

STATE OF LOUISIANA
LEGISLATIVE AUDITORS
JANUARY 13, 1992

**SABINE RIVER AUTHORITY
STATE OF LOUISIANA
FINANCIAL REPORT
JUNE 30, 1990**

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 10-27-99

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INDEPENDENT AUDITORS' REPORT

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, 1994, as listed in the table of contents. These financial statements are the responsibility of the authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, 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.

Prior to July 1, 1994, the fixed assets of Sabine River Authority, State of Louisiana, were not reported in an enterprise fund. All opening balances of fixed assets could not be verified. See Note 4 for additional information.

In our opinion, except for any errors which might have been disclosed had fixed assets been established and maintained prior to July 1, 1994, the financial statements referred to above present fairly, in all material respects, the financial position of Sabine River Authority, State of Louisiana, as of June 30, 1994, and the results of the operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

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 1996 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 Government Auditing Standards, we have also issued a report dated September 18, 1996, on our consideration of Sabine River Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts.

Brownell, Peck, Lewis & Jones LLP

Shreveport, Louisiana
September 18, 1996

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SABINE RIVER AUTHORITY,
STATE OF LOUISIANA.

BALANCE SHEET
June 30, 1939 and 1938

| ASSETS | 1939 | 1938 |
|--|-----------------------------|-----------------------------|
| Current Assets: | | |
| Cash and cash equivalents | \$ 8,023,823 | \$ 4,433,178 |
| Investments | 10,268,803 | 2,878,541 |
| Accounts receivable | 518,575 | 853,001 |
| Other current assets | ----- 25,213 | ----- 15,443 |
| TOTAL CURRENT ASSETS | ----- 18,836,414 | ----- 7,260,163 |
| Restricted Assets: | | |
| Cash and cash equivalents | ----- 882,808 | ----- 1,618,534 |
| TOTAL RESTRICTED ASSETS | ----- 882,808 | ----- 1,618,534 |
| Property and Equipment: | | |
| Land | 3,282,186 | 3,252,186 |
| Reservoirs and waterways | 18,000,568 | 18,000,280 |
| Dams and electric plant | 17,014,500 | 17,014,282 |
| Water and pumping plant | 22,473,818 | 21,473,818 |
| Recreational site improvements | 3,029,828 | 3,029,828 |
| Buildings | 2,373,223 | 2,178,213 |
| Roads and parking lots | 2,342,724 | 2,342,724 |
| Fish pavilions | 848,128 | 848,128 |
| Golf course | 8,185,528 | 8,185,528 |
| Equipment | 3,483,438 | 3,458,547 |
| Construction in progress | 8,799,944 | 8,734,418 |
| Less accumulated depreciation | ----- (28,828,421) | ----- (28,132,826) |
| TOTAL PROPERTY, PLANT AND EQUIPMENT | ----- 88,523,728 | ----- 83,588,218 |
| TOTAL ASSETS | <u>\$ 78,242,142</u> | <u>\$ 63,266,915</u> |

| LIABILITIES AND EQUITY | 1999 | 1998 |
|--------------------------------------|---------------|----------------|
| Current liabilities: | | |
| Current maturities of long-term debt | \$ 619,080 | \$ 1,085,808 |
| Accounts and retainage payable | 1,299,389 | 726,817 |
| Accrued expenses | 238,887 | 321,804 |
| Contract payable | 648,877 | 875,913 |
| Other current liabilities | 158,680 | 169,823 |
| TOTAL CURRENT LIABILITIES | 3,964,813 | 3,679,965 |
| Long-term liabilities: | | |
| Contract payable | 10,254,887 | 18,775,850 |
| Bonds payable | 22,775,680 | 2,350,880 |
| TOTAL LONG-TERM LIABILITIES | 33,030,567 | 21,126,730 |
| Other liabilities: | | |
| Advance power payment | 682,328 | 2,824,208 |
| TOTAL LIABILITIES | 36,677,708 | 32,631,903 |
| Equity: | | |
| Accumulated loss on investments | (27,823) | - |
| Contributed capital | 56,816,536 | 55,888,429 |
| Retained earnings | 14,823,882 | 32,366,258 |
| TOTAL EQUITY | 48,565,842 | 87,254,787 |
| TOTAL LIABILITIES AND EQUITY | \$ 85,243,550 | \$ 119,886,690 |

See Notes to Financial Statements.

