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VINTON PUBLIC POWER AUTHORITY
A COMPONENT UNIT OF THE TOWN OF VINTON, LOUISIANA
Annual Financial Report and Independent Auditors' Reports
Year Ended September 30, 2003

Under provisions of state law, this report is a public document. Copies of the report have been submitted to the entity and other appropriate public officials. The reports are 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: 4-29-04

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INDEPENDENT AUDITORS' REPORT

January 23, 2004

Board of Directors
Vinton Public Power Authority
Vinton, Louisiana

We have audited the accompanying general purpose financial statements of Vinton Public Power Authority, a component unit of the Town of Vinton, Louisiana, as of and for the year ended September 30, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of Vinton Public Power Authority management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Vinton Public Power Authority, as of September 30, 2003, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 23, 2004 on our consideration of Vinton Public Power Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Dragage, Caraday & Guilford

VINTON PUBLIC POWER AUTHORITY

Balance Sheet

September 30, 2003

	2003	2002
ASSETS		
Current assets		
Cash	\$ 743,030	\$ 452,512
Accounts receivable	212,889	227,207
Due from Saint Rayburn Municipal Power Agency (SRMPA)	-	61,586
Prepaid insurance	11,345	-
Total current assets	<u>967,264</u>	<u>741,305</u>
Restricted assets		
Cash	3,315,794	2,602,830
Fixed assets, net of cost, net of accumulated depreciation of \$389,221		
	18,415,070	15,725,563
Bond costs, net of accumulated amortization of \$74,627		
	<u>1,205,657</u>	<u>1,269,676</u>
TOTAL ASSETS	<u>\$ 20,902,262</u>	<u>\$ 20,340,372</u>
LIABILITIES AND RETAINED EARNINGS		
Current liabilities		
Accounts payable	\$ 380,537	\$ 483,218
Due to Town of Vinton, LA	-	4,454
Total current liabilities	<u>380,537</u>	<u>487,672</u>
Payable from restricted assets		
Interest payable	457,968	250,883
Current maturities of long-term debt	455,000	455,000
Long-term debt, net of current maturities		
	<u>17,835,005</u>	<u>17,835,000</u>
Total liabilities	<u>18,672,500</u>	<u>18,988,555</u>
Retained earnings		
Reserved for debt service	2,452,628	1,843,666
Unreserved	<u>(829,049)</u>	<u>(204,969)</u>
Total retained earnings	<u>1,623,579</u>	<u>1,638,697</u>
TOTAL LIABILITIES AND RETAINED EARNINGS	<u>\$ 20,902,262</u>	<u>\$ 20,340,372</u>

See accompanying notes.

VINTON PUBLIC POWER AUTHORITY

Statement of Revenues, Expenses and Changes in Retained Earnings

Year Ended September 30, 2003

	2003	2002
OPERATING REVENUES		
Charges for services, less rebate of \$30,779	\$ 2,248,233	\$ 2,038,048
Other income	73,658	27,658
Total operating revenues	<u>2,321,891</u>	<u>2,065,706</u>
OPERATING EXPENSES		
Advertising	119	538
Amortization	94,017	10,870
Depreciation	310,608	52,565
Dues	2,070	-
Insurance	14,838	902
Miscellaneous	168	1,648
Power cost	888,708	1,704,015
Professional fees	27,487	26,166
Repairs and maintenance	13,177	5,076
Secretarial	3,000	3,000
Telephone	3,368	-
Travel	2,742	18,732
Total operating expenses	<u>1,375,491</u>	<u>1,823,422</u>
Operating income	1,193,762	242,184
NONOPERATING REVENUES (EXPENSES)		
Interest income	80,261	17,139
NISCO revenue	-	688,876
Intergovernmental	27,900	24,500
Interest expense	<u>(815,831)</u>	<u>(150,997)</u>
Total nonoperating revenues (expenses)	<u>(707,670)</u>	<u>789,518</u>
Net income	486,092	961,702
RETAINED EARNINGS-BEGINNING	<u>1,368,687</u>	<u>365,071</u>
RETAINED EARNINGS-ENDING	<u>\$ 1,854,779</u>	<u>\$ 1,368,687</u>

See accompanying notes.

