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

To the Board of Commissioners
Sabine River Authority,
State of Louisiana

We have audited the financial statements of Sabine River Authority, a component unit of the State of Louisiana, as of and for the year ended June 30, 1996, and have issued our report thereon dated September 19, 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, contracts, and grants applicable to Sabine River Authority is the responsibility of the Authority's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Authority's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the financial statements 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. However, this report is a matter of public record and its distribution is not limited.

Broussard, Poche', Lewis & Breaux

Lafayette, Louisiana
September 19, 1996

Note 7. State of Louisiana General Obligation Bonds

The State of Louisiana issued general obligation bonds to provide funds for the construction of a major capital facility, the Sabine River Diversion Canal.

By contract with the State Bond Commission dated September 4, 1975, the Department of Public Works agreed to service $10,000,000 of State of Louisiana General Obligation Bonds through any excess revenues derived from the sale of water from the Diversion Canal with first call on revenues to pay for maintenance and operational costs. Subsequently, by act R.S. 38:2325 the operation of the Sabine River Diversion Canal System was transferred to the Sabine River Authority. Excess funds derived from the sale of water from the Sabine River Diversion Canal System must be used to retire $10,000,000 of general obligation bonds.

The $10,000,000 general obligation bonds are dated September 1, 1975 and sold as part of $22,000,000 State of Louisiana, General Obligation Bonds, Series 1975-B (with interest rates ranging from 6.30% to 6.50%). The bonds mature serially on September 1 of each year with interest payable semi-annually on March 1 and September 1 of each year commencing March 1, 1976.

The total unreimbursed principal and interest at June 30, 1996 is $11,974,975. The liability is included in the liability section of the balance sheet as contract payable.

Note 8. Advance Power Payments

Gulf States Utilities, Central Louisiana Electric Cooperative, Louisiana Power and Light, and the Authority have agreed that the payments made in advance of power production, and the accrued interest, shall be forgiven over the next ten years beginning April 4, 1992. Advance power payments forgiven was $53,699 and interest forgiven was $60,187 for the year ended June 30, 1996. The outstanding balance will continue to accrue interest at five percent. The following illustrates the advance power payment obligation at June 30, 1996:

Power Sales Agreement Section	Advance	Interest	Totals
1.21(a)	$805,487	$902,802	$1,708,289

Note 9. Revenues

Under the terms of the Indenture of Trust, revenue from power sales to electric companies is paid directly to the Trustee on the first day of each August, November, February and May. The money is administered by the Trustee as follows:

From the power payments received in February and August, the Trustee deposits into the Bond Fund an amount sufficient for payment of the principal and interest due on the next succeeding interest payment date. The Bond Fund is used solely for the purpose of paying the principal and interest on the bonds as such payments become due.

The power payments received in May and November are deposited in the Revenue Fund. The money in the Revenue Fund is applied to any deficiencies existing in the Bond Fund, Operating Reserve Fund, and the Contingency and Replacement Reserve Fund, in that order. The Operating Reserve Fund is to be maintained at $50,000, to be used to prevent a pending or threatened default in the payment of bonds or the related interest coupons. The Contingency and Reserve Replacement Fund was established with an initial deposit of $250,000 by the Trustee, with a provision for an additional deposit not to exceed $500,000. Under the terms of the power agreement, the total of $750,000 represents the Authority's one-half of the aggregate amount to be held in the Contingency and Reserve Replacement Fund to be used for extraordinary repairs and replacements of the Project as outlined in the power sales agreement.

After all deficiencies have been remedied and the required payments made, all money remaining in the Revenue Fund on or after each March 2 and September 2 are to be applied by the Trustee, at the request of the Authority, for any one or more of the following purposes, at the discretion of the Authority with such priority as the Authority may determine:

(1) Accelerated payments to the Companies to repay advance payments for power.
(2) The retirement of bonds in advance of maturity.
(3) The payment of principal and interest, or both, on any subordinate bonds which may have been issued by the Authority.
(4) The accumulation of money in the Operating Reserve Fund - Louisiana Account and the Contingency and Replacement Reserve Fund - Louisiana Account.
(5) To the Authority for any other lawful purpose of the Authority.

