

STATE OF TEXAS
COMPTROLLER GENERAL
2003-2 (10-03)

OFFICIAL
FILE COPY
DO NOT BIND OUT

Please accurately
caption from the
copy and PLACE
MARK on FILE

98001999
5732
18

**SABINE RIVER AUTHORITY OF TEXAS
AND
SABINE RIVER AUTHORITY,
STATE OF LOUISIANA**
**TOLEDO BEND - JOINT OPERATION
WATER SUPPLY HYDROELECTRIC SYSTEM FUND**
**FINANCIAL REPORT
AUGUST 31, 1998**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, or approved, duly and other appropriate public officials. The report is available for public inspection at the Texas State Office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Public Date 2/3/2003

C O N T E N T S

	Page
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	1 and 2
GENERAL PURPOSE FINANCIAL STATEMENTS - CONSOLIDATED STATEMENTS - OVERVIEW	
Combined balance sheet - governmental fund type and account group	3
Statement of revenues, expenditures and changes in fund balance - governmental fund type	5
Statement of revenues and expenditures - budget (MAY basis) and actual - governmental fund type	6
Notes to financial statements	7 - 15
SUPPLEMENTARY DATA	
Schedule of expenditures - Water Supply and Hydroelectric System fund	16 and 17
Schedule of insurance in force	18
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	19 and 20



BROUSSARD, INCHE, LEWIS & BUREAU, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

7-11-1998
 Lafayette, Louisiana
 70504-1000
 Phone: (504) 984-6900
 Fax: (504) 984-6174

**INDEPENDENT AUDITORS' REPORT
 ON THE FINANCIAL STATEMENTS**

To the Board of Directors,
 Sabine River Authority of Texas, and
 The Board of Commissioners,
 Sabine River Authority, State of Louisiana

Other Offices:
 Conroe, TX
 (281) 283-6000
 Houston, TX
 (281) 283-1490
 Tyler, TX
 (409) 392-1141
 New Braunfels, TX
 (817) 794-4334
 Church Falls, LA
 (504) 984-2800
 Etoile, LA
 (504) 497-9933

We have audited the accompanying financial statements of the Toledo Bend - Joint Operation, a joint operation between the Sabine River Authority of Texas and Sabine River Authority, State of Louisiana, as of and for the year ended August 31, 1998, as listed in the table of contents. These financial statements are the responsibility of the Joint Operation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Lester A. Coates, CPA
 Eugene C. Gentry, CPA
 Ronald W. Kelly, CPA
 Robert J. Lewis III, CPA
 Frank S. Pappas, CPA
 Paul J. Raymond, CPA
 J. Charles Walker, CPA
 Kenneth B. Wynn, CPA
 F. John Winkler III, CPA
 Stephen J. Andrews, CPA
 Craig R. Robinson, CPA
 Steve C. Harwell, CPA
 Michael D. Gaudin, CPA
 George J. Rogers III, CPA
 Charles E. Miller, CPA
 Douglas B. Wilson, CPA
 D. Bruce Williams, CPA
 Patrick D. McCreary, CPA

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 Comptroller General of the United States and the Louisiana Governmental Audit Guide. These 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 the Toledo Bend - Joint Operation as of August 31, 1998, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Retired:

Henry L. Raymond, CPA 1989
 Leon B. Pugh, CPA 1989
 James B. Weaver, CPA 1991
 Steve B. Wilson, CPA 1990
 George S. Lewis, CPA 1990
 Clifford J. Winkler, CPA 1990
 Sidney H. Perry, CPA 1990
 Joseph B. Raymond, CPA 1991
 Member of American Institute of
 Certified Public Accountants
 Institute of Management Accountants
 CPAA (International)

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as "schedules" in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Toledo Bend - Joint Operation. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to such financial statements taken as a whole.

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 opinion on the general purpose financial statements of the Toledo Bend - Joint Operation, an OCS and for the year ended August 31, 1977, which opinion was the same as that expressed on the current financial statements.

In accordance with Government Auditing Standards, we have also issued a report dated September 29, 1978, on our consideration of the Toledo Bend - Joint Operation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts.

