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POVERTY POINT RESERVOIR DISTRICT
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
EELHI, LOUISIANA

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GENERAL PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORTS
AS OF AND FOR THE YEARS ENDED
JUNE 30, 1998 AND JUNE 30, 1997

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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 10/1/1998

POVERTY POINT RESERVOIR DISTRICT
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA

GENERAL PURPOSE FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORTS
AS OF AND FOR THE YEARS ENDED
JUNE 30, 1998 AND JUNE 30, 1997

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INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

Board of Directors
Poverty Point Reservoir District of Louisiana
Department of Transportation and Development
State of Louisiana
Delhi, Louisiana

We have audited the accompanying general purpose financial statements of the Poverty Point Reservoir District of Louisiana, a component unit of the State of Louisiana, as of and for the years ended June 30, 1998 and June 30, 1997, as listed in the foregoing Table of Contents. These financial statements are the responsibility of the Poverty Point Reservoir District of Louisiana. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and generally accepted governmental auditing standards contained in the 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 financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the accompanying general purpose financial statements present fairly the financial position of the Poverty Point Reservoir District of Louisiana as of June 30, 1998 and June 30, 1997, and the results of operations for the years then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated September 23, 1998, on our consideration of the Poverty Point Reservoir District of Louisiana's internal control structure and a report dated September 23, 1998, on its compliance with laws and regulations.

Cochran, Clark & Robinson

Rayville, Louisiana
September 23, 1998

POVERTY POINT RESERVOIR DISTRICT
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999

| | <u>Governmental Fund Types</u> | | <u>Account Groups</u> | | <u>Totals</u> | |
|--|--------------------------------|-------------------------|-----------------------------|-----------------------|------------------|-------------------------------|
| | <u>General Fund</u> | <u>Capital Projects</u> | <u>General Fixed Assets</u> | <u>Long-Term Debt</u> | <u>1998</u> | <u>(Memorandum Only) 1997</u> |
| ASSETS AND OTHER DEBITS | | | | | | |
| Assets: | | | | | | |
| Cash & Cash Equivalents | 205,625 | 249,291 | - | - | 453,896 | 475,973 |
| Accounts Receivable | - | - | - | - | - | 450 |
| Intergovernmental | - | 359,643 | - | - | 359,643 | 36,257 |
| Fixed Assets | - | - | 3,052,108 | - | 3,052,108 | 2,952,544 |
| Prepaid Assets | 4,440 | 3,037 | - | - | 7,477 | 6,080 |
| Other Debits: | | | | | | |
| Amount to be Provided for General Long-Term Debt | - | - | - | 24,033 | 24,033 | 15,675 |
| TOTAL ASSETS AND OTHER DEBITS | <u>210,055</u> | <u>610,961</u> | <u>3,052,108</u> | <u>24,033</u> | <u>3,897,157</u> | <u>3,486,979</u> |
| LIABILITIES, EQUITY AND OTHER CREDITS | | | | | | |
| Liabilities: | | | | | | |
| Accounts Payable | 5,429 | 366,761 | - | - | 372,190 | 29,208 |
| Payroll Taxes Payable | 1,227 | - | - | - | 1,227 | 857 |
| Accrued Expenditures | 1,545 | - | - | - | 1,545 | 1,443 |
| Deferred Revenue | - | 249,863 | - | - | 249,863 | 293,123 |
| Long-Term Obligations | - | - | - | 24,033 | 24,033 | 15,675 |
| Total Liabilities | <u>9,201</u> | <u>616,624</u> | <u>-</u> | <u>24,033</u> | <u>648,858</u> | <u>340,306</u> |
| Equity and Other Credits: | | | | | | |
| Investment in General Fixed Assets | - | - | 3,052,108 | - | 3,052,108 | 2,952,544 |
| Fund Balance: | | | | | | |
| Unreserved | 201,854 | (5,663) | - | - | 196,191 | 194,129 |
| Total Equity and Other Credits | <u>201,854</u> | <u>(5,663)</u> | <u>3,052,108</u> | <u>-</u> | <u>3,248,299</u> | <u>3,146,673</u> |
| TOTAL LIABILITIES, EQUITY AND OTHER CREDITS | <u>210,055</u> | <u>610,961</u> | <u>3,052,108</u> | <u>24,033</u> | <u>3,897,157</u> | <u>3,486,979</u> |

The notes to the financial statements are an integral part of this statement.