LANDING RIVER AUTHORITY,
STATE OF LOUISIANA

STATEMENTS OF INCOME
YEARS ENDED JUNE 30, 1992 and 1991

| | 1992 | 1991 |
|--|-------------------|-------------------|
| Operating Revenues: | | |
| Power sales | \$ 3,083,767 | \$ 3,442,493 |
| Water sales | 2,822,493 | 2,404,941 |
| Park site rentals | 203,494 | 228,440 |
| Golf course fees and sales | - | 87,343 |
| Miscellaneous | 244,598 | 422,348 |
| TOTAL OPERATING REVENUES | 6,454,352 | 6,585,565 |
| Operating Expenses: | | |
| Operating and maintenance | 4,084,428 | 4,128,817 |
| Depreciation | 3,628,856 | 3,624,822 |
| TOTAL OPERATING EXPENSES | 7,713,284 | 7,753,639 |
| OPERATING INCOME (LOSS) | -1,258,932 | -1,168,074 |
| Nonoperating Revenues (Expenses): | | |
| Interest income | 283,818 | 268,943 |
| Interest expense | (395,434) | (548,823) |
| Contribution to Policy Jury | 191,150 | (75,413) |
| Forgiveness of debt | 181,459 | 342,459 |
| NET NONOPERATING REVENUES (EXPENSES) | 160,993 | 187,166 |
| NET INCOME (LOSS) | -1,097,939 | -980,908 |
| Add depreciation and loss on assets contributed or funded by other funds that reduce contributed capital | 341,268 | 228,318 |
| INCREASE (DECREASE) IN RETAINED EARNINGS | -756,671 | -752,590 |
| Retained earnings at beginning of year | 12,366,728 | 13,119,318 |
| Retained earnings at end of year | 11,610,057 | 12,366,728 |

See Notes to Financial Statements.

CAJINE RIVER AUTHORITY,
STATE OF LOUISIANA

STATEMENTS OF CASH FLOW
Years Ended June 30, 1999 and 1998

| | <u>1999</u> | <u>1998</u> |
|---|---------------------|---------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Operating income | \$ 696,250 | \$ 1,200,700 |
| Adjustments to reconcile operating income to net cash provided by (used in) operating activities: | | |
| Noncapitalized loss on investments | (27,500) | - |
| Depreciation | 1,439,800 | 1,816,000 |
| Other | 180,200 | 24,100 |
| Changes in assets and liabilities: | | |
| Increase (decrease) in assets - | | |
| Accounts receivable | (78,000) | (800,300) |
| Other | (28,000) | 15,000 |
| Increase (decrease) in liabilities: | | |
| Accounts payable | 580,700 | (208,200) |
| Accrued expenses | 67,000 | 413,700 |
| Other | (10,000) | (20,200) |
| | <u>2,008,850</u> | <u>2,563,800</u> |
| Net cash provided by operating activities | <u>2,008,850</u> | <u>2,563,800</u> |
| CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Proceeds from sale of bonds | 18,400,000 | - |
| Acquisition of capital assets | (8,604,000) | (2,039,000) |
| Contributions to Police Jury | 181,100 | 673,000 |
| Transfers from primary government | 3,004,000 | 1,000,000 |
| Principal paid on revenue bond maturities | (300,000) | (800,000) |
| Interest paid on revenue bonds | (300,000) | (348,000) |
| Net payments on contracts payable | (400,000) | (463,000) |
| Net cash provided by (used in) capital and related financing activities | <u>8,881,100</u> | <u>(218,000)</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchases of investment securities | (18,000,000) | - |
| Net sales of investment securities | 1,000,000 | 1,100,000 |
| Interest on investments | 300,000 | 260,000 |
| Net cash provided by (used in) investing activities | <u>(16,700,000)</u> | <u>1,360,000</u> |
| Increase in cash and cash equivalents | 1,708,850 | 2,705,800 |
| Cash and cash equivalents at beginning of year | <u>7,073,800</u> | <u>4,368,000</u> |
| Cash and cash equivalents at end of year | <u>\$ 8,782,650</u> | <u>\$ 7,073,800</u> |