Brannard, Piche, Jarami & Associates, L.L.P.

Lafayette, Louisiana
September 21, 1978

GENERAL PURPOSE FINANCIAL STATEMENTS
(COMBINED STATEMENTS - OVERVIEW)

TOLEDO SAND - JOINT OPERATIONS

COMBINED BALANCE SHEET -
GOVERNMENTAL FUND TYPE AND ACCOUNT GROUP
August 31, 1978

ASSETS	Governmental	Proprietary	Totals	
	Fund Type	Group	Memorandum Only	
			August 31,	August 31,
			1978	1977
Cash	\$ 168,878	\$ -	\$ 168,878	\$ 18,249
Accounts receivable	3,278	-	3,278	-
Other assets	28	-	28	3,028
Debt and equity	-	18,888,312	18,888,312	28,888,312
Hydroelectric power plant	-	18,888,270	18,888,270	18,888,270
Reservoir and waterways	-	18,081,158	18,081,158	18,081,158
Buildings, structures and equipment	-	1,488,820	1,488,820	1,488,820
Total assets	\$ 172,176	\$ 72,326,562	\$ 72,598,708	\$ 72,326,562
LIABILITIES AND FUND EQUITY				
Accounts payable	\$ 18,388	\$ -	\$ 18,388	\$ 21,888
Fund Equity:				
Investment in General				
Fixed Assets -				
Sabine River				
Authority, Texas	-	38,418,018	38,418,018	38,418,018
Sabine River				
Authority, Louisiana	-	38,418,018	38,418,018	38,418,018
Fund balance	158,812	-	158,812	28,212
Total fund equity	158,812	72,816,018	72,974,830	72,974,830
Total liabilities and fund equity	\$ 170,618	\$ 72,316,562	\$ 72,589,708	\$ 72,316,562

See Notes to Financial Statements.

TOLEDO BEER - JOINT OPERATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - GOVERNMENTAL FUND TYPE
 Years Ended August 31, 1998 and 1997

	<u>Water Supply and Hydroelectric System</u>	
	<u>1998</u>	<u>1997</u>
Revenues:		
Intergovernmental	\$ 1,408,000	\$ 1,188,000
Miscellaneous	<u>313,727</u>	<u>368,383</u>
Total revenues	<u>1,811,727</u>	<u>1,556,383</u>
Expenditures:		
General government	<u>1,394,117</u>	<u>1,454,375</u>
Total expenditures	<u>1,394,117</u>	<u>1,454,375</u>
Excess (deficiency) of revenues over expenditures	417,610	102,008
Fund balance, beginning	<u>28,272</u>	<u>176,288</u>
Fund balance, ending	<u>\$ 445,876</u>	<u>\$ 278,272</u>

See Notes to Financial Statements.

TOLEDO ESDS - JOINT OPERATION

STATEMENT OF REVENUES AND EXPENDITURES -
 BUDGET (BASED) AND ACTUAL - GOVERNMENTAL FUND TYPE
 Year Ended August 31, 1988

With Comparative Actual Amounts For Year Ended August 31, 1987

	<u>Water Supply and Hydroelectric System Fund</u>			
	1988			
	<u>Budget</u>	<u>Actual</u>	<u>Variance - (Over)</u>	<u>1987 Actual</u>
Revenues:				
Intergovernmental revenues -				
Contributions from:				
State of Texas	\$ 822,280	\$ 808,000	\$ 142,280	\$ 800,000
State of Louisiana	822,280	808,000	142,280	800,000
Miscellaneous	<u>200,000</u>	<u>217,122</u>	<u>(17,122)</u>	<u>200,000</u>
Total revenues	1,844,560	1,823,122	121,438	1,800,000
Expenditures:				
General government -				
Salaries and fees	1,202,120	1,212,797	96,677	1,096,794
Supplies	48,200	38,443	9,757	37,397
Maintenance -				
Structures	160,000	161,638	164,388	16,483
Equipment	25,000	25,000	(901)	38,043
Miscellaneous services	<u>118,000</u>	<u>118,188</u>	<u>48,431</u>	<u>115,094</u>
Energy charges	<u>118,000</u>	<u>117,961</u>	<u>38</u>	<u>114,894</u>
Capital outlays	<u>128,000</u>	<u>89,842</u>	<u>17,018</u>	<u>22,320</u>
Total expenditures	1,848,320	1,781,243	227,100	1,404,036
Excess (Deficiency) of revenues over expenditures	\$ 56,240	\$ 42,879	\$ 126,800	\$ 395,964

See NOTES to Financial Statements.