POVERTY POINT RESERVOIR DISTRICT
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1997

| | Governmental Fund Types | | Account Groups | | Totals (Memorandum Only) 1997 |
|---|-------------------------|------------------|----------------------|------------------------|-------------------------------------|
| | General Fund | Capital Projects | General Fixed Assets | General Long-Term Debt | |
| ASSETS AND OTHER DEBITS | | | | | |
| Assets: | | | | | |
| Cash & Cash Equivalents | 199,792 | 276,191 | - | - | 475,973 |
| Accounts Receivable | - | 450 | - | - | 450 |
| Intergovernmental | - | 36,257 | - | - | 36,257 |
| Fixed Assets | - | - | 2,952,544 | - | 2,952,544 |
| Prepaid Asset | 4,440 | 1,640 | - | - | 6,080 |
| Other Debits: | | | | | |
| Amount to be provided for General Long-Term Debt | - | - | - | 15,675 | 15,675 |
| TOTAL ASSETS AND OTHER DEBITS | <u>204,222</u> | <u>314,538</u> | <u>2,952,544</u> | <u>15,675</u> | <u>3,486,979</u> |
| LIABILITIES, EQUITY AND OTHER CREDITS | | | | | |
| Liabilities: | | | | | |
| Accounts Payable | 1,321 | 27,887 | - | - | 29,208 |
| Payroll Taxes Payable | 857 | - | - | - | 857 |
| Accrued Expenditures | 1,443 | - | - | - | 1,443 |
| Deferred Revenue | - | 293,123 | - | - | 293,123 |
| Long-term Obligations | - | - | - | 15,675 | 15,675 |
| Total Liabilities | <u>3,621</u> | <u>321,010</u> | <u>-</u> | <u>15,675</u> | <u>340,306</u> |
| Equity and Other Credits: | | | | | |
| Investment in General | - | - | 2,952,544 | - | 2,952,544 |
| Fixed Assets | - | - | - | - | - |
| Fund Balance: | | | | | |
| Unreserved | 200,601 | (6,472) | - | - | 194,129 |
| Total Equity and Other Credits | <u>200,601</u> | <u>(6,472)</u> | <u>2,952,544</u> | <u>-</u> | <u>3,146,673</u> |
| TOTAL LIABILITIES, EQUITY AND OTHER CREDITS | <u>204,222</u> | <u>314,538</u> | <u>2,952,544</u> | <u>15,675</u> | <u>3,486,979</u> |

The notes to the financial statements are an integral part of this statement.

POVERTY POINT RESERVOIR DISTRICT
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1998

| | <u>Governmental Fund Types</u> | | <u>Totals</u> (Memorandum Only) | |
|---|--------------------------------|-----------------------------|------------------------------------|------------------|
| | <u>General</u> | <u>Capital Projects</u> | <u>1998</u> | <u>1997</u> |
| | Revenues: | | | |
| Intergovernmental | 100,000 | 2,228,843 | 2,328,843 | 1,502,117 |
| Interest | 9,210 | 8,394 | 17,604 | 18,456 |
| Other | 8,755 | - | 8,755 | 66,398 |
| Total Revenue | <u>117,965</u> | <u>2,237,237</u> | <u>2,355,202</u> | <u>1,586,971</u> |
| Expenditures: | | | | |
| Current | | | | |
| Advertising | - | 275 | 275 | 491 |
| Ancillary | 1,000 | - | 1,000 | 912 |
| Automobile | - | - | - | 3,096 |
| Insurance | 20,555 | 1,903 | 22,458 | 11,333 |
| Miscellaneous | 4,748 | 1,906 | 6,654 | 4,582 |
| Office Supplies | 1,600 | 912 | 2,512 | 4,028 |
| Professional | 1,015 | - | 1,015 | 9,937 |
| Repair & Maintenance | 3,550 | 5,020 | 8,570 | 8,914 |
| Retirement | 8,976 | - | 8,976 | 7,798 |
| Salaries | 68,978 | - | 68,978 | 62,856 |
| Travel | 7,016 | - | 7,016 | 5,818 |
| Utilities | 6,409 | - | 6,409 | 6,647 |
| Total Current | <u>123,847</u> | <u>10,016</u> | <u>133,863</u> | <u>126,412</u> |
| Capital Outlay | 450 | 2,218,827 | 2,219,277 | 1,413,272 |
| Total Expenditures | <u>124,297</u> | <u>2,228,843</u> | <u>2,353,140</u> | <u>1,539,684</u> |
| Excess (Deficiency) of Revenues over Expenditures | (6,332) | 8,394 | 2,062 | 47,287 |
| Other Financing Sources (Uses) | | | | |
| Operating Transfers In | 7,585 | - | 7,585 | 16,215 |
| Operating Transfers Out | - | (7,585) | (7,585) | (16,215) |
| Total Other Financing Sources (Uses) | <u>7,585</u> | <u>(7,585)</u> | <u>-</u> | <u>-</u> |
| Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses | 1,253 | 809 | 2,062 | 47,287 |
| Fund Balance at Beginning of Year | <u>200,601</u> | <u>(6,472)</u> | <u>194,129</u> | <u>146,842</u> |
| Fund Balance at End of Year | 201,854 | (5,663) | 196,191 | 194,129 |