In the absence of any such request of the Authority to the Trustee with respect to such remaining money, the money shall remain in the Revenue Fund.

Note 10. Per Diem Paid Commission Members

The Authority is comprised of thirteen members who are appointed by the Governor. Per diem payments to these members for the year ended June 30, 1996 were as follows:

Lorrine Abington	$ 450
Vergie Ashton	1,150
Lonnie Blackman, Jr.	-
John Bonner	350
Samuel Cross	550
John A. DeBarge, Sr.	1,100
Robert Geoghagan	1,000
George Knippers	600
Kenneth Simmons	1,200
L.B. Skinner	600
Warren Smith	1,150
Finly Stanly	1,050
Robert Thomas	-
	$ 9,200

Note 11. Employee Retirement System

Substantially all employees of Sabine River Authority, State of Louisiana participate in the Louisiana State Employee's Retirement System, a multiple-employer, cost-sharing pension plan established by the Louisiana Legislature. The payroll for Authority employees covered by the System for the year ended June 30, 1996 was $1,262,272; the total Authority payroll was $1,586,016.

All employees who work at least 28 hours a week and are under 60 years of age are members of the plan. Members of the plan may retire with thirty years of creditable service regardless of age, with twenty-five years of service at age 55, and with ten years of service at age 60. The retirement allowance is equal to 2.5% of the member's average annual earned compensation for the thirty-six highest months of successive employment multiplied by his years of creditable service plus $300, with certain provisions made for those employees who were members of the supplemental pay plan prior to its revision date. Their retirement allowance may not exceed the greater of 100% of a member's final salary or compensation. The System also provides disability and survivor benefits. Benefits are established by State statute.

Covered employees are required to contribute 7.5% of their earnings to the plan; the Authority contributes 11.9%. The total contribution by the Sabine River Authority for the year was $246,678, which consisted of $152,008 from the Authority and $94,670 from its employees. Contributions are also established by State statute.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among Systems and employers. The System does not make separate measurements of assets and pension benefit obligations for individual employers. Information concerning the pension benefit obligation for the System as a whole at June 30, 1996 was not available.

Note 12. Post Retirement Health Care and Life Insurance Benefits

The State of Louisiana provides certain continuing health care and life insurance benefits for Sabine River Authority's retired employees. Substantially, all of the Authority's employees become eligible for these benefits if they reach normal retirement age while working for the Authority. Those benefits for retirees are provided through Group Benefits whose monthly premiums are paid jointly by the employee and the State. The cost of providing these benefits is reflected as an expenditure in the year it is paid. For the year ended June 30, 1996, there were eleven retirees and the costs of their benefits totaled $26,960.

Note 13. Commitments

The Authority entered into operating leases for equipment. The lease agreements provide that the leases may be canceled if the Legislature does not make an appropriation for its continuation during any future fiscal period. Total operating lease expenditures for the year ended June 30, 1996 was $14,418.

Future minimum rental payments required under operating leases that have remaining lease terms in excess of one year as of June 30, 1996, follows:

Year Ending June 30,	
1997	$ 9,000
1998	9,000
1999	9,000
2000	9,000
2001	9,000
Remainder	9,000
	$ 54,000

NOTES TO FINANCIAL STATEMENTS

Note 14. Prior Period Adjustment

In prior years, the $10,000,000 of general obligation bonds were not recorded in the financial statements because of the uncertainty of the availability of funds to service debt of the Diversion Canal (See Note 7) and because the bonds are general obligation bonds of the State of Louisiana. However, the State of Louisiana, Division of Administration Office of Statewide Reporting and Accounting Policy requested that the bonds be included in the financial statements. A prior period adjustment was made to include the liability in the June 30, 1995 financial statements. This adjustment resulted in an increase in net income for fiscal year ended June 30, 1995 in the amount of $461,611 and a decrease in equity of $11,846,894 as follows:

