

CHENIERE-DREW WATER SYSTEM, INC.

WEST MONROE, LOUISIANA

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

SEPTEMBER 30, 2019 AND 2018

CHENIERE-DREW WATER SYSTEM, INC.
WEST MONROE, LOUISIANA
SEPTEMBER 30, 2019 AND 2018

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JOHNSON, PERRY, ROUSSEL & CUTHBERT, L.L.P.

ROWLAND H. PERRY, CPA, APC
CHARLES L. JOHNSON, JR., CPA
VIOLET M. ROUSSEL, CPA, APC
JAY CUTHBERT, CPA, APAC

PAM BATTAGLIA, CPA
DAWN WHITSTINE, CPA
JOHN R. FORSELL, IV, CPA



America Counts on CPAs®

Certified Public Accountants

3007 Armand Street

Monroe, Louisiana 71201

Telephone (318) 322-5156 or (318) 323-1411

Facsimile (318) 323-6331

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Cheniere-Drew Water System, Inc.
West Monroe, Louisiana

We have audited the accompanying statements of Cheniere-Drew Water System, Inc. (a non-profit organization), which comprise the statement of financial position as of September 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

The Water System outsourced its billing services to a third party service provider during the fiscal year. We were unable to determine the adequacy of the internal controls over billings of water and sewerage fees since the third party provider did not provide a Report on Controls at a Service Organization under the Statement on Standards for Attestation Engagements No. 16 or other information adequate for gaining an understanding of the service providers' internal controls and it was not feasible to obtain this information by other means. As such, we were unable to determine the effect of the service organizations' internal controls on the Water System's water and sewer revenues and accounts receivable. Consequently, we were unable to determine whether any adjustments to those amounts were necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Cheniere-Drew Water System, Inc. as of September 30, 2019 and 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Qualified Opinion on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of income on pages 14-15 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other

records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the possible effects on the service organization's internal controls on the Water System's water and sewer revenues and receivables for the qualified opinion on the financial statements as explained in the Basis for Qualified Opinion paragraph, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Johnson Perry Roussel & Cuthbert, LLP

JOHNSON, PERRY, ROUSSEL & CUTHBERT, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
November 25, 2019

CHENIERE-DREW WATER SYSTEM, INC.
 WEST MONROE, LOUISIANA
 STATEMENTS OF FINANCIAL POSITION
 AS OF SEPTEMBER 30, 2019 AND 2018

<u>ASSETS</u>		
	<u>9/30/2019</u>	<u>9/30/2018</u>
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	\$ 1,736,924	\$ 1,982,719
Accounts Receivable - Water Billings	389,293	328,510
Unbilled Revenues Receivable	53,187	42,083
Accounts Receivable - Other	29,002	20,881
Prepaid Insurance	39,259	28,765
	<hr/>	<hr/>
<u>TOTAL CURRENT ASSETS</u>	<u>2,247,665</u>	<u>2,402,958</u>
 <u>FIXED ASSETS</u>		
Water Distribution System	9,235,457	8,396,206
Equipment	14,777	1,357
Computers	9,736	9,736
Construction in Progress	131,563	72,652
Land	209,009	186,309
Less: Accumulated Depreciation	(3,721,684)	(3,516,301)
	<hr/>	<hr/>
<u>NET FIXED ASSETS</u>	<u>5,878,858</u>	<u>5,149,959</u>
 <u>OTHER ASSETS</u>		
Deposits	65	65
	<hr/>	<hr/>
<u>TOTAL OTHER ASSETS</u>	<u>65</u>	<u>65</u>
	<hr/>	<hr/>
<u>TOTAL ASSETS</u>	<u>\$ 8,126,588</u>	<u>\$ 7,552,982</u>

The accompanying notes are an integral part of these financial statements.

