

RECEIVED
JUN 15 1998

OFFICE
FILED
DO NOT SIGN OUT

Please receiving
copies from this
office and PLEASE
BACK us (1,2)

**SABINE RIVER AUTHORITY
STATE OF LOUISIANA
FINANCIAL REPORT
JUNE 30, 1998**

98702558
4214
25

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, or reviewed, orally and either approved or publicly criticized. This report is available for public inspection at the Baton Rouge Office of the Legislative Auditor and, various copies, at the office of the parish clerk of court.

Release Date: ~~6-12-1998~~
1998

C O N T E N T S

	Page
INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS	1 and 2
FINANCIAL STATEMENTS	
Balance sheet	4 and 5
STATEMENT OF INCOME	4
STATEMENT OF CASH FLOW	7 and 8
Notes to Financial statements	9 - 10
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	21 and 22
Schedule of revenues and expenditures as appropriated by State of Louisiana - budget from-GRANT basis- and actual -	23



HROUSSARD, POCHE, LEWIS & BREAUX, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

P. O. Box 4480
Baton Rouge, Louisiana
70804-0480
Phone: (504) 389-8700
Fax: (504) 389-8541

INDEPENDENT AUDITORS' REPORT

**TO THE BOARD OF COMMISSIONERS
Baldwin River Authority,
STATE OF LOUISIANA**

Other Offices:

Covington, LA

(504) 835-8000

Shreveport, LA

(504) 835-1300

Orlando, FL

(352) 943-1200

New Orleans, LA

(504) 584-7000

Church Point, LA

(504) 884-2000

Monroe, LA

(504) 331-0000

Lawrence S. Graves, CPA

Edward C. Gilbre, CPA

Donald W. Kelly, CPA

Barbara Ann K. O'Neil

Frank A. Sapp, CPA

Scott J. Swainson, CPA

J. Charles Walker, CPA

Kenneth R. Wynn, CPA

Elaine Mendenhall, CPA

Stephen L. Laskowicz, CPA

Gregory B. Robinson, CPA

Thomas C. Williams, CPA

Michael G. Goodwin, CPA

George J. Trapp, III, CPA

Donald E. Gilbre, CPA

Gregory B. Robinson, CPA

J. Scott Robinson, CPA

Michael E. McVeeley, CPA

Retired:

William L. Brummond, CPA 1980

Law S. Park, CPA 1980

James B. Stevens, CPA 1981

Frank H. Wilson, CPA 1980

George J. Smith, CPA 1980

Elizabeth J. Woodruff, CPA 1980

Richard L. Stone, CPA 1980

Lawrence S. Brummond, CPA 1980

Members of the Louisiana Society of Certified Public Accountants

Members of the Louisiana Society of Certified Public Accountants

Members of the Louisiana Society of Certified Public Accountants

We have audited the accompanying financial statements of Baldwin River Authority, a component unit of the State of Louisiana, as of and for the year ended June 30, 1998, 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 Environmental 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 Baldwin 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 discovered 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 Baldwin River Authority, State of Louisiana, as of June 30, 1998, and the results of its operations and cash flows for the year that 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 1997 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 21, 1998, 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.

Brownand Peltz, Lewis & Brown LLP

Lafayette, Louisiana
September 21, 1998

This page intentionally left blank.

GARDNER RIVER AUTHORITY,
STATE OF LOUISIANA.

