Taxes receivable are deemed to be fully collectible. An allowance for doubtful accounts is maintained for estimated uncollectible utility receivables.

2. CASH:

At December 31, 2008, the carrying amount of the District's cash balances totaled \$541,837 whereas the related bank balances totaled \$547,952. The difference is due to outstanding checks at year end. Bank balances of \$251,872 were insured by FDIC insurance and bank balances of \$233,212 were collateralized by securities held by the bank in the name of the District. Cash balances of \$62,868 were on deposit at LAMP. (See Note 5)

3. PER DIEM PAID TO COMMISSIONERS:

No per diem was paid to commissioners for the year ended December 31, 2008.

(Continued)

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2008

4. TAXES RECEIVABLE:

Ad valorem taxes are collected by the DeSoto Parish Sheriff and remitted to the District on a monthly basis. For the year ended December 31, 2008, taxes of 6.20 mills were levied with 5.19 mills dedicated to bond retirement and .99 mills dedicated for general operating purposes. Taxes receivable at December 31, 2008 are considered to be fully collectible.

5. INVESTMENTS:

Investments consist of funds invested in the Louisiana Asset Management Pool (LAMP). LAMP was established and is administered by LAMP, Inc., a nonprofit corporation organized under the law of State of Louisiana. LAMP accepts deposits from public entities. Upon the making of an investment, a public entity becomes a member of LAMP, Inc., similar to a corporate shareholder, and maintains certain rights with respect to the governance of the corporation.

The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality vehicles for investment. The LAMP portfolio includes only securities and obligations in which local governments in Louisiana are authorized to invest. LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, U. S. government, or one of its agencies. The dollar weighted average portfolio of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their balances.

At December 31, 2008 restricted funds on deposit with LAMP (at cost) totaled \$1,184,975.

6. ACCOUNTS RECEIVABLE:

Accounts receivable for customer water bills at December 31, 2008 totaled \$133,880 less an allowance for doubtful accounts of \$2,301.

7. FIXED ASSETS:

A summary of fixed assets follows:

Office Furniture	\$ 4,598
Machinery & Equipment	180,015
Water System	<u>17,148,806</u>
	17,333,419
Less: Accumulated Depreciation	<u>3,175,812</u>
Net fixed assets	<u>\$14,157,607</u>

(Continued)

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2008

8. LONG-TERM DEBT:

The following is a summary of debt transactions of Waterworks District No. 1 of the Parish of DeSoto for the year ended December 31, 2008:

	<u>General Obligation Bonds</u>	<u>Water Revenue 2001</u>	<u>Water DEQ 2001</u>	<u>Water Revenue 2006</u>	<u>Total</u>
Balance, 1/1/2007	\$ 6,015,000	\$1,371,899	\$1,920,000	439,435	\$ 9,746,334
Proceeds of debt	-	-	-	-	-
Bonds retired	<u>(492,000)</u>	<u>(16,984)</u>	<u>(96,000)</u>	<u>(4,646)</u>	<u>(609,630)</u>
Balance, 12/31/2007	<u>\$ 5,523,000</u>	<u>\$1,354,915</u>	<u>\$1,824,000</u>	<u>\$ 434,789</u>	<u>\$ 9,136,704</u>

Bonds and notes payable at December 31, 2008 are comprised of the following:

General Obligation Bonds:

\$9,900,000 bonds dated October 1, 1997, for the purpose of constructing a waterworks system with the first principal payment of \$100,000 due on April 1, 1998; principal payments thereafter ranging from \$265,000 to \$480,000; interest payments are due on April 1, and October 1, annually with interest rates varying from 8% to 4.5% over the life of the bond issue.

\$ 5,523,000

Water Revenue Bonds - 2001:

Dated August 7, 2001, due in one installment of \$68,875 on August 7, 2002 and monthly payments of \$6,815 from September 7, 2002 to August 7, 2041 bearing interest at 4.75%

\$ 1,354,915

Water Revenue Bonds - 2001 DEQ:

Dated February 19, 2002, first principal payment of \$79,000 due on August 7, 2003; principal payments thereafter ranging from \$83,000 to 166,000; interest payments are due in February and August, annually, bearing interest at 3.45%.

\$ 1,824,000

Water Revenue Bonds - 2006

Draws on \$442,000 2006 Water Revenue Bonds, due in monthly payments of \$1,926 beginning June 7, 2006 through May, 2046: bearing interest at 4.25%

\$ 434,789

(Continued)

WATERWORKS DISTRICT NO. 1 OF THE PARISH OF DESOTO

Notes to Financial Statements

December 31, 2008

The annual requirements to amortize all debt outstanding as of December 31, 2008 including interest payments of \$3,434,931 are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Total</u>
2009	\$ 985,055
2010	990,767
2011	996,266
2012	999,553
2013	997,206
2013 - 2022	7,602,788
Totals	<u>\$ 12,571,635</u>

9. RESTRICTED ASSETS:

Restricted assets consist of amounts restricted as follows:

Customer Deposits	\$ 37,963
Construction	477
Debt Service:	
General Obligation Bonds	802,047
Water Revenue Bond - 2001	33,738
Water Revenue Bond - 2001 DEQ	183,359
Water Revenue Bonds - 2006	<u>132,186</u>
Total	<u>\$ 1,189,770</u>

10. RETIREMENT PLAN:

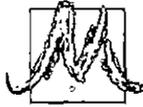
The District is a member of the Parochial Employees Retirement System. Under this System, eligible employees contributes 9.5% of their wages and the District contributes 12.75% of eligible wages. District contributions under this plan for the year ended December 31, 2008 were \$25,352 based on eligible salaries of \$198,841.

Waterworks District No. 1 of the Paris of DeSoto

Corrective Action Taken on Prior Year Findings

For the Year Ended December 31, 2008

There were no findings for the year ended December 31, 2007.



Marsha O. Millican
CERTIFIED PUBLIC ACCOUNTANT

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Waterworks District No. 1
of the Parish of DeSoto
Mansfield, Louisiana

I have audited the financial statements of Waterworks District No. 1 of the Parish of DeSoto as of and for the year ended December 31, 2008, and have issued my report thereon dated June 5, 2009. I conducted my 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 my audit, I considered Waterworks District No.1 of the Parish of DeSoto's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

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 District'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 District's financial statements that is more than inconsequential will not be prevented or detected by the District'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 District's internal control.

My consideration of internal control was for the limited purpose described in the second paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control that I consider to be material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waterworks District No. 1 of the Parish of DeSoto's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 and use of management and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Marsha D. McIlwain

Certified Public Accountant
June 5, 2009

Waterworks District No. 1 of the Paris of DeSoto

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2008

1. The auditor's report expresses an unqualified opinion on the financial statements.
2. No significant deficiencies relating to the audit of the financial statements were reported as material weaknesses in the District's internal control.
3. No instances of noncompliance material to the financial statements of the District was disclosed during the audit.

There were no findings for the year ended December 31, 2008.