Continued

IBAHRE RIVER AUTHORITY,
STATE OF LOUISIANA

STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended June 30, 1999 and 1998

| | <u>1999</u> | <u>1998</u> |
|--|---------------------|---------------------|
| Cash and cash equivalents shown on balance sheet as: | | |
| Current assets: Cash and cash equivalents | \$ 8,825,823 | \$ 5,412,178 |
| Restricted assets: Cash and cash equivalents | <u>806,082</u> | <u>2,662,814</u> |
| | <u>\$ 9,631,905</u> | <u>\$ 8,074,992</u> |

SEE NOTES TO FINANCIAL STATEMENTS.

ABIBINE RIVER AUTHORITY,
STATE OF LOUISIANA.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of Abibine 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:

Abibine River Authority, a component unit of the State of Louisiana, was created under Title 48, Chapter 2, of the Louisiana Revised Statutes of 1988, comprised of R.S. 48:2323 through 48:2327. The Authority is charged with the development of the Abibine River Basin within the State of Louisiana. The Authority derives its revenues from the sale of hydroelectric power from the Toledo Bend Dam, water sales from the Toledo Bend Reservoir and Abibine River diversion Canal, permit and recreation area fees and other miscellaneous revenues. 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. In the 1991 Session of the Louisiana Legislature, Act 202 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 power covering all or a portion of six parishes in the Abibine Basin and is administered by a thirteen-member Board of Directors appointed by the Governor to four-year terms which are commensurate 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 and groups were designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

For the 1989-90 fiscal year, the Legislative Auditor determined the Authority's accounting system should consist of an enterprise fund (proprietary fund type). 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.

NOTES TO FINANCIAL STATEMENTS

Proprietary Funds are reported in accordance with GASB Statement No. 24, Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that use Proprietary Fund Accounting. This standard requires that all applicable GASB pronouncements, Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) issued on or before November 18, 1988 be applied to proprietary activities unless they (FASB Statements and Interpretations, APB Opinions, and ARB) conflict with or contradict GASB pronouncements.

GASB Statement No. 24 also states that for proprietary activities, managers may elect to apply all FASB Statements and Interpretations issued after November 18, 1988, except for those that conflict with or contradict GASB pronouncements. Proprietary activities under the control of the Authority will not elect to apply FASB Statements and Interpretations issued after November 18, 1988, unless they are adopted by GASB.

Compensated absence:

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 of their heirs are compensated for up to 100 hours of unused annual leave at the employee's hourly rate of pay. Upon retirement, unused annual leave in excess of 100 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. 24, Accounting for Compensated Absences, (SFASB Code 24), GASB no liability is recorded for converting 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 do bear maturity that there is no significant risk of changes in value due to changes in interest rates.

Investments:

Investments meeting the requirements of GASB Statement No. 31 are stated at their value. Other investments are stated at cost and purchase premiums and discounts, if any, are amortized over the lives of the related investments on a straight-line basis.

NOTES TO FINANCIAL STATEMENTS

Accounts receivable:

The Authority considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If accounts 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:

| | | |
|--------------------------|----------------|-------|
| Dam and electric plants | | 1.50% |
| Water and pumping plants | 2.50% - 5.00% | |
| Buildings | 5.00% - 8.00% | |
| Equipment | 8.00% - 20.00% | |
| Roads and parking lots | 2.00% - 5.00% | |
| Gift courses | | 2.00% |

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 indentures.

Rates and regulations:

The Louisiana Public Service Commission (LPSC) has original jurisdiction over the electric rates charged by the Authority. In 1985, the LPSC granted a rate increase. The new rate is 5.00 per kWh for five years then 2.14 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, 1988, 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.