FINANCIAL STATEMENTS
JUNE 30, 1998 and 1997

ASSETS	<u>1998</u>	<u>1997</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 5,433,178	\$ 3,899,844
Investments	2,878,361	3,271,339
Accounts receivable	943,021	378,838
Other current assets	<u>18,348</u>	<u>23,852</u>
TOTAL CURRENT ASSETS	<u>9,372,908</u>	<u>7,573,873</u>
Restricted Assets:		
Cash and cash equivalents	<u>1,840,424</u>	<u>853,820</u>
TOTAL RESTRICTED ASSETS	<u>1,840,424</u>	<u>853,820</u>
Property and equipment:		
Land	3,852,184	3,252,384
Reservoirs and canalsways	18,889,589	19,808,589
Dams and electric plant	17,454,809	17,824,389
Weirs and pumping plant	22,472,928	21,972,928
Recreational site improvements	3,203,827	3,492,843
Buildings	2,373,313	2,118,829
Roads and parking lots	2,342,323	2,204,894
Fish pavilions	842,318	838,851
Soil conservation	5,368,538	5,162,358
Equipment	3,484,147	3,318,482
Construction in progress	2,514,818	553,499
Less accumulated depreciation	<u>(42,222,826)</u>	<u>(42,204,652)</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	<u>51,342,224</u>	<u>52,788,429</u>
TOTAL ASSETS	<u>\$ 62,555,556</u>	<u>\$ 61,216,122</u>

LIABILITIES AND EQUITY	1998	1997
Current liabilities:		
Current maturities of long-term debt	\$ 1,800,000	\$ 980,800
Accounts and retainage payable	718,957	976,744
Accrued expenses	212,684	224,378
Contract payable	872,321	831,816
Other current liabilities	162,423	21,522
TOTAL CURRENT LIABILITIES	3,766,385	2,035,260
Long-term liabilities:		
Contract payable	20,782,883	12,382,338
Bonds payable	2,228,000	2,228,000
TOTAL LONG-TERM LIABILITIES	22,990,863	14,610,338
Other liabilities:		
Advance power payment	1,224,234	1,166,510
TOTAL LIABILITIES	27,981,482	17,812,108
Equity:		
Contributed capital	21,898,429	18,124,888
Retained earnings	21,268,308	18,282,864
TOTAL EQUITY	43,166,737	36,407,752
TOTAL LIABILITIES AND EQUITY	\$ 71,148,219	\$ 54,219,860

SEE NOTES TO FINANCIAL STATEMENTS.

CAJINE RIVER AUTHORITY,
STATE OF LOUISIANA

STATEMENTS OF INCOME
YEARS ENDED JUNE 30, 1998 and 1997

	<u>1998</u>	<u>1997</u>
Operating Revenue:		
Power sales	\$ 3,843,490	\$ 3,337,593
Water sales	3,804,961	3,953,533
park site rentals	238,448	182,833
Golf course fees and sales	57,182	879,894
Miscellaneous	<u>822,168</u>	<u>182,243</u>
TOTAL OPERATING REVENUE:	<u>\$ 8,766,249</u>	<u>\$ 8,638,096</u>
Operating Expenses:		
Operating and maintenance	4,338,817	4,399,493
Depreciation	<u>1,818,822</u>	<u>1,308,611</u>
TOTAL OPERATING EXPENSES	<u>\$ 6,157,639</u>	<u>\$ 5,708,104</u>
OPERATING INCOME (LOSS)	<u>\$ 2,608,610</u>	<u>\$ 2,929,992</u>
Nonoperating Revenue (Expense):		
Interest income	288,800	288,320
Interest expense	<u>(348,433)</u>	<u>(438,883)</u>
Contribution to Policy Jury	173,433	(74,824)
Forgiveness of debt	<u>381,622</u>	<u>343,622</u>
NET NONOPERATING REVENUE (EXPENSE)	<u>\$ 495,422</u>	<u>\$ 128,335</u>
NET INCOME (LOSS)	\$ 3,104,032	\$ 3,058,327
ADD depreciation and loss on assets contributed or funded by other funds less reduce contributed capital	<u>732,318</u>	<u>1,672,489</u>
INCREASE (DECREASE) IN RETAINED EARNINGS	\$ 3,836,350	\$ 4,730,816
Retained earnings at beginning of year	<u>18,252,244</u>	<u>22,254,481</u>
Retained earnings at end of year	<u>\$ 22,088,594</u>	<u>\$ 26,985,297</u>

SEE NOTES TO FINANCIAL STATEMENTS.