	Contributed Capital	Retained Earnings	Net Income
Balances as previously reported, June 30, 1995	$ 39,786,830	$12,594,943	$1,399,179
Effect of applying debt service payments against contract payable balance which were expensed in prior statements	-	-	461,611
Effect of recording unpaid bond principal balance and past interest expense	(10,000,000)	(1,846,894)	-
Balances as restated, June 30, 1995	$ 29,786,830	$10,748,049	$1,860,790

Note 15. Litigation

The Authority is subject to various claims and lawsuits which may arise in the ordinary course of business. After consulting with counsel representing the Authority in connection with such claims and lawsuits, it is the opinion of management and counsel that the disposition or ultimate determination of such claims and lawsuits will not have a material effect on the financial position of the Authority.

Note 16. Contingent Liabilities

Public law 98-571 directed the Federal Energy Regulatory Commission (FERC) to waive annual administration charges for the use of United States lands during the remaining term of the license to operate the Toledo Bend Joint Project (Project). The license expires fifty years from October 1, 1963. The waiver is contingent upon FERC determining that the power from the Project is sold to the public without profit. All exemptions applied for through December 31, 1995 have been approved.

Note 17. Bond Indenture

The Sabine River Authority has been authorized and empowered to issue water facility revenue bonds in the aggregate principal amount of $13,600,000. The bonds, including interest thereon, are not general obligations of Sabine River Authority but are limited obligations payable solely from the bond service fees provided by a private corporation and shall be a valid claim of the respective holders only against the Bond Fund and other monies held by the trustee under the bond indenture and the bond service fees derived. The bonds and the attached coupons shall not constitute an indebtedness of Sabine River Authority, the State, or any political subdivision of the State within the meaning of any constitutional or statutory provisions.

Note 18. Noncash Transactions

Based on an agreement with Gulf States Utilities, Central Louisiana Electric Cooperative and Louisiana Power and Light (See Note 8), debt of the Authority in the amount of $113,886 was forgiven.

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt

Outstanding long-term debt of Sabine River Authority, State of Louisiana for the year ended June 30, 1996 consist of the following:

	Date of Issue	Date of Maturity	Interest Rates	Original Amount 000's
Hydroelectric Revenue Bonds:				
Series 1964	1964	2004	3.54% - 3.70%	$ 15,000
Recreational Facility Revenue Bonds:				
Series 1994	1994	1999	Variable *	$ 1,500

* Eighty percent (80%) of the prime rate of Chase Manhattan Bank, New York adjusted annually, based on a qualified tax-exempt obligation status.

	Out-standing 06/30/95 (000's)	Added	Retired	Out-standing 06/30/96 (000's)
Hydroelectric Revenue Bonds:				
Series 1964	$ 5,720	$ -	$ 545	$ 5,175
Recreational Facility Revenue Bonds:				
Series 1994	1,230	-	285	945
Total long-term debt	$ 6,950	$ -0-	$ 830	$ 6,120

Debt service requirements over the next five years are as follows:

	Principal	Interest	Total
1997	$ 865,000	$ 248,566	$ 1,113,566
1998	900,000	206,163	1,106,163
1999	945,000	161,856	1,106,856
2000	635,000	115,233	750,233
2001	655,000	91,553	746,553
2002 - 2004	2,120,000	125,050	2,245,050
	$ 6,120,000	$ 948,421	$ 7,068,421

In planning and performing our audit of the financial statements of Sabine River Authority for the year ended June 30, 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 internal control structure elements does not reduce to a relatively low level the risk that errors and 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 management. However, this report is a matter of public record and its distribution is not limited.

Broussard, Poché, Lewis & Breaux

Lafayette, Louisiana
September 19, 1996

SABINE RIVER AUTHORITY,
STATE OF LOUISIANA

STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended June 30, 1996 and 1995

	1996	(Restated) 1995
Cash and cash equivalents shown on balance sheet as:		
Current assets: Cash and cash equivalents	$ 1,328,899	$ 4,097,192
Restricted assets: Cash and cash equivalents	800,000	800,000
	$ 2,128,899	$ 4,897,192

See Notes to Financial Statements.