NOTES TO FINANCIAL STATEMENTS

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 mainline River Authority Appropriations, a portion of the enterprise fund, is normally 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 3. Deposits and Investments

Deposits:

At year end, the carrying amount of the Authority's deposits was \$200,000 and the bank balance was \$120,000. Of the bank balance, all funds were covered by Federal Depositary Insurance.

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 department 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.

MOVES TO FINANCIAL STATEMENTS

| | Category | | | Carrying Amount | Fair Value |
|---|---------------------|-------------|----------------------|---------------------|---------------------|
| | 1 | 2 | 3 | | |
| Money Market U.S. Treasury Securities | \$ 100,000 | \$ - | \$ 27,828,528 | \$ 1,128,528 | \$ 1,100,000 |
| | <u>1,100,000</u> | <u>-</u> | <u>-</u> | <u>1,100,000</u> | <u>1,100,000</u> |
| | <u>\$ 1,100,000</u> | <u>\$ -</u> | <u>\$ 27,828,528</u> | <u>\$ 1,128,528</u> | <u>\$ 1,100,000</u> |

Investments not
categorized:
State
Treasury
Bonds

\$ 1,468,361 \$ 1,468,361
8,961,311 8,961,311

\$ 1,468,361 \$ 1,468,361

NOTE 4. Fixed Assets

Balance of fixed assets acquired through the joint operation between Sabine River Authority, State of Louisiana and Sabine River Authority of Texas on the amount of \$28,643,328 were obtained from audited financial statements. Balance from the capital project fund of \$28,329,793 as of June 30, 1999 were also audited. All other fixed asset balances were obtained from sources that could not be audited. Fixed assets as of June 30, 1999 were as follows:

| | Land | Reservoir and Water ways | Dam and Electric Plant | Water and Pumping Plant | Recreation | | All Other |
|---|------------------|--------------------------------|------------------------------|-------------------------------|-------------------|------------------|-------------------|
| | | | | | Improve- ments | Equipment | |
| Balance, June 30, 1998 composed of amount audited as June 30, 1998 | \$ - | \$ - | \$ - | \$ 21,472,828 | \$ - | \$ - | \$ 13,171 |
| Added as June 30, 1999 | 1,202,186 | 18,805,980 | 17,444,300 | 68,124 | 1,828,828 | 3,204,218 | 30,479,482 |
| Balance, June 30, 1999 | 1,202,186 | 18,805,980 | 17,444,300 | 21,472,828 | 1,828,828 | 3,204,218 | 64,190,793 |
| Additions | - | - | - | - | - | 159,750 | - |
| Deletions | - | - | - | - | - | (121,218) | - |
| Accretions | - | - | - | - | - | - | - |
| Impairment | - | (8,887,348) | (8,140,518) | (4,705,261) | (2,707,184) | (2,201,878) | (1,348,159) |
| In progress | - | - | - | - | - | - | 4,868,046 |
| Balance, June 30, 1999 | <u>1,202,186</u> | <u>11,118,632</u> | <u>9,303,782</u> | <u>21,472,828</u> | <u>1,667,644</u> | <u>2,982,940</u> | <u>69,711,446</u> |

NOTES TO FINANCIAL STATEMENTS

Note 5. Construction in Progress

At the end of last year, the Authority was in the process of constructing a convention center on Toledo Bend Lake. Total projected costs through Phase 3 of the Project is expected to be \$48,000,000. The State of Louisiana will provide funding of \$18,500,000 and private developers are expected to fund approximately \$13,000,000 of the projected cost of the project. The remaining \$16,500,000 will be provided by a combination of funding from the State of Louisiana, private developers, and self generated funds of the Authority. As of June 30, 1999, expenditures for the Project include land in the amount of \$978,024, fixed assets of \$13,500,580 and construction work in progress of \$4,808,646. Construction work in progress consists of work done to date related to the conference center. Below are the changes in construction work in progress for the year ended June 30, 1999.