The notes to the financial statements are an integral part of this statement.

POVERTY POINT RESERVOIR DISTRICT
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1997

| | <u>Governmental Fund Types</u> | | <u>Totals</u> (Memorandum Only) |
|--|--------------------------------|-----------------------------|------------------------------------|
| | <u>General</u> | <u>Capital Projects</u> | |
| Revenues: | | | |
| Intergovernmental | 75,000 | 1,427,117 | 1,502,117 |
| Interest | 7,344 | 11,112 | 18,456 |
| Other | 66,398 | - | 66,398 |
| Total Revenue | <u>148,742</u> | <u>1,438,229</u> | <u>1,586,971</u> |
| Expenditures: | | | |
| Current | | | |
| Advertising | - | 491 | 491 |
| Ancillary | 912 | - | 912 |
| Automobile | 3,096 | - | 3,096 |
| Insurance | 11,333 | - | 11,333 |
| Miscellaneous | 3,384 | 1,198 | 4,582 |
| Office Supplies | 2,453 | 1,575 | 4,028 |
| Professional | 4,500 | 5,437 | 9,937 |
| Repairs & Maintenance | 3,770 | 5,144 | 8,914 |
| Retirement | 7,798 | - | 7,798 |
| Salaries | 62,856 | - | 62,856 |
| Travel | 5,818 | - | 5,818 |
| Utilities | 6,647 | - | 6,647 |
| Total Current | <u>112,567</u> | <u>13,845</u> | <u>126,412</u> |
| Capital Outlay | - | 1,413,272 | 1,413,272 |
| Total Expenditures | <u>112,567</u> | <u>1,427,117</u> | <u>1,539,684</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>36,175</u> | <u>11,112</u> | <u>47,287</u> |
| Other Financing Sources (Uses) | | | |
| Operating Transfers In | 16,215 | - | 16,215 |
| Operating Transfers Out | - | (16,215) | (16,215) |
| Total Other Financing Sources (Uses) | <u>16,215</u> | <u>(16,215)</u> | <u>-</u> |
| Excess (Deficiency) of Revenues and Other Sources over (under) Expenditures and Other Uses | 52,390 | (5,103) | 47,287 |
| Fund Balance at Beginning of Year | <u>148,211</u> | <u>(1,369)</u> | <u>146,842</u> |
| Fund Balance at End of Year | 200,601 | (6,472) | 194,129 |

The notes to the financial statements are an integral part of this statement.

POVERTY POINT RESERVOIR DISTRICT
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
COMPARATIVE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997