VINTON PUBLIC POWER AUTHORITY

Statement of Cash Flows

Year Ended September 30, 2003

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ 1,180,762	\$ 243,188
Adjustments to reconcile operating income to net cash provided by operating activities		
Amortization	54,319	10,670
Depreciation	375,626	52,599
(Increase) decrease in accounts receivable	15,521	(39,360)
(Increase) decrease in due from SRMPA	81,886	(59,890)
(Increase) decrease in prepaid insurance	(11,349)	-
Increase (decrease) in accounts payable	(100,891)	17,514
Increase (decrease) in due to Town of Vinton, LA	(4,454)	4,484
Increase (decrease) in interest payable	263,883	303,883
Net cash flows from operating activities	<u>1,738,607</u>	<u>433,388</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of bonds	-	16,200,000
Acquisition of fixed assets	(4,740)	(15,778,248)
Payment of bond issuance costs	-	(1,280,340)
Interest paid on bonds	(818,931)	(148,587)
Proceeds from Nisco and intergovernmental	22,500	882,878
Net cash flows from capital and related financing activities	<u>(701,171)</u>	<u>1,964,303</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	<u>68,281</u>	<u>17,126</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,005,617	2,414,917
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,055,150</u>	<u>640,230</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,060,767</u>	<u>\$ 3,055,150</u>
Supplemental disclosures:		
Cash paid for interest	<u>\$ 811,648</u>	<u>\$ 54,325</u>

See accompanying notes.

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2003

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Vinton Public Power Authority (VPPA) is a public power authority created pursuant to Article VI, Section 15 of the Louisiana Constitution of 1974, Louisiana Revised Statutes of 1995, as amended, Title 33, Section 4172 and by Ordinance No. 295, adopted by the Mayor and the Board of Aldermen of the Town of Vinton, LA on September 2, 1993. Louisiana Revised Statutes 33:4172 authorizes public power authorities to contract with the municipality creating it or any other public power authority for the sale of electric power for a term not exceeding 40 years on such terms and conditions as may be specified in a written contract which the power authority may negotiate and execute and provides authority for all other contractual arrangements incidental to the sale of such power. Resolutions were approved by the Mayor and Board of Aldermen of the Town of Vinton, LA, acting in effect as the Board of Directors of VPPA. The Directors receive no compensation for serving on the board. The Authority has no employees and utilizes Town of Vinton, Louisiana employees for any operating and administrative duties through a joint service agreement.

The accompanying general purpose financial statements of the Vinton Public Power Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significance of the governmental entity's accounting policies are described below.

1. Reporting Entity

The Authority is a component unit of the Town of Vinton, Louisiana, the financial reporting entity. The Town is financially accountable for the Authority because it appoints a voting majority of the board and has the ability to impose its will on them.

The accompanying financial statements present information only on the funds maintained by the Authority and do not present information on the Town, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2. Fund Accounting

The Vinton Public Power Authority uses a fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The following fund is used by the Authority:

Proprietary Fund Type:

Enterprise Fund –

The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses, including depreciation) of providing water services to the general public on a continuing basis is financed through user charges.

3. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund is included on the balance sheet.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Authority applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations.

4. Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits with original maturities of 90 days or less. Under state law, the Authority may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2003

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At September 30, 2003, the Authority has \$4,058,051 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$3,958,051 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

5. Accounts Receivable

Accounts receivable of \$212,286 is due from the Town of Vinton, LA, a related party and the Authority's only customer. Due to the nature of this transaction an allowance for bad debts is not recorded.

6. Statement of Cash Flow

For purpose of the statement of cash flow, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The statement reflects ending cash and cash equivalents of \$4,057,024 which represents unrestricted amounts of \$742,030 and restricted amounts of \$3,315,794.

7. Bond Costs

Bond issuance costs of \$1,350,346 is being amortized over the term of the bond issue, twenty years.

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2003

NOTE B – FIXED ASSETS

A summary of changes in fixed assets for the year follows:

	Beginning of year	Net Additions	End of Year
Plant	\$ 15,778,648	\$ 4,743	\$ 15,783,391
Less accumulated depreciation	<u>52,555</u>		<u>368,221</u>
TOTALS	\$ 15,726,093		\$ 15,415,170

Depreciation expense was \$315,620 for the year ended September 30, 2003.