| | |
|----------------------------|---------------------|
| Balance, June 30, 1998 | \$ 2,514,419 |
| Current year disbursements | —4,808,646 |
| Balance, June 30, 1999 | <u>\$ 2,808,646</u> |

Note 6. Long-Term Debt

Outstanding long-term debt of Sabine River Authority, State of Louisiana for the year ended June 30, 1999 consist of the following:

| | Date of 1999 | Date of Maturity | Interest Rates | Original Amount (\$000) |
|--|--------------------|------------------------|-------------------|-------------------------------|
| Hydroelectric Revenue Bonds: Series 1994 | 1994 | 2004 | 3.14% - 3.70% | \$ 25,000 |
| Recreational Facility Revenue Bonds: Series 1994 | 1994 | 1999 | Variable | \$ 1,500 |
| Public Improvement Revenue Bonds: Series 1999 | 1999 | 2014 | 4.80% | \$ 10,000 |

NOTES TO FINANCIAL STATEMENTS

* 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 06/18/79 | Added | Retired | Out- standing 06/18/79 |
|--|------------------------------|-----------------|---------------|------------------------------|
| | 1,000's | | | 1,000's |
| Hydroelectric Revenue Bonds: | | | | |
| Series 1964 | \$ 4,000 | \$ - | \$ 400 | \$ 3,600 |
| Revenue/General Facility Revenue Bonds: | | | | |
| Series 1964 | 500 | - | 100 | - |
| Public Improvements Revenue Bonds: | | | | |
| Series 1969 | ----- | 10,000 | ----- | 10,000 |
| Total long-term debt | <u>\$ 4,500</u> | <u>\$10,000</u> | <u>\$ 500</u> | <u>\$ 14,000</u> |

The annual debt service requirements to maturity of all bonds outstanding at June 30, 1979 follow:

| | Principal | Interest | Total |
|-------------|---------------------|---------------------|---------------------|
| 1980 | \$ 815,000 | \$ 886,335 | \$ 1,701,335 |
| 1981 | 1,158,000 | 871,525 | 2,029,525 |
| 1982 | 1,218,000 | 833,200 | 2,051,200 |
| 1983 | 1,255,000 | 873,250 | 2,128,250 |
| 1984 | 1,218,000 | 821,140 | 2,039,140 |
| 1985 - 1914 | 1,800,000 | 1,215,000 | 3,015,000 |
| | <u>\$10,418,000</u> | <u>\$ 4,810,350</u> | <u>\$15,228,350</u> |

Note 9. 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, 1976, the Department of Public Works agreed to service \$10,000,000 of State of Louisiana General Obligation Bonds through any means necessary 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. 18:245 the operation of the Sabine River Diversion Canal System was transferred to the Sabine River Authority. Revenues 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.

NOTES TO FINANCIAL STATEMENTS

The \$18,500,000 general obligation bonds are dated September 1, 1935 and sold as part of \$23,000,000 State of Louisiana, General Obligation Bonds, Series 1935-B (with interest rates ranging from 4.50% 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, 1936.

The total unamortized principal and interest at June 30, 1959 is \$18,985,884. 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 1, 1951. Advance power payments forgiven was \$261,000 and interest forgiven was \$260,561 for the year ended June 30, 1959. The outstanding balance will continue to accrue interest at five percent. The following illustrates the advance power payment obligation at June 30, 1959:

| Power Sales Agreement section | Advance | Interest | Total |
|-------------------------------|-----------|-----------|-----------|
| 1-33(a) | \$122,100 | \$161,100 | \$283,200 |

Note 9. Revenue

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 \$30,000, 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 \$200,000 by the Trustee, with a provision for an additional deposit not to exceed \$100,000. Under the terms of the power agreement, the total of \$300,000 represents the Authority's one-half of the aggregate amount to be paid to the