| | <u>1998</u> | | <u>1997</u> | |
|---|----------------|----------------|----------------|----------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Budget</u> | <u>Actual</u> |
| Revenues: | | | | |
| Intergovernmental | 100,000 | 100,000 | 75,000 | 75,000 |
| Interest | 10,000 | 9,210 | 7,500 | 7,344 |
| Other | 8,000 | 8,755 | 28,188 | 66,398 |
| Total Revenue | <u>118,000</u> | <u>117,965</u> | <u>110,688</u> | <u>148,742</u> |
| Expenditures: | | | | |
| Current | | | | |
| Ancillary | 994 | 1,000 | 907 | 912 |
| Automobile | 2,800 | - | 2,500 | 3,096 |
| Insurance | 17,310 | 20,555 | 16,500 | 11,333 |
| Miscellaneous | 4,000 | 4,748 | 4,000 | 3,384 |
| Office Maintenance | 4,200 | 3,550 | 4,800 | 3,770 |
| Office Supplies | 2,500 | 1,600 | 3,000 | 2,453 |
| Professional | 2,500 | 1,015 | 4,700 | 4,500 |
| Retirement | 8,915 | 8,976 | 7,754 | 7,798 |
| Salaries | 68,575 | 68,978 | 62,527 | 62,856 |
| Travel | 7,500 | 7,016 | 7,500 | 5,818 |
| Utilities | 7,200 | 6,409 | 6,500 | 6,647 |
| Total Current | <u>126,494</u> | <u>123,847</u> | <u>120,688</u> | <u>112,567</u> |
| Capital Outlay | 2,000 | 450 | 4,000 | - |
| Total Expenditures | <u>128,494</u> | <u>124,297</u> | <u>124,688</u> | <u>112,567</u> |
| Excess (Deficiency) of Revenues over Expenditures | (10,494) | (6,332) | (14,000) | 36,175 |
| Other Financing Sources (Uses) | | | | |
| Operating Transfers In | - | 7,585 | - | 16,215 |
| Operating Transfers Out | - | - | - | - |
| Total Other Financing Sources (Uses) | - | 7,585 | - | 16,215 |
| Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses | (10,494) | 1,253 | (14,000) | 52,390 |
| Fund Balance at Beginning of Year | <u>115,714</u> | <u>200,601</u> | <u>18,609</u> | <u>148,211</u> |
| Fund Balance at End of Year | 105,220 | 201,854 | 4,609 | 200,601 |

The notes to the financial statements are an integral part of this statement.

POVERTY POINT RESERVOIR DISTRICT
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
JUNE 30, 1998 AND JUNE 30, 1997

INTRODUCTION

The Poverty Point Reservoir District is a component unit of the State of Louisiana created within the Department of Transportation and Development, as provided by Louisiana Revised Statutes (LSA-R.S.) 38:3087.1 through 38:3087.15. The board is composed of nine members, appointed by the governor from the parishes of Richland, Madison, East Carroll and West Carroll. The district is created for the purpose of the development of the wealth and natural resources of the district by the conservation of soil and water for agricultural, recreational, commercial, industrial, and sanitary purposes. The creation and maintenance of a lake within the district shall be for such purposes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for established governmental accounting and financial reporting principles.

B. REPORTING ENTITY

The oversight reporting entity is the State of Louisiana. The district is considered a component unit of the State of Louisiana because the State exercises oversight responsibility in that the governor appoints the board members and public service is rendered within the State's boundaries. The accompanying financial statements represent the activities of the Poverty Point Reservoir District of Louisiana and therefore are a part of the fund and account group structure of the general purpose financial statements of the State of Louisiana.

C. FUND ACCOUNTING

The district uses governmental funds (General Fund and Capital Projects Fund) and account groups 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 governmental functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

POVERTY POINT RESERVOIR DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1998 AND JUNE 30, 1997

C. FUND ACCOUNTING (continued)

The General Fund, a governmental fund, is the general operating fund of the District and accounts for all financial resources. Revenues are accounted for in this fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. General operating expenditures are paid from this fund.

The Capital Projects Fund is classified as a governmental fund. It is used to account for the purchase or construction of major capital facilities. Intergovernmental revenues provide the financing for the acquisition of real property and the construction of the lake for the district.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. No depreciation has been provided on general fixed assets. Costs expended for appraisals, archeology, engineering, legal and other technical services are capitalized with the cost of land. All fixed assets are recorded at historical cost. Interest costs will be capitalized with fixed asset costs.

Infrastructure or public domain fixed assets are not recorded as a part of the general fixed asset account group.

Long-term obligations expected to be financed from the General Fund are accounted for in the general long-term obligations account group.

D. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. The measurement focus of governmental funds is on expenditures which represents decreases in net financial resources. Most expenditures are measurable and should be recorded when the related liability is incurred. The expenditures shall be the amount accrued during the year that would normally be liquidated with expendable available financial resources.

In the General Fund, intergovernmental revenue is the primary revenue source and it is recorded as revenue when collectibility is assured.