CHENIERE-DREW WATER SYSTEM, INC.
 WEST MONROE, LOUISIANA
 STATEMENTS OF FINANCIAL POSITION
 AS OF SEPTEMBER 30, 2019 AND 2018

LIABILITIES AND NET ASSETS

	<u>9/30/2019</u>	<u>9/30/2018</u>
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 302,036	\$ 202,449
Accrued Expenses	208	240
Current Maturities of Long-Term Debt	89,230	144,989
	<hr/>	<hr/>
<u>TOTAL CURRENT LIABILITIES</u>	391,474	347,678
	<hr/>	<hr/>
<u>WATER DEPOSITS PAYABLE</u>	156,243	138,948
	<hr/>	<hr/>
<u>LONG-TERM LIABILITIES</u>		
Long-Term Debt Net of Current Portion	-	-
	<hr/>	<hr/>
<u>TOTAL LONG-TERM LIABILITIES</u>	-	-
	<hr/>	<hr/>
TOTAL LIABILITIES	547,717	486,626
	<hr/>	<hr/>
<u>NET ASSETS</u>		
Net Assets Without Donor Restrictions	7,578,871	7,066,356
Net Assets With Donor Restrictions	-	-
	<hr/>	<hr/>
<u>TOTAL NET ASSETS</u>	7,578,871	7,066,356
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 8,126,588	\$ 7,552,982
	<hr/>	<hr/>

The accompanying notes are an integral part of these financial statements.

CHENIERE-DREW WATER SYSTEM, INC.
 WEST MONROE, LOUISIANA
 STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>9/30/2019</u>	<u>9/30/2018</u>
<u>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</u>		
<u>SALES</u>		
Water Revenues	\$ 2,203,100	\$ 2,314,419
Tapping Fees	81,826	55,660
Late Charges	23,030	24,829
Service and Reconnect Charges	47,485	40,800
Membership Fees	4,580	3,825
Commission Fee	1,849	2,412
Other	7,670	15,522
	<u>2,369,540</u>	<u>2,457,467</u>
 <u>COST OF SALES</u>		
Water Taps	68,613	48,967
Tapping Materials	20,137	13,402
Sales Tax - Materials	1,976	1,448
Handling Charges	1,894	1,340
Chlorine	32,128	35,242
Connect Fees	21,888	18,825
Carbon Refills	56,196	53,919
Contract Labor	10,400	9,000
	<u>213,232</u>	<u>182,143</u>
<u>TOTAL GROSS PROFIT</u>	<u>2,156,308</u>	<u>2,275,324</u>
 <u>FUNCTIONAL EXPENSES</u>		
Program Expenses	1,598,570	1,505,076
Administrative Expenses	70,285	60,672
	<u>1,668,855</u>	<u>1,565,748</u>
<u>NET OPERATING PROFIT (LOSS)</u>	<u>487,453</u>	<u>709,576</u>
 <u>OTHER REVENUES</u>		
Interest Earned	25,062	7,371
Non-Cash Contributions	-	-
	<u>25,062</u>	<u>7,371</u>
<u>INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS</u>	<u>512,515</u>	<u>716,947</u>
<u>CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS</u>	<u>-</u>	<u>-</u>
<u>INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS</u>	<u>-</u>	<u>-</u>
<u>TOTAL INCREASE (DECREASE) IN NET ASSETS</u>	<u>512,515</u>	<u>716,947</u>
<u>NET ASSETS AT BEGINNING OF YEAR</u>	<u>7,066,356</u>	<u>6,349,409</u>
<u>NET ASSETS AT END OF YEAR</u>	<u>\$ 7,578,871</u>	<u>\$ 7,066,356</u>

The accompanying notes are an integral part of these financial statements.