All purchased fixed assets are valued at historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Plant	50 years
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NOTE C – LONG-TERM DEBT

A. Debt Outstanding

The following is a summary of bond transactions of the Authority for the year ended September 30, 2003:

Bonds payable, September 30, 2002	\$ 10,200,000
Bonds paid	
Bonds payable, September 30, 2003	<u>\$ 10,200,000</u>

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2003

NOTE C – LONG-TERM DEBT

Bonds payable at September 30, 2003 are comprised of the following individual issues:

\$18,290,000 Bonds dated July 1, 2002, due in annual installments of \$465,000-\$1,645,000 through October 1, 2021, interest at 3.0-5.0%	\$ 18,290,000
Less currently payable	455,000
Total Long-Term Debt	<u>\$ 17,835,000</u>

B. Debt Services Requirements to Maturity

The annual requirements to amortize all debts outstanding as of September 30, 2003 for the next five years, including interest payments, are as follows:

Year Ending September 30,	
2004	\$ 1,370,001
2005	1,323,101
2006	1,342,291
2007	1,385,391
2008	1,390,271
Thereafter	21,879,087

C. Section 6.11 Compliance

VPPA has complied for the year ended September 30, 2003 with the net revenue requirements of Section 6.11 of the loan agreement. Compliance with section 6.11 of the loan agreement allows VPPA to receive monies accumulated in the "Refund Fund."

With respect to section 6.11 of the loan agreement, net revenues available for debt service for the year ended September 30, 2003 (\$1,737,706) is in excess of the total debt service requirement (\$515,032) by at least 1.15 times (2.13 times).

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2003

NOTE D – COMPONENTS OF RESTRICTED ASSETS

	Revenue Fund	Debt Service Fund	Reserve Fund	Refund Fund
Cash and investments	\$ 4,078	\$ 862,984	\$ 1,732,967	\$ 315,281
	Operating Reserve Fund	Renewal & Replacement Fund	Non-Routine Maintenance Fund	Totals
Cash and investments	\$ 190,071	\$ 251,224	\$ 38,899	\$ 3,315,794

Certain proceeds of revenue bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "revenue fund" account is used to aggregate resources for power costs and net resources available for debt service. The "debt service fund" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "reserve fund" account is used to report resources set aside to make up potential future deficiencies in the debt service fund account. The "refund fund" account is used to accumulate excess funds in other restricted asset funds. The "operating reserve fund" account is used to accumulate funds for non-routine maintenance. The "renewal and replacement fund" account is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements. The "non-routine maintenance fund" account is used to accumulate funds for payment of extraordinary repairs and maintenance.

The amount of retained earnings reserved for revenue bond retirement is detailed as follows:

Restricted assets-cash and investments	\$ 3,315,794
Less: Current maturities of revenue bonds, payable	
from restricted assets	495,000
accrued interest, payable from restricted assets	607,968
Retained Earnings Reserved	\$ 2,452,826

NOTE E – POWER SUPPLY/SALES ARRANGEMENTS

Previously the Sam Rayburn Municipal Power Authority (SRMPA) provided all of the power requirements to VPPA for VPPA's retail load. VPPA, in turn, supplied all of the power requirements of the Town of Vinton, LA. The Town in turn sold the power to the end use customers. The SRMPA, VPPA, and the Town are all independent entities bound together through power supply and sales contracts and have been contractually bound in this manner since 1981. Recent developments made it attractive for VPPA to

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2003

NOTE E - POWER SUPPLY/SALES ARRANGEMENTS

exit its long-standing contractual relationship with the SRMPA after securing its own financing and power supplies. VPPA will continue its relationship as the Town of Vinton, LA's sole power supplier.

VPPA and the SRMPA have reached mutually agreeable terms and conditions for such exit which will allow VPPA to fix its debt load and take full advantage of expected growth, insure that the rates the Town must charge will be competitive with or below those that would be charged had VPPA remained in the SRMPA, assuming the growth rates and eliminate dependence on the SRMPA board.

In addition, VPPA simultaneously transferred its interest in the Nelson Unit No. 6 project to SRMPA, which was originally obtained from SRMPA on December 18, 1992.

Under a new Power Sales Contract, dated as of July 1, 2002, VPPA will agree to sell, and the Town will agree to buy on a "take or pay" basis, all power and energy which the Town shall require for its electric system. VPPA however, shall not be required to supply and the Town shall not be required to purchase power and energy in excess of the maximum power available to VPPA pursuant to the Exit Agreement. Under the Power Sales Contract, the Town agrees to take its all requirements power supply from VPPA and to pay for such supply as an operating expense.