SABINE RIVER AUTHORITY,
STATE OF LOUISIANA

SCHEDULE OF REVENUES AND EXPENDITURES
AS APPROPRIATED BY STATE OF LOUISIANA -
BUDGET (NON-GAAP BASIS) AND ACTUAL
Year Ended June 30, 1996
With Comparative Actual Amounts for Year Ended June 30, 1995

	1996			
	Budget	Actual	Variance - Favorable (Unfavorable)	(Restated) 1995 Actual
Revenues:				
Sale of water	$2,342,942	$1,499,893	$(843,049)	$1,639,676
Intergovernmental - Appropriation from Debt Service Funds	3,000,000	3,000,000	-	2,100,000
Total revenues	5,342,942	4,499,893	(843,049)	3,739,676
Expenditures:				
Current - general government -				
Salaries	1,552,702	1,670,318	(117,616)	1,355,131
Board compensation	18,900	9,200	9,700	8,250
Employee benefits	285,234	242,703	42,531	220,429
Travel	25,619	24,698	921	15,895
Operating services	1,100,226	912,164	188,062	679,135
Supplies	386,958	362,360	24,598	221,912
Professional services	136,300	69,021	67,279	68,116
Other charges	1,185,977	732,650	453,327	237,448
Interagency transfer	56,659	3,865	52,794	80,864
Major repairs	293,000	25,312	267,688	-
Capital outlay	301,367	264,090	37,277	121,360
Interest expense	-	228,879	(228,879)	265,146
Total expenditures	5,342,942	4,545,260	797,682	3,273,686
Excess (deficiency) of revenues over expenditures	$ -0-	$ (45,367)	$ (45,367)	$ 465,990

See Notes to Financial Statements.

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

To the Board of Commissioners
Sabine River Authority,
State of Louisiana

We have audited the accompanying financial statements of Sabine River Authority, a component unit of the State of Louisiana, as of and for the year ended June 30, 1996, and have issued our report thereon dated September 19, 1996.

We have 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 Sabine River Authority 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 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 procedures may deteriorate.

Note 4. Fixed Assets

Balances of fixed assets acquired through the Joint Operation between Sabine River Authority, State of Louisiana and Sabine River Authority of Texas in the amount of $36,462,355 were obtained from audited financial statements. Balances from the capital project fund of $8,636,345 as of June 30, 1996 were also audited. All other fixed asset balances were obtained from sources that could not be audited. Fixed assets as of June 30, 1996 were as follows:

	Land	Reservoirs and Waterways	Dams and Electric Plant	Water and Pumping Plant	Recreation Site Improvements	Building	Equipment
Balance, June 30, 1996 composed of assets:							
Unaudited at June 30, 1995	$ -	$ -	$ -	$21,386,812	$ -	$ 622,321	$ -
Audited at June 30, 1995	1,252,186	18,000,580	17,612,184	86,116	2,644,654	340,207	2,317,186
Balance, June 30, 1995	1,252,186	18,000,580	17,612,184	21,472,928	2,644,654	962,528	2,317,186
Additions	-	-	-	-	-	27,352	381,481
Deletions	-	-	-	-	-	-	(84,855)
Accumulated depreciation	-	(5,872,141)	(6,189,871)	(5,739,079)	(2,440,625)	(443,924)	(1,449,037)
Construction in progress	-	-	-	-	7,158,740	1,197,705	279,900
Balance, June 30, 1996	$1,252,186	$12,128,439	$11,422,313	$15,733,849	$7,362,769	$1,743,661	$1,444,675

Note 5. Construction in Progress

The Authority is constructing a convention center, marina and other recreational facilities on Toledo Bend Lake. The projected cost of Phase 1 of the Project is $12,000,000, which will be financed through the issuance of $1,500,000 of revenue bonds, contributions from the State of Louisiana totaling $7,000,000, and the remaining to be paid with self generated funds of the Authority. As of June 30, 1996, expenditures for the Project include land in the amount of $870,824 and construction work in progress of $8,636,648. The unexpended amount of contracts outstanding is $1,544,216. Phase 1 completion is anticipated to be December 1996.