TOLEDO BEED - JOINT OPERATION

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of the Toledo Beed - Joint Operation 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 establishing governmental accounting and financial reporting principles. The more significant of the Operation's accounting policies are described below.

Reporting entity:

The Toledo Beed - Joint Operation is a joint operation between the Sabine River Authority of Texas and Sabine River Authority, State of Louisiana, and was established by joint resolution of the Texas and Louisiana Sabine River Authority. The operation is administered by an Operating Board composed of three members appointed by the Texas Authority and three members appointed by the Louisiana Authority.

Fund accounting:

The Toledo Beed - Joint operation uses one fund and one account group 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. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the fund because they do not directly affect net expendable available financial resources.

The Water Supply and Hydroelectric System Fund, a governmental fund type, is the general operating fund of the Operation. It is used to account for all the financial resources of the Operation.

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 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.

NOTES TO FINANCIAL STATEMENTS

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 miscellaneous. Both of these are susceptible to accrual.

Budgets:

Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual budget is adopted for the Water Supply and Hydroelectric System Fund. The budget is prepared by the Toledo West Project Technical Board for formal approval by the operating board.

Fixed assets:

General fixed assets are not capitalized in the fund used to acquire or construct them. Instead, capital acquisitions and construction are reflected as expenditures in the governmental fund, and the related assets are reported in the general fixed assets account group. All fixed assets are valued at cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Assets in the general fixed assets account group are not depreciated.

Memorandum only - total columns:

The total column on the Combined Balance Sheet is captioned "memorandum only" to indicate it is presented only to facilitate financial analysis. This is this column does not present financial position in conformity with generally accepted accounting principles. Whether in such data comparable to a consolidation.

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 Operator's financial position and operations.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. Changes in General Fixed Assets

The following is a summary of changes in the general fixed assets account group during the fiscal year:

	Balance 12/31/57	Additions	Retirements	Balance 12/31/58
Dam and spillway	\$18,459,212	\$ -	\$ -	\$18,459,212
Hydroelectric power plant	18,389,371	-	-	18,389,371
Reservoir and waterways	14,061,159	-	-	14,061,159
Buildings, structures and equipment	1,412,688	35,321	59,452	1,488,557
	\$32,322,430	\$ 35,321	\$ 59,452	\$32,318,309

NOTE 2. Contingent Liabilities

Public Law 85-521 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 Joint Project. The license expires 50 years from October 1, 1951. The waiver is contingent upon FERC determining that the power from the project is sold to the public without profit. All assumptions applied for through August 31, 1958 have been approved.

NOTE 3. Service Items

Service items represent the cost of expenditures incurred by Sabine River Authority of Texas and Sabine River Authority, State of Louisiana, individually, for the Joint Operation Water Supply and Hydroelectric System Fund.

NOTE 4. Power Sales Agreement

The Authorities entered into an amended power sales agreement with Gulf States Utilities Company, Louisiana Power and Light Company, and Central Louisiana Electric Company, Inc., effective April 4, 1951. This agreement provided for an electric rate of 2.3 cents per kWh for first five years of the contract. After the five year period, the rate increased to 2.1 cents per kWh generated. In addition, the obligation to repay the advance payments for power previously made to the Authorities will be forgiven by the Companies over a ten-year period assuming certain conditions are complied with.

NOTE TO FINANCIAL STATEMENTS

Note 4. Deposits

At year end, the carrying amount of the Corporation's deposits were \$188,178 and the bank balance was \$281,843. Of the bank balance, all funds were covered by Federal depository insurance.