CHENIERE-DREW WATER SYSTEM, INC.
WEST MONROE, LOUISIANA
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

SEPTEMBER 30, 2019

	Program- Water District	Management And General	9/30/2019 Total
Accounting	\$ -	\$ 19,007	\$ 19,007
Bad Debt	9,526	-	9,526
Bank Charges	-	7,682	7,682
Board Fees	-	29,400	29,400
Dues	-	300	300
Insurance	42,362	-	42,362
Interest	11,147	-	11,147
Internet	-	137	137
Investigative Analysis	-	-	-
Management Expense	1,045,813	-	1,045,813
Membership Meeting	-	230	230
Meter Reading	90,061	-	90,061
Miscellaneous	-	2,150	2,150
Office & Postage	-	7,941	7,941
Professional Fees	-	3,405	3,405
Repairs & Maintenance	50,334	-	50,334
Telephone	-	33	33
Well Monitoring Fee	8,927	-	8,927
Well Mapping Fee	-	-	-
Utilities	135,017	-	135,017
	<hr/>	<hr/>	<hr/>
<u>Subtotal</u>	1,393,187	70,285	1,463,472
<u>Depreciation</u>	205,383	-	205,383
	<hr/>	<hr/>	<hr/>
<u>TOTAL</u>	\$ 1,598,570	\$ 70,285	\$ 1,668,855

The accompanying notes are an integral part of these financial statements.

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JOHNSON, PERRY, ROUSSEL & CUTHBERT, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

CHENIERE-DREW WATER SYSTEM, INC.
 WEST MONROE, LOUISIANA
 STATEMENTS OF FUNCTIONAL EXPENSES
 FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

SEPTEMBER 30, 2018

	<u>Program- Water District</u>	<u>Management And General</u>	<u>9/30/2018 Total</u>
Accounting	\$ -	\$ 18,473	\$ 18,473
Bad Debt	8,356	-	8,356
Bank Charges	-	2,231	2,231
Board Fees	-	29,400	29,400
Dues	-	0	-
Insurance	25,029	-	25,029
Interest	12,546	-	12,546
Internet	-	0	-
Investigative Analysis	-	-	-
Management Expense	999,293	-	999,293
Membership Meeting	-	1,041	1,041
Meter Reading	86,164	-	86,164
Miscellaneous	-	891	891
Office & Postage	-	4,952	4,952
Professional Fees	-	3,271	3,271
Repairs & Maintenance	38,946	-	38,946
Telephone	-	413	413
Well Monitoring Fee	5,471	-	5,471
Well Mapping Fee	2,089	-	2,089
Utilities	146,132	-	146,132
<u>Subtotal</u>	<u>1,324,026</u>	<u>60,672</u>	<u>1,384,698</u>
<u>Depreciation</u>	<u>181,050</u>	<u>-</u>	<u>181,050</u>
<u>TOTAL</u>	<u>\$ 1,505,076</u>	<u>\$ 60,672</u>	<u>\$ 1,565,748</u>

The accompanying notes are an integral part of these financial statements.

CHENIERE-DREW WATER SYSTEM, INC.
WEST MONROE, LOUISIANA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>9/30/2019</u>	<u>9/30/2018</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net Increase in Net Assets	\$ 512,515	\$ 716,947
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	205,383	181,050
(Increase) Decrease in:		
Accounts Receivable – Water Billings	(60,783)	(46,100)
Unbilled Revenues Receivable	(11,104)	(7,087)
Accounts Receivable – Other	(8,121)	(579)
Prepaid Insurance	(10,494)	(19,272)
Utility Deposits	-	-
Increase (Decrease) in:		
Accounts Payable	99,587	43,840
Accrued Expenses	(32)	(257)
Meter Deposits	17,295	13,035
	<u>231,731</u>	<u>164,630</u>
 Total Adjustments		
	<u>744,246</u>	<u>881,577</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchases of Fixed Assets	<u>(934,282)</u>	<u>(1,081,031)</u>
 Net Cash Provided (Used) by Investing Activities	<u>(934,282)</u>	<u>(1,081,031)</u>
 <u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Payments on Long-Term Debt	<u>(55,759)</u>	<u>(49,314)</u>
 Net Cash Provided (Used) by Financing Activities	<u>(55,759)</u>	<u>(49,314)</u>
 <u>NET INCREASE IN CASH</u>	<u>(245,795)</u>	<u>(248,768)</u>
 <u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</u>	<u>1,982,719</u>	<u>2,231,487</u>
 <u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	<u>\$ 1,736,924</u>	<u>\$ 1,982,719</u>
 Cash Paid During the Year for:		
Interest	\$ 11,147	\$ 12,546

The accompanying notes are an integral part of these financial statements.