Total projected costs through Phase 5 of the Project is expected to be $60,000,000. The State of Louisiana will provide funding of $18,500,000 and private developers are expected to fund approximately $12,000,000 of the projected cost of the Project. The remaining $29,500,000 will be provided by a combination of funding from the State of Louisiana, private developers, and self generated funds of the Authority.

Note 3. Deposits and Investments

Deposits:

At year end, the carrying amount of the Authority's deposits was $1,079,230 and the bank balance was $1,078,068. Of the bank balance, $78,068 was covered by federal depository insurance. The remaining $1,000,000 was covered by collateral held by a third party bank in the Authority's name. Cash on hand at June 30, 1996 was $1,025.

Investments:

The monetary assets of the Authority are held in various forms and accounts. Cash and investments are categorized below as an indicator of credit risk. Category 1 includes cash and investments that are insured by the FDIC or collateralized with securities held by the Authority or its agent and listing the Authority as owner. Category 2 includes cash and investments that are collateralized with securities held by the pledging financial institution's trust departments or its agent but listing the Authority as owner. Category 3 includes cash and investments that are either collateralized with securities not listing the Authority as owner or uncollateralized completely.

	Categories			Carrying	Market
	1	2	3	Amount	Value
Money Market	$ 100,000	$ -	$1,239,315	$ 1,339,315	$ 1,339,315
U.S. Treasury securities	7,167,259	-	-	7,167,259	7,197,771
	$7,267,259	$ -0-	$1,239,315	$ 8,506,574	$ 8,537,086

Investments not categorized: State Treasury	$ 1,219,593	$ 1,219,593

Budgets and budgetary accounting:

The Authority prepares a budget for use in planning and controlling costs. The budget and any changes are approved by the Board of Commissioners.

Restricted assets:

The restricted assets consist of bond operating reserve funds and contingency and replacement reserve funds on revenue bonds that are specially restricted by the Board of Commissioners. The bond operating reserve and contingency and replacement reserve funds are segregated as required by the bond indenture.

Rates and regulations:

The Louisiana Public Service Commission (LPSC) has original jurisdiction over the electric rates charged by the Authority. In 1992, the LPSC granted a rate increase. The new rate is 2.0¢ per KWH for five years then 2.1¢ per KWH for the next five years. The power companies affected by this increase have agreed to the rate increase. Water rates are established by the Authority's Board of Commissioners.

Reclassifications:

As of June 30, 1996, reclassifications were made in the presentation of the financial statements for the prior year. These changes in the presentation did not affect net income as previously reported.

Note 2. Legal Compliance - Budgets

The Authority operates as an enterprise fund. Normally, enterprise funds are not subject to operating budgets. However, a modified accrual basis budget for Sabine River Authority Appropriations, a portion of the enterprise fund, is formally adopted by the State Legislature and the Governor prior to the beginning of the fiscal year. After its adoption, adjustments to the budget must be approved by the Joint Legislative Committee, a committee of the Louisiana Legislature; however, the Commissioner of Administration may approve line item transfers within a budgetary unit subject to statutory limitations. Appropriations for operating expenditures lapse at fiscal year-end; capital appropriations lapse upon completion of the Project, purchase of the capital item designated in the appropriation, or abandonment. Interim emergency appropriations may be granted by the Interim Emergency Board.

Note 1. Summary of Significant Accounting Policies

The financial statements of Sabine River Authority, State of Louisiana, 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 Authority's accounting policies are described below.

