

5-100
REC'D
1800
04 OCT 14

**SABINE RIVER COMPACT ADMINISTRATION
FINANCIAL REPORT
AUGUST 31, 2004**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 10-27-04

C O N T E N T S

	Page
INDEPENDENT AUDITORS' REPORT	1 and 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 and 4
FINANCIAL STATEMENTS	
Basic financial statements:	
Government-wide financial statements -	
Statements of net assets	5
Statements of activities	6
Fund financial statements -	
Balance sheets	7
Statements of revenues, expenditures	
and changes in fund balance - governmental fund	8
Budgetary comparison schedule	9
Notes to financial statements	10 - 12
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>	13 and 14
Schedule of findings and questioned costs	15
Schedule of prior findings	16



BROUSSARD, POCHÉ, LEWIS & BREAUX, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

4112 West Congress
P. O. Box 61400
Lafayette, Louisiana
70596-1400
phone: (337) 988-4930
fax: (337) 984-4574

INDEPENDENT AUDITORS' REPORT

Other Offices:

Crowley, LA
(337) 783-0650

Opelousas, LA
(337) 942-5217

Abbeville, LA
(337) 898-1497

New Iberia, LA
(337) 364-4554

Church Point, LA
(337) 684-2855

Eugene C. Gilder, CPA*
Donald W. Kelley, CPA*
Herbert Lemoine II, CPA*
Frank A. Stagno, CPA*
Scott J. Broussard, CPA*
L. Charles Abshire, CPA*
Kenneth R. Dugas, CPA*
P. John Blanchet III, CPA*
Stephen L. Lambousy, CPA*
Craig C. Babineaux, CPA*
Peter C. Borrello, CPA*
George J. Trappey III, CPA*
Gregory B. Milton, CPA*
S. Scott Soileau, CPA*
Patrick D. McCarthy, CPA*
Martha B. Wyatt, CPA*
Troy J. Breaux, CPA*
Fayette T. Dupré, CPA*
Mary A. Castille, CPA*
Joey Breaux, CPA*
Terrel P. Dressel, CPA*

Retired:

Sidney L. Broussard, CPA* 1980
Leon K. Poché, CPA 1984
James H. Breaux, CPA 1987
Erma R. Walton, CPA 1988
George A. Lewis, CPA* 1992
Geraldine J. Wimberley, CPA* 1995
Rodney L. Savoy, CPA* 1996
Larry C. Broussard, CPA* 1997
Lawrence A. Cramer, CPA* 1999
Michael P. Crochet, CPA* 1999
Ralph Friend, CPA 2002

Members of American Institute of
Certified Public Accountants
Society of Louisiana Certified
Public Accountants

To the Board of Commissioners
Sabine River Compact Administration
States of Texas and Louisiana

We have audited the accompanying basic financial statements of the Sabine River Compact Administration, a component unit of the State of Texas and State of Louisiana, as of and for the years ended August 31, 2004 and 2003. These financial statements are the responsibility of the Administration's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 basic financial statements referred to above present fairly, in all material respects, the financial position of Sabine River Compact Administration as of August 31, 2004 and 2003, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 and 4 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated September 24, 2004, on our consideration of the Sabine River Compact Administration's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Broussard, Poche, Lewis & Breaux LLP

Lafayette, Louisiana
September 24, 2004

**SABINE RIVER COMPACT ADMINISTRATION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Sabine River Compact Administration (SRCA) annual financial report presents a discussion and analysis of SRCA's financial performance during the fiscal year that ended August 31, 2004. Please read this section in conjunction with SRCA's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

SRCA's net assets overall increased from \$30,268 to \$31,996 or 6% from August 31, 2003 to August 31, 2004. The main reason for this change was the decrease in cash, used to pay outstanding accounts payable.

SRCA's intergovernmental transfers increased from \$60,460 to \$62,458 or 3% from August 31, 2003 to August 31, 2004. General government expenses increased to \$61,083 from \$58,929 or 4% for the year ended August 31, 2004.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements, and the notes to the financial statements.