The Town covenants in its Power Sales Contract with VPPA that the Town will establish and collect rates and charges for the electric services sufficient with other revenues and reserves to meet all of the obligations of the Town, including all amounts payable to VPPA under the Power Sales Contract, all operation and maintenance expenses, and debt service on any related revenue bonds.

VPPA accepts an assignment from SRMPA of certain rights and benefits in, and assume a payment obligation under, the Requirements Power Supply Agreement ("RPSA"), dated November 1, 1988, as amended by Amendment No. 1, dated November 1, 1988, between Entergy Power Marketing Corp. ("EPMC", now merged into Entergy-Koch Trading LP or "EKT"), and SRMPA as assigned without novation by EPMC to EWO Marketing LP ("EWMK"). VPPA will thereafter purchase all its requirements power supply, net of certain hydroelectric power resources, under the RPSA. The term of the RPSA expired September 30, 2001. SRMPA will likewise also assign to VPPA certain rights and benefits with respect to the R.D. Willis Hydro Project. VPPA will retain an entitlement to the output of the Sam Rayburn Dam Project.

The \$18,250,000 bond proceeds were used by VPPA to make payment to SRMPA (i) to discharge VPPA from all obligations under its power sales agreement with SRMPA, (ii) to purchase two substations for electric power transmissions, and (iii) to obtain by assignment from SRMPA VPPA's share of SRMPA's rights under the Supply and Transmissions Agreements. Additionally, the proceeds were used to provide funds to

VINTON PUBLIC POWER AUTHORITY

Notes to the Financial Statements

September 30, 2003

NOTE E – POWER SUPPLY/SALES ARRANGEMENTS – CONTINUED

fund debt service funds, to pay the costs of issuance of the Bonds and certain other expenses of VPPA. Under the terms of the Participation Exit Agreement between SRMPA and VPPA, VPPA agreed to pay to SRMPA, from the proceeds of the Loan from the issuer, \$15,778,048.

NOTE F – CONCENTRATIONS

VPPA has only one customer, the Town of Vinton, Louisiana. Because of this, VPPA is susceptible to economic conditions that could affect its only customer.

NOTE G – SERVICE AGREEMENT AND ASSIGNMENT OF RETAIL LOAD

Pursuant to an agreement between Entergy Gulf States, Inc. (EGSI) and Vinton Public Power Authority (VPPA) for electric capacity and energy services, EGSI will deliver energy and VPPA will purchase energy sufficient to fulfill those contracts assigned to VPPA by EGSI. This agreement was finalized on May 25, 2001 and unless terminated sooner, will end on April 30, 2008. This agreement was approved by the Louisiana Public Service Commission (LPSC) on February 16, 2001. The agreement may be terminated on 90 days notice without cause and without recourse by EGSI, VPPA, or the LPSC. The Board of Directors of VPPA approved this agreement on March 13, 2001. The terms of this engagement specifies that VPPA will receive the lower of one-half of an amount computed annually prior to that year or \$2,250,000 in a monthly payment. The payments for the year ended September 30, 2003 were \$0.00. The annual sum is computed by market based calculation in which VPPA receives one half of any positive margin opportunities.

In an agreement for the assignment of retail load between EGSI and VPPA, EGSI assigned the rights to serve certain retail load to VPPA. VPPA agreed to take assignment from EGSI of the purchase and delivery of the electrical output from the NISCO generation facilities for application in the provision of electrical service to the assigned load. This agreement was finalized on May 25, 2001 and unless terminated sooner, will end on April 30, 2008. This agreement was approved by the LPSC on February 16, 2001. The agreement may be terminated on 90 days notice without cause and without recourse by EGSI, VPPA or the LPSC. The Board of Directors of VPPA approved this agreement on March 13, 2001.



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

January 23, 2004

Board of Directors
Vinton Public Power Authority
A Component Unit of the Town of Vinton, Louisiana
Vinton, Louisiana

We have audited the general purpose financial statements of Vinton Public Power Authority, a component unit of the Town of Vinton, Louisiana, as of and for the year ended September 30, 2003, and have issued our report thereon dated January 23, 2004. We conducted our audits 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.

Compliance

As part of obtaining reasonable assurance about whether Vinton Public Power Authority's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Vinton Public Power Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Board of Directors
Vinton Public Power Authority
Page Two

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and the Board of Directors and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor of the State of Louisiana as a public document.

Sharon Covington, Director