TABLE 888 - COSTS OPERATION
 WATER SUPPLY AND HYDROELECTRIC SYSTEM FUND

SCHEDULE OF EXPENDITURES
 YEAR ENDED AUGUST 31, 1959
 With Comparative Actual Amounts For Year Ended August 31, 1957

	1958		VARIANCE - (OVER)	1957 Actual
	Budget	Actual		
Salaries and Fees:				
Engineering services	\$ 548,000	\$ 513,378	\$ 34,622	\$ 28,880
Auditing	10,000	8,100	1,900	8,387
Other professional fees	81,000	80,771	229	18,380
Legal fees	3,000	-	3,000	8,905
Service items	<u>1,000,000</u>	<u>1,002,149</u>	<u>(2,149)</u>	<u>1,006,452</u>
	<u>1,642,000</u>	<u>1,612,398</u>	<u>29,602</u>	<u>1,068,784</u>
Supplies:				
Fuel	300	300	300	300
Motor vehicles	28,000	23,378	4,622	28,138
Heavy equipment	4,000	4,000	(000)	2,828
Floating equipment and boats	1,000	364	636	-
Minor tools and apparatus	3,000	2,894	1,106	1,048
Laundry and cleaning	3,000	3,118	(118)	3,301
Chemical and medical	300	0	300	-
Mechanical	100	100	(000)	-
Educational and instructional	2,000	2,000	(000)	-
Other	<u>2,000</u>	<u>2,000</u>	<u>(000)</u>	<u>2,000</u>
	<u>48,300</u>	<u>38,480</u>	<u>9,820</u>	<u>37,167</u>
Maintenance - Structures:				
Building	3,000	4,478	(1,478)	3,388
Dam and spillways	551,000	531,978	19,022	5,388
Reservoir and adjacent lands	101,000	13,101	87,899	87,875
Other	<u>1,000</u>	<u>0</u>	<u>1,000</u>	<u>0</u>
	<u>656,000</u>	<u>549,557</u>	<u>106,443</u>	<u>106,651</u>

(Grand Total)

**TELHCO BOND - JOINT OPERATION
WATER SUPPLY AND SEWERAGE/SOLID SYSTEM FUND**

**SCHEDULE OF EXPENDITURES (CONTINUED)
Year Ended August 31, 1998**

With Comparative Actual Amounts For Year Ended August 31, 1997

	1998		Variance - (Over)	1997 Actual
	Budget	Actual		
Maintenance - equipment:				
Furniture, fixtures and furnishings	8,800	8,800	(200)	8,818
Machinery, tools and implements	3,800	3,900	(400)	900
Instruments and apparatus	8,000	8,348	2,488	11,868
Motor vehicles	9,500	13,070	(3,770)	9,700
Other vehicles	14,000	14,700	(700)	8,820
Floating equipment and boats	500	440	50	300
Railroad and structures	3,000	4,440	200	8,000
Heating and cooling	8,000	8,700	700	-
Other	200	-	200	-
	<u>88,800</u>	<u>111,808</u>	<u>1800</u>	<u>78,088</u>
Miscellaneous services:				
Insurance	18,400	51,800	20,100	53,400
Light and power	21,000	29,450	3,540	18,500
Special services	61,000	48,200	10,740	44,331
Other	3,800	3,800	-	1,000
	<u>104,200</u>	<u>133,250</u>	<u>60,840</u>	<u>117,231</u>
Ready charges:				
Power plant operation	100,000	100,000	-	100,000
Tractor fees	18,000	17,881	80	24,800
	<u>118,000</u>	<u>117,881</u>	<u>80</u>	<u>124,800</u>
Capital outlays:				
Buildings	90,000	14,400	3,300	-
Motor vehicles	90,000	44,300	10,000	15,000
Other vehicles	14,000	13,000	2,400	-
	<u>194,000</u>	<u>71,700</u>	<u>15,700</u>	<u>15,000</u>
Total expenditures	<u>62,000,250</u>	<u>61,781,137</u>	<u>3,217,100</u>	<u>61,408,120</u>