NOTES TO FINANCIAL STATEMENTS

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 1 and September 1 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 16. 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, 1978 were as follows:

| | | |
|----------------------|----|------------------|
| Daniel Capri | \$ | 500 |
| John A. DeBarge, Jr. | | 500 |
| Samuel Frenkel | | 1,000 |
| Robert Doughagan | | 1,100 |
| George Skippers | | 500 |
| Walter Harrison | | 500 |
| Donnie Galtres | | 500 |
| Gene Skinner | | 500 |
| Warren Smith | | 700 |
| Finly Blundy | | 500 |
| Douglas Solares | | 500 |
| Thaynes Kank | | 1,000 |
| Aubrey Temple | | 500 |
| | | <u>\$ 12,200</u> |

NOTES TO FINANCIAL STATEMENTS

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, non-sharing pension plan established by the Louisiana legislature. The payroll for Authority employees covered by the System for the year ended June 30, 1999 was \$1,386,977; the total Authority payroll was \$1,411,177.

All employees who work at least 38 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 \$400, 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 32.6%. The total contribution by the Sabine River Authority for the year was \$454,635, which consisted of \$187,843 from the Authority and \$266,792 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 employees. Information concerning the pension benefit obligation for the System as a whole at June 30, 1999 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. These benefits for retirees are provided through Group Benefits whose membership

NOTES TO FINANCIAL STATEMENTS

premiums are paid jointly by the employee and the State. The cost of providing these benefits is reflected as an expenditure in the year in which paid. For the year ended June 30, 1988, there were thirteen retirees and the cost of their benefits totaled \$28,121.

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, 1988 was \$27,241.

Future minimum rental payments required under operating leases that have remaining lease terms in excess of one year as of June 30, 1988, follows:

| Year Ending <u>June 30,</u> | |
|--------------------------------|-----------------|
| 1989 | \$ 3,000 |
| 1991 | 3,000 |
| 1992 | 3,000 |
| 1993 | 3,000 |
| | <u>\$12,000</u> |

NOTE 14. 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 15. Contingent Liabilities

Public law 96-361 directed the Federal Energy Regulatory Commission (FERC) to waive almost administrative 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 exceptions applied for through June 14, 1988 have been approved.

NOTES TO FINANCIAL STATEMENTS

The Authority performed emergency repairs to the Black River treatment facilities during the year as Black River District was unable to pay for the repairs. The expenditures incurred during the year were expensed. The Authority, in September 1998, began operating the facility including selling water to customers. The Black River District and the Authority had not entered into an agreement as of June 30, 1999 for the operation and sale of water. The final cost of operating the system and the quality of the water to the Authority is not known at this time.

Note 16. Bond Indenture

The Sabine River Authority has been authorized and empowered to issue water facility revenue bonds in the aggregate principal amount of \$10,000,000. 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 issuer 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 17. Unusual Transactions

Based on an agreement with Gulf States Utilities, Central Louisiana Electric Cooperative and Louisiana Power and Light (See Note 8), O&M of the Authority in the amount of \$14,889 was forgiven.

Note 18. Year 2000 Issues

The Year 2000 issue is the result of shortcomings in many electric data processing systems and other electronic equipment that may adversely affect the operations of the Authority.

The Authority has worked diligently to have its system Year 2000 ready. However, because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully proven until the year 2000 and thereafter. Therefore, management cannot unequivocally state that the Authority's remediation efforts will be successful in whole, or that parties with whom the Authority does business will be Year 2000 ready.



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

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**TO the Board of Commissioners
Baldie River Authority
State of Louisiana**

We have audited the financial statements of Baldie River Authority, a component unit of the State of Louisiana, as of and for the year ended June 30, 1998, and have issued our report thereon dated September 10, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits prescribed 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 these 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. However, we noted a certain matter involving the internal control over financial reporting and its operations that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Authority's ability to record, process,

summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item B-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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. Our consideration of the internal control over financial reporting would not necessarily disclose all weaknesses in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

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

Brownard, Poth, Lewis & Brown LLP

Lafayette, Louisiana
September 16, 1999

MISSISSIPPI RIVER AUTHORITY,
STATE OF LOUISIANA.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 1989

We have audited the financial statements of Mississippi River Authority, State of Louisiana, as of and for the year ended June 30, 1989, and have issued our report thereon dated September 14, 1989. 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. Our audit of the financial statements as of June 30, 1989 resulted in a qualified opinion.