POVERTY POINT RESERVOIR DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1998 AND JUNE 30, 1997

D. BASIS OF ACCOUNTING (continued)

In the Capital Projects Fund, intergovernmental grants represents the primary revenue source. Grant resources are recognized as revenue when the measurable and available criteria are satisfied. As the grantee government unit satisfies the requirements of the grantor government when appropriate expenditures as defined by the program are incurred, the receipts of capital grant monies are recorded as revenue as the appropriate expenditures are made.

Receipt of capital grant monies before the incurrence of expenditures by the capital projects fund is recorded as deferred revenue.

Expenditures in the General Fund and the Capital Projects Fund are recognized under the modified accrual basis of accounting when the related fund liability is incurred. Accumulated vacation leave and sick leave is recognized when paid in the general fund.

E. BUDGET PRACTICES

Annually the District adopts a budget for the General Fund. The budget is adopted prior to the start of the fiscal year and is prepared on the modified accrual basis of accounting. The board of directors is responsible for the adoption and any amendments to the budget. Although budget amounts lapse at year end, the board retains its unexpended fund balance to fund expenditures of the succeeding year. The budget is used as a management control device during the year. Budget accounts reflected in the financial statements reflect the adopted budget. There were no amendments to the budgets for the years ended June 30, 1998 and June 30, 1997.

F. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and interest-bearing demand deposits. Cash equivalents include amounts in time deposits. Under state law, the district may deposit funds with a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The district may also invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal offices in the State of Louisiana, in savings accounts or shares of savings and loan associations and savings banks, and in share accounts and share certificate accounts of federal or state chartered credit unions.

POVERTY POINT RESERVOIR DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 1998 AND JUNE 30, 1997

G. EMPLOYEE COMPENSATED ABSENCES

Employees of the district earn and accumulate vacation and sick leave at varying rates, depending upon years of service. The amount of vacation and sick leave that may be accumulated is unlimited. Prior accumulated time with qualifying governmental agencies may be transferred. Upon termination, employees or their heirs are compensated for up to 300 hours of unused vacation leave at the employee's hourly rate at the time of termination. Current leave is recognized as a current year expenditures in the general fund when the leave is taken. The liability for accumulated leave is recorded in the general long-term debt account group.

H. TOTAL COLUMN ON COMBINED STATEMENTS

The total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The District has a deficit fund balance in the Capital Projects Fund of \$5,663 at June 30, 1998 and \$6,472 at June 30, 1997. Operating transfers to the General Fund will be reduced in the succeeding year to clear the deficit fund balances.

III. CASH AND CASH EQUIVALENTS

At June 30, the district has cash and cash equivalents (book balances) as follows:

| | <u>6-30-98</u> | <u>6-30-97</u> |
|-------------------|----------------|----------------|
| Petty Cash | 150 | 150 |
| Checking Accounts | 65,824 | 153,787 |
| Time deposits | <u>387,922</u> | <u>322,036</u> |
| TOTAL | 453,896 | 475,973 |

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the 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. Other information on cash and cash equivalents is included in the summary of significant accounting policies.

POVERTY POINT RESERVOIR DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1998 AND JUNE 30, 1997

III. CASH AND CASH EQUIVALENTS (continued)

| | <u>Cash Equivalents</u> | | | <u>Total</u> |
|---|-------------------------|-------------------------------------|-----------------------------|----------------|
| | <u>Cash</u> | <u>Certificates of Deposits</u> | <u>Other (Describe)</u> | |
| At June 30, 1998: Carrying Amount on Balance Sheet | 65,974 | 387,922 | - | 453,896 |
| <u>Bank Balances:</u> | | | | |
| a: Insured (FDIC) or collateralized with securities held by the entity or its agent <u>in the entity's name</u> | <u>100,000</u> | <u>100,000</u> | <u>-</u> | <u>200,000</u> |
| b: Collateralized with securities held by pledging financial institution's trust department or agent <u>in the entity's name</u> | - | - | - | - |
| c: Uncollateralized, including any secur- ities held for the entity but <u>not in the entity's name</u> | <u>126,398</u> | <u>287,922</u> | <u>-</u> | <u>414,320</u> |
| Total Bank Balances | 226,398 | 387,922 | - | 614,320 |