JULIAN RIVER AUTHORITY,
STATE OF LOUISIANA

STATEMENTS OF CASH FLOW
Years Ended June 30, 1986 and 1987

	<u>1986</u>	<u>1987</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ 1,300,788	\$ (1,002,204)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation	1,616,002	1,595,813
Other	34,182	28,380
Change in assets and liabilities:		
Decrease (Increase) in assets -		
Accounts receivable	182,382	128,727
Other	16,228	7,833
Increase (Decrease) in liabilities:		
Accounts payable	1262,227	628,400
Accrued expenses	(13,762)	16,142
Other	221,222	3,228
Net cash provided by (used in) operating activities	<u>2,562,222</u>	<u>(128,202)</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(1,326,822)	12,126,261
Contributions to Police Jury	(72,822)	(781,822)
Transfers from primary government	1,826,262	1,826,262
Principal paid on previous bond maturities	1826,262	2826,262
Interest paid on previous bonds	1248,222	1426,262
Net payments on contracts payable	<u>(226,222)</u>	<u>(126,122)</u>
Net cash used in capital and related financing activities	<u>(1226,222)</u>	<u>16,226,222</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net sales of investment securities	1,226,222	1,226,222
Interest on investments	<u>226,222</u>	<u>226,122</u>
Net cash provided by investing activities	<u>1,452,444</u>	<u>1,452,344</u>
Increase (Decrease) in cash and cash equivalents	1,262,222	1,262,222
Cash and cash equivalents at beginning of year	<u>2,226,222</u>	<u>2,226,222</u>
Cash and cash equivalents at end of year	<u><u>3,488,444</u></u>	<u><u>3,488,444</u></u>

(In thousands)

IBERIE RIVER AUTHORITY,
STATE OF LOUISIANA

STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended June 30, 1998 and 1997

	<u>1998</u>	<u>1997</u>
Cash and cash equivalents shown on balance sheet as:		
Current assets: Cash and cash equivalents	\$ 1,833,178	\$ 2,888,844
Restricted assets: Cash and cash equivalents	<u>1,640,828</u>	<u>88,120</u>
	<u>\$ 3,474,006</u>	<u>\$ 2,976,964</u>

See Notes to Financial Statements.

MISSISSIPPI RIVER AUTHORITY,
STATE OF LOUISIANA

NOTES TO FINANCIAL STATEMENTS

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 18, Chapter 2, of the Louisiana Revised Statutes of 1950, comprised of R.S. 38:1211 through 38:1217. 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 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, 1983 to August 31, 1991. At the 1991 Session of the Louisiana Legislature, Act 379 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 its activities in the Basin Basin and is administered by a thirteen-member Board of Directors appointed by the Governor in four-year terms which are staggered 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 1994-95 fiscal year, the Legislative Auditors 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.

NOTE TO FINANCIAL STATEMENTS

Proprietary funds are reported in accordance with GASH Statement No. 19, Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that use Proprietary Fund Accounting. This standard requires that all applicable GASH pronouncements, Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989 be applied to proprietary activities unless they (FASB Statements and Interpretations, APB Opinions, and ARBs) conflict with or contradict GASH pronouncements.

GASH Statement No. 20 also states that for proprietary activities, management may elect to apply all GASH Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASH pronouncements. Proprietary activities under the control of the Authority will not elect to apply GASH Statements and Interpretations issued after November 30, 1989, unless they are adopted by GASH.

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 104 hours of unused annual leave at the employee's hourly rate of pay. Upon retirement, unused annual leave in excess of 104 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. 14, Accounting for Compensated Absences, (FASB Code 604, 605) 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 so near maturity that there is no significant risk of changes in value due to changes in interest rates.

