

CHENIERE-DREW WATER SYSTEM, INC.

WEST MONROE, LOUISIANA

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

SEPTEMBER 30, 2009 AND 2008

CHENIERE-DREW WATER SYSTEM, INC.
WEST MONROE, LOUISIANA
SEPTEMBER 30, 2009 AND 2008

CONTENTS

	<u>PAGE</u>
Independent Auditors' Report.....	1
Statements of Financial Position.....	2-3
Statements of Activity.....	4
Statements of Functional Expenses.....	5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7-10
Supplementary Information	
Statements of Income.....	11-12

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"The CPA. Never Underestimate The Value."

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December 4, 2009

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Cheniere-Drew Water System, Inc. as of September 30, 2009 and 2008, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the System's management. 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 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cheniere-Drew Water System, Inc. as of September 30, 2009 and 2008, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The statement of income on page 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Johnston, Perry, Johnson & Associates, L.L.P.

JOHNSTON, PERRY, JOHNSON & ASSOCIATES, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

CHENIERE-DREW WATER SYSTEM, INC.
WEST MONROE, LOUISIANA
STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2009 AND 2008

ASSETS

	<u>9/30/2009</u>	<u>9/30/2008</u>
<u>CURRENT ASSETS</u>		
Cash and Cash Equivalents	916,526	1,208,478
Accounts Receivable - Water Billings	175,619	126,053
Unbilled Revenues Receivable	23,923	15,414
Accounts Receivable - Other	19,467	18,213
Prepaid Insurance	<u>9,362</u>	<u>8,697</u>
 <u>TOTAL CURRENT ASSETS</u>	 <u>1,144,897</u>	 <u>1,376,855</u>
 <u>FIXED ASSETS</u>		
Water Distribution System	5,679,192	5,148,354
Equipment	1,357	1,357
Computers	9,736	9,736
Construction in Progress	-	-
Land	145,422	145,422
Less: Accumulated Depreciation	<u>(2,014,606)</u>	<u>(1,877,270)</u>
 <u>NET FIXED ASSETS</u>	 <u>3,821,101</u>	 <u>3,427,599</u>
 <u>OTHER ASSETS</u>		
Deposits	<u>215</u>	<u>215</u>
 <u>TOTAL OTHER ASSETS</u>	 <u>215</u>	 <u>215</u>
 <u>TOTAL ASSETS</u>	 <u>4,966,213</u>	 <u>4,804,669</u>

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

CHENIERE-DREW WATER SYSTEM, INC.
 WEST MONROE, LOUISIANA
 STATEMENTS OF FINANCIAL POSITION (CONTINUED)
 AS OF SEPTEMBER 30, 2009 AND 2008

LIABILITIES AND NET ASSETS

	<u>9/30/2009</u>	<u>9/30/2008</u>
<u>CURRENT LIABILITIES</u>		
Accounts Payable	97,367	89,801
Accrued Expenses	3,353	3,741
Current Maturities of Long-Term Debt	<u>53,869</u>	<u>50,463</u>
<u>TOTAL CURRENT LIABILITIES</u>	<u>154,589</u>	<u>144,005</u>
<u>WATER DEPOSITS PAYABLE</u>	<u>102,834</u>	<u>101,415</u>
<u>LONG-TERM LIABILITIES</u>		
Long-Term Debt Net of Current Portion	<u>568,977</u>	<u>622,846</u>
<u>TOTAL LONG-TERM LIABILITIES</u>	<u>568,977</u>	<u>622,846</u>
<u>TOTAL LIABILITIES</u>	<u>826,400</u>	<u>868,266</u>
<u>NET ASSETS</u>		
Unrestricted Net Assets	4,139,813	3,936,403
Temporarily Restricted Net Assets	-	-
Permanently Restricted Net Assets	<u>-</u>	<u>-</u>
<u>TOTAL NET ASSETS</u>	<u>4,139,813</u>	<u>3,936,403</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>4,966,213</u>	<u>4,804,669</u>