CHENIERE-DREW WATER SYSTEM, INC.
WEST MONROE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization and Nature of Operations

The Cheniere-Drew Water System, Inc. was incorporated in the State of Louisiana October 23, 1969 as a non-profit corporation.

The Water System originated with a \$730,000 loan from the Department of Housing and Urban Development and was substantially completed and began operations May 31, 1975.

The Water System provides water to members residing in the Cheniere-Drew area.

Method of Accounting

The Water System prepares its financial statements on the accrual method of accounting, recognizing income when earned and expenses when incurred.

Cash and Cash Equivalents

The Water System considers all highly liquid investments with maturities of three months or less to be cash equivalents.

Accounts Receivable

An allowance for uncollectible accounts in the amount of \$584 has been provided. Management believes that accounts receivable are substantially collectible and requires customers to provide meter deposits.

Use of Estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

CHENIERE-DREW WATER SYSTEM, INC.
WEST MONROE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Unbilled Revenues

Unbilled revenues consist of water revenues earned but not billed.

Fixed Assets and Depreciation

Fixed assets with a value greater than \$1,000 are capitalized and stated at cost. Depreciation is provided over the estimated useful lives of the respective assets using straight-line methods. Substantially all assets are depreciated over a 40-year life, with office equipment depreciated over a 5-year life. Expenditures for maintenance and repairs are charged to expense as incurred. Major improvements are capitalized.

Income Taxes

The Water System, a non-profit corporation under the Internal Revenue Code Section 501(c)(12) is exempt from federal and Louisiana income taxes. Accordingly, no provision for income taxes has been made in the financial statements.

Advertising Expenses

The Water System expenses advertising costs as they are incurred. Advertising expenses for the years ended September 30, 2019 and 2018 were immaterial.

Basis of Presentation

The financial statements have been prepared in accordance with U.S generally accepted accounting principles ("US GAAP"), which require the organization to report information regarding its financial position and activities according to the following net asset classifications:

CHENIERE-DREW WATER SYSTEM, INC.
WEST MONROE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Presentation (Continued)

Net Assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the organization and the board of directors.

Net Assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities - Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net assets classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The organization has adjusted the presentation of these statements accordingly.

NOTE 2: LONG-TERM DEBT:

On March 28, 1973, the Cheniere-Drew Water System, Inc. obtained a note payable to the United States Department of Housing and Urban Development in the amount of \$730,000 collateralized by the Water System and a pledge of net

CHENIERE-DREW WATER SYSTEM, INC.
WEST MONROE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 2: LONG-TERM DEBT: (Continued)

revenue from the ownership and/or operation of the Water System. The note was subsequently sold to a trust that was established at sale in a mortgage securitization.

The Water System has a Note Payable to Origin Bank in the original amount of \$418,110. The loan bears interest at a rate of 3.500%. Payments of \$5,000 are due on the 15th of each month. The Water System is pledged as collateral on the loan.

Five year debt maturity schedule is as follows:

<u>Year Ended</u>	
9/30/2020	57,809
9/30/2021	31,421
9/30/2022	-0-
9/30/2023	-0-
9/30/2024	-0-

Interest expense on the above note amounted to \$11,147 and \$12,546 for the years ended September 30, 2019 and 2018, respectively.

NOTE 3: CONCENTRATIONS OF RISK:

The Water System maintains cash balances at several financial institutions located in north Louisiana. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Water System holds additional funds in an insured sweep account. At September 30, 2019 and 2018, the Water System had no uninsured cash funds.

Concentrations of credit risk with respect to water billing receivables are limited due to the large number of customers and small balances. This risk is minimized further by customer meter deposits.