Investments:

The Authority implemented GASH Statement No. 31 in the current year; however, no investments fall under the requirements of the Statement. Therefore, investments are recorded at costs. 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:

rams and electric plants		1.50%
Meters and pumping plant	5.00%	- 5.00%
Buildings	5.00%	- 5.00%
Equipment	8.00%	- 20.00%
Roads and parking lots	3.33%	- 5.00%
Golf course		5.00%

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 indenture.

Rates and regulations:

The Louisiana Public Service Commission (LSPSC) has original jurisdiction over the electric rates charged by the Authority. In 1992, the LSPSC granted a rate increase. The new rate is 1.00 per kWh for five years then 1.10 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, 1998, 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 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 basic 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 item 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 \$118,698 and the bank balance was \$118,354. Of the bank balance, \$184,187 was covered by federal depository insurance. The remaining \$184,969 was covered by collateral held by a third party bank in the Authority's name.

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.

NOTES TO FINANCIAL STATEMENTS

	Categories			Carrying Amount	Market Value
	1	2	3		
Money Market	\$ 100,000	\$ -	\$2,367,926	\$ 2,467,926	\$ 2,467,926
U.S. Treasury securities	2,078,561	-	-	2,078,561	2,004,100
	<u>\$2,178,561</u>	<u>\$ -</u>	<u>\$2,367,926</u>	<u>\$ 4,546,487</u>	<u>\$ 4,472,026</u>

Investments net

categories:

State

Treasury

\$ 2,019,127 \$ 2,061,100

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 \$16,481,817 were obtained from audited financial statements. Balances from the capital projects fund of \$14,026,966 as of June 30, 1997 were also audited. All other fixed assets balances were obtained from sources that could not be audited. Fixed assets as of June 30, 1998 were as follows:

	Transportation and Water-		Power and Water and Pumping		Recreation and Other		Miscellaneous	
	1998	1997	1998	1997	1998	1997	1998	1997
Balance, June 30, 1997	\$ -	\$ -	\$ -	\$ -	\$2,146,626	\$ -	\$ -	\$ -
Issued as								
June 30, 1997	2,021,186	16,000,140	17,500,000	20,520	2,421,660	2,500,000	2,225,000	
Balance, June 30, 1997	2,021,186	16,000,140	17,500,000	20,520	2,421,660	2,500,000	2,225,000	
ADDED	-	-	-	-	417,000	314,187	110,000	
DEDUCTED	-	-	-	-	-	(277,100)	-	
Accumulated depreciation	-	(6,411,180)	(6,734,100)	(6,283,200)	(1,486,200)	(1,404,700)	(1,003,000)	
Elimination in projects								2,024,416
Balance, June 30, 1998	<u>\$2,021,186</u>	<u>\$16,000,140</u>	<u>\$17,500,000</u>	<u>\$20,520</u>	<u>\$2,838,660</u>	<u>\$2,605,387</u>	<u>\$1,222,000</u>	<u>\$2,225,000</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, marina and other recreational facilities on Toledo Bend Lake. Total projected costs through Phase 3 of the Project is expected to be \$68,800,000. The State of Louisiana will provide funding of \$28,500,000 and private developers are expected to fund approximately \$12,000,000 of the projected cost of the Project. The remaining \$28,300,000 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, 1988, expenditures for the Project include land in the amount of 1875,000. Fixed assets of \$11,800,000 and construction work in progress of \$2,514,818. Construction work in progress consists of work done to date related to the conference center. All other construction work outstanding at June 30, 1988 were completed in the current year. Below are the changes in construction work in progress for the year ended June 30, 1988.

Balance, June 30, 1987	\$ 601,480
Current year disbursements	2,148,548
Construction completed and capitalized in the current year	(1045,201)
Balance, June 30, 1988	<u>\$ 2,514,818</u>

Note 6. Long-Term Debt

Outstanding long-term debt of Sabine River Authority, State of Louisiana for the year ended June 30, 1988 consists of the following:

	Date of Issuance	Date of Maturity	Interest Rates	Original Amount (\$000's)
Hydroelectric Revenue Bonds:				
Series 1984	1984	1994	3.54% - 3.75%	\$ 15,000
Recreational Facility Revenue Bonds:				
Series 1984	1984	1990	Variable *	\$ 1,800

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 issue.