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, 2009 AND 2008

	<u>9/30/2009</u>	<u>9/30/2008</u>
<u>SALES</u>		
Water Revenues	1,234,411	1,001,438
Tapping Fees	32,810	33,020
Late Charges	31,027	26,764
Service and Reconnect Charges	15,996	18,863
Membership Fees	1,965	2,125
Commission Fee	-	1,030
Other	<u>9,138</u>	<u>3,970</u>
 <u>TOTAL SALES</u>	 <u>1,325,347</u>	 <u>1,087,210</u>
 <u>COST OF SALES</u>		
Water Taps	28,110	26,597
Tapping Materials	11,860	8,155
Sales Tax - Materials	1,139	783
Handling Charges	949	652
Damage Claims	3,985	676
Contract Labor	-	2,780
Chlorine	21,666	24,986
Connect Fees	11,290	12,965
Carbon Refills	<u>142,615</u>	<u>62,379</u>
 <u>TOTAL COST OF SALES</u>	 <u>221,614</u>	 <u>139,973</u>
 <u>TOTAL GROSS PROFIT</u>	 <u>1,103,733</u>	 <u>947,237</u>
 <u>FUNCTIONAL EXPENSES</u>		
Program Expense	847,675	759,030
Administrative Expenses	<u>55,431</u>	<u>61,598</u>
 <u>TOTAL FUNCTIONAL EXPENSES</u>	 <u>903,106</u>	 <u>820,628</u>
 <u>NET OPERATING PROFIT (LOSS)</u>	 <u>200,627</u>	 <u>126,609</u>
 <u>OTHER REVENUES</u>		
Interest Earned	<u>2,783</u>	<u>22,314</u>
 <u>TOTAL OTHER REVENUES</u>	 <u>2,783</u>	 <u>22,314</u>
 <u>NET INCREASE (DECREASE) IN NET ASSETS</u>	 203,410	 148,923
 <u>NET ASSETS AT BEGINNING OF YEAR</u>	 3,936,403	 3,787,480
 <u>NET ASSETS AT END OF YEAR</u>	 <u>4,139,813</u>	 <u>3,936,403</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 YEAR ENDED SEPTEMBER 30, 2009
 (WITH MEMO TOTAL FOR SEPTEMBER 30, 2008)

	<u>Program- Water District</u>	<u>Management And General</u>	<u>9/30/2009 Total</u>	<u>9/30/2008 Total</u>
Accounting	-	15,141	15,141	14,768
Advertising	-	-	-	-
Bad Debt	-	-	-	-
Bank Charges	-	2,652	2,652	3,395
Board Fees	-	29,400	29,400	29,050
Insurance	15,384	-	15,384	14,944
Interest	42,316	-	42,316	40,087
Internet Service	720	-	720	967
Investigative Analysis	8,040	-	8,040	2,784
Management Expense	444,379	-	444,379	356,910
Membership Meetings	-	255	255	596
Miscellaneous	-	1,925	1,925	1,581
Office & Postage	-	3,154	3,154	4,939
Professional Fees	-	252	252	4,613
Repairs & Maintenance	52,433	-	52,433	25,786
Telephone	-	1,460	1,460	1,523
Well Monitoring Fee	15,350	-	15,350	16,850
Well Mapping Fee	2,138	-	2,138	14,752
Utilities	<u>130,771</u>	<u>-</u>	<u>130,771</u>	<u>157,547</u>
<u>Subtotal</u>	711,531	54,239	765,770	691,092
<u>Depreciation</u>	<u>136,144</u>	<u>1,192</u>	<u>137,336</u>	<u>129,536</u>
<u>TOTAL</u>	<u>847,675</u>	<u>55,431</u>	<u>903,106</u>	<u>820,628</u>

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

CHENIERE-DREW WATER SYSTEM, INC.
WEST MONROE, LOUISIANA
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	<u>9/30/2009</u>	<u>9/30/2008</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net Income (Loss)	203,410	148,923
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	137,336	129,536
(Increase) Decrease in:		
Accounts Receivable - Water Billings	(49,566)	21,690
Unbilled Revenues Receivable	(8,509)	5,079
Accounts Receivable - Other	(1,254)	(7,584)
Prepaid Insurance	(665)	35
Increase (Decrease) in:		
Accounts Payable	7,566	(3,800)
Accrued Expenses	(388)	378
Meter Deposits	<u>1,419</u>	<u>1,271</u>
Total Adjustments	<u>85,939</u>	<u>146,605</u>
Net Cash Provided (Used) by Operating Activities	<u>289,349</u>	<u>295,528</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchases of Fixed Assets	(<u>530,838</u>)	(<u>133,364</u>)
Net Cash Provided (Used) by Investing Activities	(<u>530,838</u>)	(<u>133,364</u>)
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Payments on Long-Term Debt	(50,463)	(51,162)
Loan Proceeds	<u>-</u>	<u>-</u>
Net Cash Provided (Used) by Financing Activities	(<u>50,463</u>)	(<u>51,162</u>)
<u>NET INCREASE IN CASH</u>	(291,952)	111,002
<u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</u>	<u>1,208,478</u>	<u>1,097,476</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	<u>916,526</u>	<u>1,208,478</u>
Cash Paid During the Year for:		
Interest	42,595	40,087

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, 2009 AND 2008

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 basis 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 \$600 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, 2009 AND 2008

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, 2009 and 2008 were immaterial.