Section I - Summary of Auditors' Reports

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses ___ Yes X No
Reportable Conditions X Yes ___ None Reported

Compliance

Compliance Material to Financial Statements ___ Yes X No

Section II - Financial Statement Findings

99-1 Black Water District

Finding: The Black Water District and the Authority had not entered into an agreement as of June 30, 1989 for the operation and sale of WSOB.

Recommendation: The Black Water District and the Authority needs to enter into an agreement for the Authority to operate the Black water treatment facility.

WATER BOARD AUTHORITY,
STATE OF LOUISIANA

SCHEDULE OF REVENUES AND EXPENDITURES
AS APPROPRIATED BY STATE OF LOUISIANA -
BUDGET (NON-GRANT BASIS) AND ACTUAL
Year Ended June 30, 1969

With Comparative Actual Accounts for Year Ended June 30, 1968

| | 1969 | | Variance - Favorable Unfavorable | 1968 Actual |
|---|-------------------|-------------------|--|-------------------|
| | Budget | Actual | | |
| Revenues: | | | | |
| Sale of water | \$1,811,000 | \$1,899,777 | \$ 888,777 | \$1,792,376 |
| Interest | - | 36,993 | 36,993 | 38,397 |
| Intergovernmental - Appropriation from Debt Service Funds | 1,000,000 | 1,123,808 | 123,808 | 1,033,808 |
| Total revenues | <u>2,811,000</u> | <u>3,060,578</u> | <u>1,049,578</u> | <u>2,865,381</u> |
| Expenditures: | | | | |
| Current - general government - | | | | |
| Salaries | 1,408,831 | 1,404,993 | 3,838 | 1,480,333 |
| Board compensation | 7,800 | 50,708 | 42,908 | 7,708 |
| Employee benefits | 289,357 | 300,848 | 11,491 | 335,845 |
| Travel | 83,419 | 88,378 | 4,959 | 57,493 |
| Operating services | 1,035,689 | 843,548 | 192,141 | 868,334 |
| Supplies | 158,451 | 187,898 | 29,447 | 188,334 |
| Professional services | 238,383 | 177,878 | 60,505 | 81,788 |
| Other charges | 1,084,484 | 480,817 | 603,667 | 587,688 |
| Major repairs | 415,808 | 181,808 | 234,000 | 128,978 |
| Capital outlay | 346,355 | 389,578 | 43,223 | 388,835 |
| Interest expense | - | 181,812 | 181,812 | 388,800 |
| Total expenditures | <u>3,311,617</u> | <u>3,861,898</u> | <u>550,320</u> | <u>4,023,388</u> |
| Excess (deficiency) of revenues over expenditures | <u>\$ 499,383</u> | <u>\$ 198,680</u> | <u>\$ 300,703</u> | <u>\$ 841,993</u> |



Sabine River Authority

LINDA CURTIS-SPARKS
Executive Director



BLU "BIBBY" FOSTER, JR.
GOVERNOR
Baton Rouge
P.O. Box 95460
Baton Rouge, LA 70805

October 20, 1999

Dr. Daniel G. Kyle, CPA, CFE
Legislative Auditor
1600 North Third Street
Baton Rouge, Louisiana 70804

Attention: Ms. Rebecca Thomas

Dear Dr. Kyle:

In response to the Sabine River Authority, State of Louisiana Fiscal Year 98-99 Audit, Schedule of Findings and Questioned Costs, Section II, 99-1, please be advised that SRA is continuing dialogue with legal counsel, Iberb Water District, South Toledo Bend Waterworks District and Rural Utilities Services, USIDA to outline the recommended course of action to resolve this situation. The litigation pending between SRA and Iberb Water District has impeded the resolution of this situation prior to June 30, 1999.

Should additional information and/or discussion be required, please advise.

Sincerely,

LINDA CURTIS-SPARKS
EXECUTIVE DIRECTOR

LC-S:mlg

Cc: Braunsard, Pochar', Lewis & Brauns