	OGC -			OGC -
	standing 06/30/97	Added	Retired	standing 06/30/98
Hydroelectric Revenue Bonds:				
Series 1994	\$ 4,818	\$ -	\$ 500	\$ 4,318
recreational facility Revenue Bonds:				
Series 1998	442	-	313	129
Total long-term debt	\$ 5,260	\$ -	\$ 813	\$ 4,447

The annual debt service requirements in maturity of all bonds outstanding at June 30, 1998 follows:

	Principal	Interest	Total
1999	\$ 845,000	\$ 138,876	\$ 983,876
2000	835,000	138,223	973,223
2001	825,000	88,563	913,563
2002	815,000	87,840	902,840
2003	795,000	45,810	840,810
2004	735,000	25,200	760,200
	\$ 5,055,000	\$ 425,512	\$ 5,480,512

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 \$25,000,000 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. 38:2021 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.

NOTES TO FINANCIAL STATEMENTS

The \$25,000,000 general obligation bonds are dated September 1, 1974 and were as part of \$25,000,000 State of Louisiana, General Obligation Bonds, Series 1974-B with interest rates ranging from 8.12% to 8.80%. 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, 1975.

The total unreimbursed principal and interest at June 30, 1979 is \$21,944,194. 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, 1980. Advance power payments forgiven was \$145,097 and interest forgiven was \$180,963 for the year ended June 30, 1979. The outstanding balance will continue to accrue interest at five percent. The following illustrates the advance power payment obligation at June 30, 1979:

From Sales Agreements Revenues	Advance	Interest	Total
1,916,011	1,683,182	1,540,082	\$5,139,275

Note 9. REVENUES

Under the terms of the Indenture of Trust, revenues 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 \$250,000. Under the terms of the power agreement, the total of \$750,000

NOTES TO FINANCIAL STATEMENTS

represent 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 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 Company 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 29. Per Diem Paid Commission Members

The authority is composed of thirteen members who are appointed by the Governor. Per diem payments to these members for the year ended June 30, 1998 were as follows:

Basile Capin	\$	700
John E. DeLarge, Sr.		400
Bessie Freeman		600
Robert Goughagen		600
George Phillips		400
Walter Harrison		300
Bonnie Johnson		700
Babe Skinner		500
Warren Smith		600
Finley Hambley		500
Georgine Melancon		600
Therese Bink		300
		<u>5,300</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 Employees' 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, 1998 was \$1,313,884; the total Authority payroll was \$1,484,883.

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 consecutive employment multiplied by ten years of creditable service plus \$200, 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 80% 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 12.5%. The total contribution by the Sabine River Authority for the year was \$242,828, which consisted of \$148,187 from the Authority and \$94,641 from its employees. Distributions 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 rely 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, 1998 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 monthly

NOTES TO FINANCIAL STATEMENTS

premiums are paid jointly by the employees 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, 1988, there were eleven retirees and the costs of their benefits totaled \$17,643.

Note 13. Leases

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 \$11,483.

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	\$ 2,000
1990	2,000
1991	2,000
1992	2,000
1993	<u>2,000</u>
	<u>\$ 10,000</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 94-571 directed the Federal Energy Regulatory Commission (FERC) to waive annual administration charges for the use of Western States lands during the remaining term of the license to operate the Toledo Wood Joint Project (Project). The license expires fifty years from October 1, 1985. 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 December 31, 1987 have been approved.