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 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.

CHENIERE-DREW WATER SYSTEM, INC.
 WEST MONROE, LOUISIANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

NOTE 2: LONG-TERM DEBT (Continued)

The Water System had a \$1,000,000 revolving line of credit with Community Trust Bank. The Water System drew \$972,000 of the revolving line of credit and will make monthly payments of \$7,922.48 with a fixed interest rate of 5.25%. In 2005, this line of credit was converted to permanent financing and a new line of credit of \$750,000 was obtained. As of September 30, 2009, they have not drawn from the new line of credit. The Water System is pledged as collateral on the loan.

Maturities of long-term debt principal for the next five years are approximately as follows:

<u>For Year Ended</u> <u>September 30,</u>	<u>Principal</u> <u>Maturities</u>
2010	53,869
2011	57,505
2012	61,297
2013	450,175
2014	<u>-0-</u>
<u>Total</u>	<u>622,846</u>

Interest expense on the above note amounted to \$42,316 and \$40,087 for the years ended September 30, 2009 and 2008, 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 \$100,000. At September 30, 2009 and 2008, the Water System's uninsured cash balances total \$671,042 and \$912,093, respectively.

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, 2009 AND 2008

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, 2009, 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 3-year contract with M-N Utilities, Inc. in February 2009.

NOTE 6: RELATED PARTY TRANSACTIONS

There were no material related party transactions for the years ended September 30, 2009 and 2008.

NOTE 7: CONSTRUCTION IN PROGRESS

The cost of construction during September 30, 2009 and September 30, 2008, mainly engineering and well testing costs in the amount of \$-0- and \$-0-, respectively, was included in the current financial statements as construction in progress. These costs will be capitalized as assets when construction is complete. Construction of the current projects is completed.

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.

SUPPLEMENTARY INFORMATION

CHENIERE-DREW WATER SYSTEM, INC.
WEST MONROE, LOUISIANA
STATEMENTS OF INCOME
FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	<u>9/30/2009</u>	<u>9/30/2008</u>
<u>SALES</u>		
Water Revenues	1,234,411	1,001,438
Tapping Fees	32,810	33,020
Late Charges	31,027	26,764
Service and Reconnect Charges	15,996	18,863
Membership Fees	1,965	2,125
Commission Fee	-	1,030
Other	<u>9,138</u>	<u>3,970</u>
<u>TOTAL SALES</u>	<u>1,325,347</u>	<u>1,087,210</u>
<u>COST OF SALES</u>		
Water Taps	28,110	26,597
Tapping Materials	11,860	8,155
Sales Tax - Materials	1,139	783
Handling Charges	949	652
Damage Claims	3,985	676
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Chlorine	21,666	24,986
Connect Fees	11,290	12,965
Carbon Refills	<u>142,615</u>	<u>62,379</u>
<u>TOTAL COST OF SALES</u>	<u>221,614</u>	<u>139,973</u>
<u>TOTAL GROSS PROFIT</u>	<u>1,103,733</u>	<u>947,237</u>

See auditors' report.

- 11 -

CHENIERE-DREW WATER SYSTEM, INC.
WEST MONROE, LOUISIANA
STATEMENT OF INCOME (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	<u>9/30/2009</u>	<u>9/30/2008</u>
<u>OPERATING EXPENSES</u>		
Accounting	15,141	14,768
Advertising	-	-
Bank Charges	2,652	3,395
Board Fees	29,400	29,050
Depreciation	137,336	129,536
Insurance	15,384	14,944
Interest	42,316	40,087
Internet Service	720	967
Investigative Analysis	8,040	2,784
Management Expense	444,379	356,910
Membership Meetings	255	596
Miscellaneous	1,925	1,581
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Repairs and Maintenance	52,433	25,786
Telephone	1,460	1,523
Well Monitoring Fee	15,350	16,850
Well Mapping Fee	2,138	14,752
Utilities	<u>130,771</u>	<u>157,547</u>
<u>TOTAL OPERATING EXPENSES</u>	<u>903,106</u>	<u>820,628</u>
<u>OPERATING INCOME (LOSS)</u>	<u>200,627</u>	<u>126,609</u>
<u>OTHER REVENUES (EXPENSES)</u>		
Interest Earned	<u>2,783</u>	<u>22,314</u>
<u>TOTAL OTHER REVENUES (EXPENSES)</u>	<u>2,783</u>	<u>22,314</u>
<u>NET INCOME (LOSS)</u>	<u>203,410</u>	<u>148,923</u>

See auditors' report.

- 12 -