CHENIERE-DREW WATER SYSTEM, INC.
WEST MONROE, LOUISIANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 4: COMMITMENTS AND CONTINGENCIES:

The Water System, because of the nature of its operations, routinely engages in agreements with engineers and contractors to provide future goods and services. At September 30, 2019 and 2018, the Water System had completed all projects under construction.

NOTE 5: CONTRACT FOR OPERATION AND MAINTENANCE OF THE UTILITY SYSTEM:

The Water System contracts with M-N Utilities, Inc. to operate and maintain the Water System on a monthly basis.

The Board negotiated a 1-year contract with M-N Utilities, Inc. in December 2018.

The Water System contracts with Ouachita Meter Reading Service, LLC to provide meter reading services on a monthly basis. The Board negotiated a 1-year contract with Ouachita Meter Reading Service, LLC in December of 2018.

NOTE 6: RELATED PARTY TRANSACTIONS:

There were no material related party transactions for the years ended September 30, 2019 and 2018.

NOTE 7: CONSTRUCTION IN PROGRESS:

Slocum Road and Camp Road has incurred \$131,563 in cost and is construction in progress as of September 30, 2019. Camp Road/Miller Shelby Aeration and Slocum Road Water Main Upgrade were construction in progress as of September 30, 2018, and were completed during the year ended September 30, 2019.

NOTE 8: FUNCTIONAL ALLOCATION OF EXPENSES:

The costs of providing programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services. The organization has no fund-raising costs.

CHENIERE-DREW WATER SYSTEM, INC.
 WEST MONROE, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 9: SUBSEQUENT EVENTS:

Events that occur after the balance sheet date but before the financial statements were issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Water System through November 25, 2019, the date the report was available for issue, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosures in the notes to the financial statements.

NOTE 10: UNCERTAIN TAX POSITIONS:

The Water System is subject to examination by various taxing authorities. Management has reviewed the Water System's activities and believes that no additional amounts or disclosures are needed, as the effect of any uncertain tax positions is not material to the financial statements. The tax returns for the years 2018, 2017, 2016, and 2015 are open for examination by various taxing authorities.

NOTE 11: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following reflects the Water System's financial assets as of the balance sheet date of September 30, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>9/30/19</u>	<u>9/30/18</u>
Financial Assets at September 30, 2019	2,208,406	2,374,193
Less those unavailable for general Expenditure, within one year:	-0-	-0-
Financial assets availability to meet cash needs for general expenditure, within one year	2,208,406	2,374,193

SUPPLEMENTARY INFORMATION

CHENIERE-DREW WATER SYSTEM, INC.
 WEST MONROE, LOUISIANA
 STATEMENTS OF INCOME
 FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>9/30/2019</u>	<u>9/30/2018</u>
<u>SALES</u>		
Water Revenues	\$ 2,203,100	\$ 2,314,419
Tapping Fees	81,826	55,660
Late Charges	23,030	24,829
Service and Reconnect Charges	47,485	40,800
Membership Fees	4,580	3,825
Commission Fee	1,849	2,412
Other	<u>7,670</u>	<u>15,522</u>
<u>TOTAL SALES</u>	<u>2,369,540</u>	<u>2,457,467</u>
<u>COST OF SALES</u>		
Water Taps	68,613	48,967
Tapping Materials	20,137	13,402
Sales Tax - Materials	1,976	1,448
Handling Charges	1,894	1,340
Chlorine	32,128	35,242
Connect Fees	21,888	18,825
Carbon Refills	56,196	53,919
Contract Labor	<u>10,400</u>	<u>9,000</u>
<u>TOTAL COST OF SALES</u>	<u>213,232</u>	<u>182,143</u>
<u>TOTAL GROSS PROFIT</u>	<u>\$ 2,156,308</u>	<u>\$ 2,275,324</u>

See Independent Auditors' Report.