| | <u>Cash Equivalents</u> | | | <u>Total</u> |
|---|-------------------------|-------------------------------------|-----------------------------|----------------|
| | <u>Cash</u> | <u>Certificates of Deposits</u> | <u>Other (Describe)</u> | |
| At June 30, 1997: Carrying Amount on Balance Sheet | 153,937 | 322,036 | - | 475,973 |
| <u>Bank Balances:</u> | | | | |
| a: Insured (FDIC) or collateralized with securities held by the entity or its agent <u>in the entity's name</u> | <u>100,000</u> | <u>100,000</u> | <u>-</u> | <u>200,000</u> |
| b: Collateralized with securities held by pledging financial institution's trust department or agent <u>in the entity's name</u> | - | - | - | - |
| c: Uncollateralized, including any secur- ities held for the entity but <u>not in the entity's name</u> | <u>54,057</u> | <u>222,036</u> | <u>-</u> | <u>276,093</u> |
| Total Bank Balances | 154,057 | 322,036 | - | 476,093 |

POVERTY POINT RESERVOIR DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1998 AND JUNE 30, 1997

III. CASH AND CASH EQUIVALENTS (continued)

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, LSA-R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

IV. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 1998 in the amount of \$359,643, and at June 30, 1997 in the amount of \$36,257, is from intergovernmental revenues to be received for the expenditures for property acquisition, equipment, appraisals, construction, engineering, legal and technical services incurred in the property acquisition and construction of the lake.

V. INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 1998 and June 30, 1997 there were no interfund receivables and payables.

VI. CHANGES IN GENERAL FIXED ASSETS

The changes in general fixed assets follow:

| | Balance 7/01/96 | Additions | Deductions | Balance 6/30/97 |
|---------------------|--------------------|-----------|------------|--------------------|
| Furniture; fixtures | 3,496 | 5,172 | - | 8,668 |
| Land | 2,644,439 | 105,872 | - | 2,750,311 |
| Equipment | 156 | 31,042 | - | 31,198 |
| Buildings | 133,189 | 1,984 | - | 135,173 |
| Office Equipment | 11,864 | 748 | - | 12,612 |
| Vehicles | 14,582 | - | - | 14,582 |
| TOTAL | 2,807,726 | 144,818 | - | 2,952,544 |

| | Balance 7/01/97 | Additions | Deductions | Balance 6/30/98 |
|---------------------|--------------------|-----------|------------|--------------------|
| Furniture; fixtures | 8,668 | - | - | 8,668 |
| Land | 2,750,311 | 6,286 | - | 2,756,597 |
| Equipment | 31,198 | 25,612 | - | 56,810 |
| Buildings | 135,173 | 29,489 | - | 164,662 |
| Office Equipment | 12,612 | 1,569 | - | 14,181 |
| Vehicles | 14,582 | 24,686 | - | 39,268 |
| Lot Development | - | 11,922 | - | 11,922 |
| TOTAL | 2,952,545 | 99,564 | - | 3,052,108 |

In accordance with LSA-R.S. 39:321-332, the district has complied with the movable property statutes of the State of Louisiana.

POVERTY POINT RESERVOIR DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 1998 AND JUNE 30, 1997

VII. CHANGES IN LONG-TERM OBLIGATIONS

General long-term obligations consist entirely of compensated absences. The following is a summary of the long term obligation transactions for each year:

| | |
|--|-----------------|
| Long-term obligations payable at July 1, 1996 | 10,001 |
| Additions | 8,147 |
| Deductions | <u>(2,473)</u> |
| Long-term obligations payable at June 30, 1997 | 15,675 |
| Long-term obligations payable at July 1, 1997 | 15,675 |
| Additions | 10,677 |
| Deductions | <u>(2,319)</u> |
| Long-term obligations payable at June 30, 1998 | 24,033 |

VIII. PENSION PLANS

All employees of the district are members of the Louisiana State Employees Retirement System (System), a cost sharing multiple-employer, defined benefit pension plan. The System is a statewide public employee retirement system (PERS) for the benefit of state employees, which is administered and controlled by a separate board of trustees.

Generally, all full-time employees are eligible to participate in the System. Benefits vest with 10 years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5 percent of their highest consecutive 36-months average salary multiplied by the years of credited service. Vested employees may retire at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. In addition, vested employees have the option of reduced benefits at any age with 20 years of service. The System also provides death and disability benefits. Benefits are established or amended by state statute. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (504)922-0608 or (800)256-3000.