Reporting entity:

Sabine River Authority, a component unit of the State of Louisiana, was created under Title 38, Chapter 2, of the Louisiana Revised Statutes of 1950, comprised of R.S. 38:2321 through 38:2337. The Authority is charged with the development of the Sabine River Basin within the State of Louisiana. The Authority derives its revenue from the sale of hydroelectric power from the Toledo Bend Dam, water sales from the Toledo Bend Reservoir and Sabine River Diversion Canal, permit and recreation area fees and other miscellaneous revenue. The Authority was transferred from *the Louisiana Department of Transportation and Development to the* Department of Culture and Recreation for the period July 1, 1987 to August 31, 1991. At the 1991 Session of the Louisiana Legislature, Act 272 transferred the Authority back to the Louisiana Department of Transportation and Development effective September 1, 1991.

The Authority is an autonomous self-supporting governmental unit with no taxing powers covering all or a portion of six parishes in the Sabine Basin and is administered by a thirteen-member Board of Directors appointed by the Governor to four-year terms which are concurrent with the Governor.

Fund accounting:

In prior years, the Authority, for financial reporting purposes, consisted of a general fund, debt service fund and account groups. These funds were designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

For the 1994-95 fiscal year, the Legislative Auditor determined the Authority's accounting system should consist of an enterprise fund. This enterprise fund accounts for the acquisition, operation, and maintenance of Authority facilities and services. All enterprise funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred.

SABINE RIVER AUTHORITY,
STATE OF LOUISIANA

STATEMENTS OF CASH FLOWS
Years Ended June 30, 1996 and 1995

	1996	(Restated) 1995
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	$ (1,284,389)	$ 1,954,985
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	1,235,042	1,231,132
Other	2,621	1,032
Changes in assets and liabilities:		
Decrease (increase) in assets -		
Accounts receivable	(91,548)	47,782
Other	113,568	(115,091)
Increase (decrease) in liabilities:		
Accounts payable	1,304,122	222,515
Accrued expenses	100,892	58,516
Other	(1,817)	7,491
Net cash provided by operating activities	1,378,491	3,408,362
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds received on issuance of revenue bonds	-	1,500,000
Acquisition of capital assets	(3,935,856)	(3,698,615)
Transfers from primary government	1,000,000	-
Principal paid on revenue bond maturities	(830,000)	(795,000)
Interest paid on revenue bonds	(499,857)	(565,531)
Net payments on contracts payable	(603,003)	(548,054)
Net cash used in capital and related financing activities	(4,868,716)	(4,107,200)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sales (purchases) of investment securities	132,297	(2,100,034)
Interest on investments	589,635	471,336
Net cash provided by (used in) investing activities	721,932	(1,628,698)
Decrease in cash and cash equivalents	(2,768,293)	(2,327,536)
Cash and cash equivalents at beginning of year	4,897,192	7,224,728
Cash and cash equivalents at end of year	$ 2,128,899	$ 4,897,192

(continued)

SABINE RIVER AUTHORITY,
STATE OF LOUISIANA

STATEMENTS OF INCOME
Years Ended June 30, 1996 and 1995

	1996	(Restated) 1995
Operating Revenues:		
Power sales	$ 1,856,310	$ 3,869,005
Water sales	2,029,600	2,099,203
Park site rentals	179,515	188,969
Miscellaneous	219,808	189,514
TOTAL OPERATING REVENUES	4,285,233	6,346,691
Operating Expenses:		
Operating and maintenance	4,334,580	3,160,574
Depreciation	1,235,042	1,231,132
TOTAL OPERATING EXPENSES	5,569,622	4,391,706
TOTAL OPERATING INCOME (LOSS)	(1,284,389)	1,954,985
Nonoperating Revenues (Expenses):		
Interest income	589,635	471,336
Interest expense	(499,857)	(565,531)
Forgiveness of debt	113,886	-
NET NONOPERATING REVENUES (EXPENSES)	203,664	(94,195)
NET INCOME (LOSS)	(1,080,725)	1,860,790
Add depreciation and loss on assets contributed or funded by other funds that reduce contributed capital	686,077	688,159
INCREASE (DECREASE) IN RETAINED EARNINGS	(394,648)	2,548,949
Retained earnings at beginning of year	10,748,049	8,199,100
Retained earnings at end of year	$ 10,353,401	$ 10,748,049

See Notes to Financial Statements.