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JOHNSON, PERRY, ROUSSEL & CUTHBERT, L.L.P.
 CERTIFIED PUBLIC ACCOUNTANTS

CHENIERE-DREW WATER SYSTEM, INC.
 WEST MONROE, LOUISIANA
 STATEMENTS OF INCOME
 FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>9/30/2019</u>	<u>9/30/2018</u>
<u>OPERATING EXPENSES</u>		
Accounting	\$ 19,007	\$ 18,473
Bad Debt	9,526	8,356
Bank Charges	7,682	2,231
Board Fees	29,400	29,400
Depreciation	205,383	181,050
Dues	300	-
Insurance	42,362	25,029
Interest	11,147	12,546
Internet	137	-
Investigative Analysis	-	-
Management Expense	1,045,813	999,293
Membership Meetings	230	1,041
Meter Reading	90,061	86,164
Miscellaneous	2,150	891
Office and Postage	7,941	4,952
Professional Fees	3,405	3,271
Repairs and Maintenance	50,334	38,946
Telephone	33	413
Well Monitoring Fee	8,927	5,471
Well Mapping Fee	-	2,089
Utilities	135,017	146,132
	<hr/>	<hr/>
<u>TOTAL OPERATING EXPENSES</u>	<u>1,668,855</u>	<u>1,565,748</u>
 <u>INCREASE IN NET ASSETS FROM OPERATIONS</u>	 <u>487,453</u>	 <u>709,576</u>
 <u>OTHER REVENUES (EXPENSES)</u>		
Interest Earned	25,062	7,371
Non-Cash Contribution	-	-
	<hr/>	<hr/>
<u>TOTAL OTHER REVENUES (EXPENSES)</u>	<u>25,062</u>	<u>7,371</u>
 <u>NET INCOME IN NET ASSETS</u>	 <u>\$ 512,515</u>	 <u>\$ 716,947</u>

See Independent Auditors' Report.

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JOHNSON, PERRY, ROUSSEL & CUTHBERT, L.L.P.
 CERTIFIED PUBLIC ACCOUNTANTS

CHENIERE-DREW WATER SYSTEM, INC.
WEST MONROE, LOUISIANA
CURRENT YEAR SCHEDULE OF AUDIT FINDINGS AND RESPONSES
SEPTEMBER 30, 2019

2019-1 Internal Control Finding

Finding: The Water System outsources its billings of water and sewerage fees to a third party service organization.

Since the service organization did not provide a Report on Controls at a Service Organization, or other information adequate for gaining an understanding of the service provider's internal controls, we were unable to determine the adequacy of internal controls over the billings of water and sewerage fees in order to assess risks of errors in the financial statements. Consequently, mistakes could be made and not detected and corrected in a timely manner.

Recommendation: We recommend the Water System obtain a Report on Controls at a Service Organization under the Statement on Standards for Attestation Engagements No. 16 and/or other information in order to gain an adequate understanding of the internal controls at the service organization.

Management's
Corrective
Action Plan: Management will research the cost effectiveness of a Report on Controls at a Service Organization under the Statement on Standards for Attestation Engagements No. 16. Management will also contact the service provider and communicate the need for a Report on Controls at a Service Organization under the Statement on Standards for Attestation Engagements No. 16, or have another audit organization provide us information adequate to gain an understanding of the service provider's internal control.

See independent auditors' report.

CHENIERE-DREW WATER SYSTEM, INC.
WEST MONROE, LOUISIANA
CORRECTIVE ACTION TAKEN ON PRIOR YEAR FINDINGS
SEPTEMBER 30, 2019

2018-1

Finding: The Water System outsources its billings of water and sewerage fees to a third party service organization.

Since the service organization did not provide a Report on Controls at a Service Organization, or other information adequate for gaining an understanding of the service provider's internal controls, we were unable to determine the adequacy of internal controls over the billings of water and sewerage fees in order to assess risks of errors in the financial statements. Consequently, mistakes could be made and not detected and corrected in a timely manner.

Status: Management has determined that it is not cost effective to cure this finding.

See independent auditors' report.

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