TELECO NEWS - JOINT OPERATION

SCHEDULE OF INSURANCE IN FORCE

FOR THE FISCAL YEAR ENDING AUGUST 31, 1990

Policy Period June 30, 1989 Through June 30, 1991

<u>NAME OF COMPANY</u>	<u>POLICY NO.</u>	<u>DESCRIPTION</u>	<u>LIMITS</u>
Northland Insurance Company	KA890077	General Liability	\$ 1,000,000 Each Occurrence \$ 2,000,000 Aggregate
ACEIS Insurance Services	JR108A308	Excess Liability	\$ 25,000,000
COBE Insurance Company	EMT1070827	Property/Boiler & Machinery Business Interruption	\$100,000,000 P.D. \$ 5,000,000 B.I.
Fidelity & Casualty Co. of New York	IN-915133	Contractor's Equipment	\$400,000 Per Scheduled Property
Fidelity & Casualty Co. of New York	98048800	Malicious Moll.	\$ 40,000 Per Scheduled Property
Fidelity & Casualty Co. of New York	IN-804601	Communications Equipment RADIO/TOWER	\$300,400 Per Schedule
CIGNA	808810400	Auto Liability/ Physical	\$ 1,000,000 A/L Per Schedule
CIGNA	848502200	Worker's Compensation - Texas and Louisiana	\$ 1,000,000/ Accident \$ 1,000,000/ Policy Limit \$ 1,000,000/ Employee

This page intentionally left blank.



H. ROSSARD, P. POCHÉ, L. LEWIS & BUREAU, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

P. O. Box 61880
Lafayette, Louisiana
70504-1880
Phone (504) 982-0880
Fax (504) 982-0114

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

Order Office:

Greenville, S.C.
(803) 253-0010

Wilmington, N.C.
(910) 342-1890

Chattanooga, TN
(615) 262-1330

New Orleans, LA
(504) 582-0100

Clarks Point, LA
(504) 488-1800

Kenner, LA
(504) 885-1811

Lawrence A. Crosson, CPA*

Robert E. Collins, CPA*

Donald W. DeBo, CPA*

Richard L. Foster, III, CPA*

Frank A. Ingram, CPA*

Stan E. Isaacson, CPA*

J. Charles Johnson, CPA*

Raymond B. Jones, CPA*

F. John Marshall III, CPA*

Wayne L. Matthews, CPA*

Greg K. Robinson, CPA*

David K. Ross III, CPA*

Richard B. Squires, CPA*

George J. Suggs III, CPA*

David E. Tisher, CPA*

Gregory B. Wilson, CPA*

D. Scott Williams, CPA*

Patricia C. Wolfson, CPA*

Not a part of:

William E. Brummond, CPA* 1988

Leon E. De M. Cox, CPA*

James B. Duncan, CPA 1981

Kevin B. Hinton, CPA 1980

George B. Jones, CPA* 1980

Donald J. Winkler, CPA* 1980

Richard L. Jones, CPA* 1980

Larry G. Brummond, CPA* 1987

Member of the Association of
Certified Public Accountants

Member of the Association of
Certified Public Accountants

Member of the Association of
Certified Public Accountants

Member of the Association of
Certified Public Accountants

Member of the Association of
Certified Public Accountants

Member of the Association of
Certified Public Accountants

Member of the Association of
Certified Public Accountants

Member of the Association of
Certified Public Accountants

Member of the Association of
Certified Public Accountants

Member of the Association of
Certified Public Accountants

Member of the Association of
Certified Public Accountants

Member of the Association of
Certified Public Accountants

To the Board of Directors,
Sabine River Authority of Texas, and
The Board of Commissioners,
Sabine River Authority, State of Louisiana

We have audited the financial statements of the Toledo Bend - Joint Operation, a joint operation between the Sabine River Authority of Texas and Sabine River Authority, State of Louisiana as of and for the year ended August 31, 1998, and have issued our report thereon dated September 12, 1998. We conducted our audit in accordance with generally accepted auditing standards 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 the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts 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 audit 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 the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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 or 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 over financial reporting and its operation that we consider to be material weaknesses.

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

Approved, Roderic J. Brown, CPA

Lafayette, Louisiana
September 28, 1978