NOTES TO FINANCIAL STATEMENTS

Note 14. Bond Indenture

The Sabine River Authority has been authorized and empowered to issue water facility revenue bonds in the aggregate principal amount of \$13,400,000. 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 assets 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 13. Leases Transactions

Based on an agreement with Gulf States Utilities, Central Louisiana Electric Cooperative and Louisiana Power and Light (See Note 9), debt of the Authority in the amount of \$140,400 was forgiven.



DROUSSARD, POCHÉ, LEWIS & THIBEAUX, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

17 1/2, Rue 4000
 Lafayette, Louisiana
 70506-1400
 phone: (504) 782-4000
 fax: (504) 884-4270

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

Other Offices:
 Crowley, LA
 (504) 782-0000
 Metairie, LA
 (504) 885-1700
 Opelousas, LA
 (504) 382-3333
 New Iberia, LA
 (504) 382-3333
 Slidell, LA
 (504) 885-3333
 Thibodaux, LA
 (504) 885-3333
 Thibodaux, LA
 (504) 885-3333

By 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, 1998, and have issued our report thereon dated September 23, 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

Lawrence A. Travers, CPA
 Eugene L. Gidycz, CPA
 Donald W. Belton, CPA
 Robertson D. Cook
 Paul A. Starnes, CPA
 Scott E. Starnes, CPA
 L. Charles Mahoney, CPA
 Kenneth B. Dixon, CPA
 F. John Starnes III, CPA
 Stephen J. Lamborn, CPA
 Chad C. Robinson, CPA
 Peter G. Barretto, CPA
 Michael P. Lewis III, CPA
 George J. Travers III, CPA
 Donald E. Gidycz, CPA
 Eugene W. Wilson, CPA
 L. Scott Mahoney, CPA
 Patrick B. McLaughlin, CPA

Retired:
 Sidney J. Brummond, CPA 1984
 Lee K. Pech, CPA 1980
 James B. Stevens, CPA 1982
 Peter G. Wilson, CPA 1988
 George A. Davis, CPA 1988
 Jonathan J. Winkler, CPA 1988
 Barbara L. Jones, CPA 1984
 Gary S. Brummond, CPA 1981
 Member of American Institute of
 Certified Public Accountants
 Member of Louisiana Council of
 Public Accountants

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. 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.

Thomas R. Pugh, Senior Accountant

Lafayette, Louisiana
September 23, 1998

**PARISH WATER AUTHORITY,
STATE OF LOUISIANA**

**SCHEDULE OF REVENUES AND EXPENDITURES
AS APPROPRIATED BY STATE OF LOUISIANA -
BUDGET (NON-DEBT SALES) AND ACTUAL
Year Ended June 30, 1999**

With Comparative Actual Amounts for Year Ended June 30, 1997

	1998		Variance - Favorable Unfavorable	1997 Actual
	Budget	Actual		
Revenues:				
Sale of water	12,007,187	11,793,379	(213,808)	10,713,169
Interest	-	18,387	18,387	-
Intergovernmental - Appropriations from State Service Funds	2,820,000	2,815,000	(5,000)	2,879,828
Total revenues	3,027,287	3,415,666	388,379	4,592,997
Expenditures:				
Current - general government -				
Salaries	1,488,239	1,490,733	2,504	1,490,733
Board compensation	18,800	7,750	11,050	7,000
Employee benefits	274,000	232,840	41,160	259,169
Travel	25,010	18,481	6,529	18,481
Operating services	1,000,000	868,000	132,000	1,007,889
Supplies	149,282	168,818	(19,536)	182,325
Professional services	149,844	82,788	67,056	82,148
Other charges	771,285	597,649	173,636	329,583
Interagency transfer	-	-	-	4,500
Major repairs	122,410	121,979	431	83,808
Capital outlay	379,457	129,810	249,647	82,421
Interest expense	-	188,800	(188,800)	129,242
Total expenditures	3,027,287	3,081,960	54,673	4,422,925
Excess (deficiency) of revenues over expenditures	\$ 0.00	\$ 333,706	\$ 333,706	\$ 1,170,072