Members are required by state statute to contribute 7.5 percent of gross salary, and the board is required to contribute at an actuarially determined rate as required by R.S. 11:102. The contribution rate for the fiscal year ended June 30, 1998, and 1997, increased to 13.0 percent and 12.4 percent of annual covered payroll from the 12.0 and 11.9 percent required in fiscal years ended June 30, 1996 and 1995, respectively. The

POVERTY POINT RESERVOIR DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1998 AND JUNE 30, 1997

VIII. PENSION PLANS (continued)

board contributions to the system for the years ending June 30, 1998 and 1997 were \$8,976 and \$7,798, respectively, equal to the required contributions for each year.

IX. POSTRETIREMENT HEALTH CARE
AND LIFE INSURANCE BENEFITS

The District does not have any plans for postretirement health care or life insurance benefits for its employees.

X. CONSTRUCTION IN PROGRESS

The lake construction consists of the following major contracts: Cypress Creek Re-Route (Phase I); North Dam and Entrance Road (Phase II); Eastern Levee (Phase IV); and the South Dam and Tainter Gated Structure. The Phase I and II contracts have been completed in the final amounts of \$338,902 and \$949,967 as of June 30, 1998. The Phase IV contract for the Eastern Levee was awarded on May 21, 1997. At June 30, 1998, according to the engineering inspection, the job was 66.8 percent complete. The amount of this contract is \$2,390,222 which includes a change order for the lot and embankment development. The contractor had billed \$1,584,495 as of June 30, 1998. Other costs are also included in the cost of the lake such as engineering, legal, technical consulting, contract labor and environmental protection. The total cost incurred as of June 30, 1998 and June 30, 1997 was \$3,970,107 and \$1,850,394 respectively.

XI. LITIGATION AND CLAIMS

There are no pending litigations or claims against the district at June 30, 1998 or June 30, 1997, which, if asserted, in the opinion of the district's legal counsel would have at least a reasonable probability of an unfavorable outcome or for which resolution would materially affect the financial statements.

XII. RISK TRANSFER AND FINANCING

Poverty Point Reservoir District is exposed to a variety of risks that may result in losses. These risks include possible loss from acts of God, injury to employees or breach of contract. The District purchases commercial insurance to protect itself from these possible losses. There have been no reductions in insurance coverage from prior year coverages for the years ended June 30, 1998 and June 30, 1997 respectively. The District has not incurred any losses or made any settlement agreements.

XIII. PER DIEM PAID BOARD MEMBERS

Board members of the district are not compensated for their services in accordance with Act 888 of 1992.

Susan C. Cochran
A.C. Clark III
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE
BASED SOLELY ON AN AUDIT OF THE COMPONENT UNIT
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Poverty Point Reservoir District
Department of Transportation and Development
State of Louisiana
Delhi, Louisiana

We have audited the general purpose financial statements of the Poverty Point Reservoir District, a component unit of the State of Louisiana reporting entity, as of and for the years ended June 30, 1998 and June 30, 1997, and have issued our report thereon dated September 23, 1998.

We conducted our audits in accordance with generally accepted auditing standards and 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 component unit financial statements are free of material misstatement.

The management of Poverty Point Reservoir District is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements 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 general purpose 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 projections 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 procedures may deteriorate.

In planning and performing our audits of the general purpose financial statements of the Poverty Point Reservoir District as of and for the years ended June 30, 1998, and June 30, 1997, 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 general purpose 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 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 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. 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 management and the Board of Directors. However, this report is a matter of public record and its distribution is not limited.

Cochran, Clark & Robinson

Rayville, Louisiana
September 23, 1998

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Renee' Robinson

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH LAWS
AND REGULATIONS MATERIAL TO THE
GENERAL PURPOSE FINANCIAL STATEMENTS

Board of Directors
Poverty Point Reservoir District
Department of Transportation and Development
State of Louisiana
Delhi, Louisiana

We have audited the general purpose financial statements of the Poverty Point Reservoir District, a component unit of the State of Louisiana, as of and for the years ended June 30, 1998 and June 30, 1997, and have issued our report thereon dated September 23, 1998.

We conducted our audits in accordance with generally accepted auditing standards and 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 financial statements are free of material misstatement.

Compliance with laws and regulations applicable to the Poverty Point Reservoir District, State of Louisiana, is the responsibility of the District's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatements, we performed tests of the District's compliance with certain provisions of laws and regulations. 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 herein under Government Auditing Standards.

This report is intended for the information of management and the Board of Directors. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Cochran, Clark & Robinson

Rayville, Louisiana
September 23, 1998