LIABILITIES AND EQUITY	1996	(Restated) 1995
Current Liabilities:		
Current maturities of long-term debt	$ 865,000	$ 830,000
Accounts payable	1,675,153	371,031
Accrued expenses	230,513	129,621
Contract payable	380,343	731,084
Other current liabilities	7,906	9,723
TOTAL CURRENT LIABILITIES	3,158,915	2,071,459
Long-term Liabilities:		
Contract payable	11,594,632	11,846,894
Bonds payable	5,255,000	6,120,000
TOTAL LONG-TERM LIABILITIES	16,849,632	17,966,894
Other Liabilities:		
Advance power payment	1,708,289	1,822,175
TOTAL OTHER LIABILITIES	1,708,289	1,822,175
Equity:		
Contributed capital	30,107,468	29,786,830
Retained earnings	10,353,401	10,748,049
TOTAL EQUITY	40,460,869	40,534,879
TOTAL LIABILITIES AND EQUITY	$ 62,177,705	$ 62,395,407

See Notes to Financial Statements.

SABINE RIVER AUTHORITY,
STATE OF LOUISIANA

BALANCE SHEETS
June 30, 1996 and 1995

ASSETS	1996	(Restated) 1995
Current Assets:		
Cash and cash equivalents	$ 1,328,899	$ 4,097,192
Investments	8,677,523	8,809,820
Accounts receivable	249,899	158,351
Other current assets	33,492	147,060
TOTAL CURRENT ASSETS	10,289,813	13,212,423
Restricted Assets:		
Cash and cash equivalents	800,000	800,000
TOTAL RESTRICTED ASSETS	800,000	800,000
Property and Equipment:		
Land	1,252,186	1,252,186
Reservoirs and waterways	18,000,580	18,000,580
Dams and electric plant	17,612,184	17,612,184
Water and pumping plant	21,472,928	21,472,928
Recreational site improvements	2,644,654	2,644,654
Buildings	989,880	962,528
Equipment	2,613,812	2,317,186
Construction in progress	8,636,345	5,102,607
Less accumulated depreciation	(22,134,677)	(20,981,869)
TOTAL PROPERTY, PLANT AND EQUIPMENT	51,087,892	48,382,984
TOTAL ASSETS	$ 62,177,705	$ 62,395,407

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Authority. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

The financial information for the 1995 fiscal year, which is included for comparative purposes, was taken from the financial report of Sabine River Authority, State of Louisiana, for that year in which we expressed a qualified opinion on the financial statements.

In accordance with Governmental Auditing Standards, we have also issued a report dated September 19, 1996, on our consideration of Sabine River Authority's internal control structure and a report dated September 19, 1996, on its compliance with laws and regulations.

Broussard, Poché, Lewis & Breaux

Lafayette, Louisiana
September 19, 1996

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SABINE RIVER AUTHORITY
STATE OF LOUISIANA
FINANCIAL REPORT
JUNE 30, 1996

Compensated absences:

Classified employees of the Sabine River Authority accumulate annual and sick leave at various rates depending on their years of service. These employees may accumulate unlimited amounts of annual and sick leave. Upon termination or death, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave is used to compute retirement benefits.

Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with the provisions of Statement of Financial Accounting Standards No. 16, Accounting for Compensated Absences, (GASB Code Sec. C60) no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Cash and cash equivalents:

Cash and cash equivalents are short-term liquid investments that are readily convertible to known amounts of cash and so near maturity that there is no significant risk of changes in value due to changes in interest rates.

Investments:

Investments are recorded at cost, which approximates market. Purchase premiums and discounts, if any, are amortized over the lives of the related investments on a straight-line basis.

Accounts receivable:

The Authority considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operating expenses when that determination is made.

Property, plant and equipment:

Property, plant and equipment are stated at historical costs. Depreciation has been provided using the straight-line method at annual rates as follows:

Dams and electric plants	1.50%
Water and pumping plant	1.50% - 5.00%
Buildings	2.00% - 5.00%
Equipment	4.00% - 20.00%