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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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To the Board of Commissioners,
Sabine River Compact Administration
States of Texas and Louisiana

We have audited the financial statements of the Sabine River Compact Administration, a component unit of the State of Texas and State of Louisiana, as of and for the year ended August 31, 1996, and have issued our report thereon dated September 15, 1996.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States and the Louisiana Governmental Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations and contracts applicable to the Administration is the responsibility of the Administration's management. As part of obtaining reasonable assurance about whether the aforementioned financial statements are free of material misstatement, we performed tests of the Administration's compliance with certain provisions of laws, regulations and contracts. However, our objective was not to provide an opinion on overall compliance with such provisions. 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.

This report is intended for the information of management and Federal and State audit agencies. However, this report is a matter of public record and its distribution is not limited.

Broussard, Poche, Lewis & Breaux

Lafayette, Louisiana
September 15, 1996

In planning and performing our audit of the above referenced financial statements of the Administration for the year ended August 31, 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the 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. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the management and Federal and State audit agencies. However, this report is a matter of public record and its distribution is not limited.

Brussard, Poche, Lewis & Breaux

Lafayette, Louisiana
September 15, 1996



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE RELATED MATTERS NOTED IN A FINANCIAL
STATEMENT AUDIT CONDUCTED IN ACCORDANCE WITH
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We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and the Louisiana Governmental Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the Administration is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedure may deteriorate.

NOTES TO FINANCIAL STATEMENTS

are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

The two major sources of revenues are intergovernmental and interest. Both of these are susceptible to accrual.

Budgets:

Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual appropriated budget is adopted for the General Fund. The budget is prepared by the Sabine River Compact Administration management for formal approval by the Board of Commissioners. Any amendments to the original budget are approved by the Board of Commissioners. Budgeted amounts are as originally adopted or as amended.

Cash and investments:

Cash consists of amounts in interest bearing deposit accounts. Investments consist of bank certificates of deposit and are stated at cost.

Comparative data:

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Administration's financial position and operations.

Note 2. Deposits

The carrying amount of deposits was \$32,544 and \$35,639 and the bank balance was \$32,544 and \$35,639 at August 31, 1996 and 1995, respectively. The entire bank balance was covered by federal depository insurance.

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**SABINE RIVER COMPACT ADMINISTRATION
FINANCIAL REPORT
AUGUST 31, 1996**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 DEC 04 1996



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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Sabine River Compact Administration
States of Texas and Louisiana

We have audited the accompanying financial statements of the Sabine River Compact Administration, a component unit of the State of Texas and State of Louisiana, as of and for the year ended August 31, 1996, as listed in the table of contents. These financial statements are the responsibility of the Administration's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, the standards for financial and compliance audits contained in Government Auditing Standards, issued by the U.S. General Accounting Office, and the Louisiana Governmental Audit Guide. 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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of Sabine River Compact Administration as of August 31, 1996, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

The financial information for the preceding year which is included for comparative purposes was taken from the financial report for that year in which we expressed an unqualified opinion on the general purpose financial statements of Sabine River Compact Administration.

In accordance with Government Auditing Standards, we have also issued a report dated September 15, 1996, on our consideration of Sabine River Authority's internal control structure and a report dated September 15, 1996, on its compliance with laws and regulations.

Broussard, Roche, Lewis & Breau

Lafayette, Louisiana
September 15, 1996

SABINE RIVER COMPACT ADMINISTRATION

BALANCE SHEETS
August 31, 1996 and 1995

ASSETS	<u>1996</u>	<u>1995</u>
Cash	\$ 32,544	\$ 639
Certificate of deposit	-	35,000
Interest receivable	-	<u>571</u>
 Total assets	 <u>\$ 32,544</u>	 <u>\$ 36,210</u>
 LIABILITIES AND FUND EQUITY		
Accounts payable	\$ 19,557	\$ 14,161
Fund balance - undesignated	<u>12,987</u>	<u>22,049</u>
 Total liabilities and fund equity	 <u>\$ 32,544</u>	 <u>\$ 36,210</u>

See Notes to Financial Statements.

SABINE RIVER COMPACT ADMINISTRATION

STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - GOVERNMENTAL FUND TYPE
 Years Ended August 31, 1996 and 1995

	<u>General Fund</u>	
	<u>1996</u>	<u>1995</u>
Revenues:		
Intergovernmental	\$ 57,024	\$ 57,976
Interest	<u>1,746</u>	<u>1,559</u>
Total revenues	58,770	59,535
Expenditures:		
General government	<u>67,832</u>	<u>82,599</u>
Deficiency of revenues over expenditures	(9,062)	(23,064)
Fund balance, beginning	<u>22,049</u>	<u>45,113</u>
Fund balance, ending	<u>\$ 12,987</u>	<u>\$ 22,049</u>

See Notes to Financial Statements.

SABINE RIVER COMPACT ADMINISTRATION

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of the Sabine River Compact Administration have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Administration's accounting policies are described below.

Reporting entity:

The Sabine River Compact Administration, a component unit of the State of Texas and State of Louisiana, is an entity formed by a compact entered into by the State of Texas and the State of Louisiana on January 26, 1953, under authority granted by an Act of the Congress of the United States approved November 1, 1951, (Public Law No. 252, 82nd Congress, First Session). The Act was amended on October 30, 1992 (Public Law No. 102-575 of the 102 Congress). The objective of the Compact is to provide equitable apportionment of the waters of the Sabine River and its tributaries between the two states. The operation is administered by an Inter-State Administrative Agency composed of two members appointed by the Governor of Texas and two members appointed by the Governor of Louisiana; and one member, as representative of the United States appointed by the President of the United States, which member shall be ex-officio chairman of the Administration without vote and shall not be a domiciliary of or resident in either state.

Fund accounting:

The Administration uses one 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 related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts.

The General Fund, a governmental fund type, is the general operating fund of the Administration. It is used to account for all the financial resources of the Administration.

Basis of accounting:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally

SABINE RIVER COMPACT ADMINISTRATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND
ACTUAL - GOVERNMENTAL FUND TYPE

For the Year Ended August 31, 1996

With Comparative Actual Amounts for Year Ended August 31, 1995

	General Fund		Variance - (Over) Under	1995 Actual
	Budget	1996 Actual		
Revenues:				
Intergovernmental -				
Contributions:				
State of Texas	\$ 28,512	\$ 28,512	\$ -	\$ 28,988
State of Louisiana	28,512	28,512	-	28,988
Interest income	-	1,746	(1,746)	1,559
Total revenues	<u>57,024</u>	<u>58,770</u>	<u>(1,746)</u>	<u>59,535</u>
Expenditures:				
General government -				
Maintenance - office of:				
Secretary	4,400	4,400	-	4,400
Treasurer	1,800	1,800	-	1,800
Water resources				
investigation	56,975	59,555	(2,580)	75,550
Audit fees	800	800	-	800
Other	950	1,277	(327)	49
Total expenditures	<u>64,925</u>	<u>67,832</u>	<u>(2,907)</u>	<u>82,599</u>
Deficiency of revenues over expenditures	<u>\$ (7,901)</u>	(9,062)	<u>\$ (1,161)</u>	(23,064)
Fund balance, beginning		<u>22,049</u>		<u>45,113</u>
Fund balance, ending		<u>\$ 12,987</u>		<u>\$ 22,049</u>

See Notes to Financial Statements.