The basic financial statements present information for SRCA as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets presents the assets and liabilities. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the financial position of SRCA is improving or deteriorating.

The Statement of Activities presents information showing how SRCA's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, transactions are recorded that will not affect cash until future periods.

The financial statements provide information about SRCA's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

SRCA's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred. All assets and liabilities associated with the operation of SRCA are included in the Statement of Net Assets.

FINANCIAL ANALYSIS

Net Assets

SRCA's total net assets at August 31, 2004 changed by \$1,728, a 6% increase from August 31, 2003. Total assets decreased 29% to \$44,328 and total liabilities decreased 61% to \$12,332.

Changes in Net Assets

The change in net assets at August 31, 2004 is \$1,728 or 6% more than at August 31, 2003. SRCA's total revenues and transfers increased by 3% to \$62,811 and total general government expenses increased 4% to \$61,083. The general government expenses are detailed below.

SRCA's General Government Expenses

	<u>2004</u>	<u>2003</u>
General government expenses:		
Secretary	\$ 3,450	\$ 3,450
Treasurer	800	1,800
Water resources investigation	53,358	51,981
Audit fees	2,000	1,100
Other	<u>1,475</u>	<u>598</u>
Total	<u>\$ 61,083</u>	<u>\$ 58,929</u>

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

There are currently no known facts, decisions or conditions that are expected to have a significant effect on financial position or results of operations.

CONTACTING SRCA'S FINANCIAL MANAGEMENT

This financial report is designed to provide our legislatures, state officials, the Louisiana Legislative Auditor's Office, patrons and other interested parties with a general overview of SRCA's finances and to demonstrate SRCA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Debra Stagner at 409-746-2192.

SABINE RIVER COMPACT ADMINISTRATION

STATEMENTS OF NET ASSETS
August 31, 2004 and 2003

ASSETS	<u>2004</u>	<u>2003</u>
Cash	\$ 44,328	\$ 62,112
Total assets	<u>\$ 44,328</u>	<u>\$ 62,112</u>
LIABILITIES		
Accounts payable	\$ 12,332	\$ 31,844
Total liabilities	<u>12,332</u>	<u>31,844</u>
NET ASSETS		
Unrestricted	<u>31,996</u>	<u>30,268</u>
Total net assets	<u>31,996</u>	<u>30,268</u>
Total liabilities and net assets	<u>\$ 44,328</u>	<u>\$ 62,112</u>

See Notes to Financial Statements.

SABINE RIVER COMPACT ADMINISTRATION

STATEMENTS OF ACTIVITIES
 Years Ended August 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
EXPENSES:		
Governmental activities -		
General government	\$(61,083)	\$(58,929)
Total governmental activities	<u>(61,083)</u>	<u>(58,929)</u>
GENERAL REVENUES AND TRANSFERS:		
Intergovernmental transfers	62,458	60,460
Interest	<u>353</u>	<u>462</u>
Total general revenues and transfers	<u>62,811</u>	<u>60,922</u>
Change in net assets	1,728	1,993
<i>Net assets, at beginning</i>	<u>30,268</u>	<u>28,275</u>
<i>Net assets, at ending</i>	<u>\$ 31,996</u>	<u>\$ 30,268</u>

See Notes to Financial Statements.

SABINE RIVER COMPACT ADMINISTRATION

BALANCE SHEETS
August 31, 2004 and 2003

ASSETS	<u>2004</u>	<u>2003</u>
Cash	\$ 44,328	\$ 62,112
Total assets	<u>\$ 44,328</u>	<u>\$ 62,112</u>
LIABILITIES AND FUND EQUITY		
Accounts payable	\$ 12,332	\$ 31,844
Fund balance - undesignated	<u>31,996</u>	<u>30,268</u>
Total liabilities and fund equity	<u>\$ 44,328</u>	<u>\$ 62,112</u>

See Notes to Financial Statements.

SABINE RIVER COMPACT ADMINISTRATION

STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND

Years Ended August 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenues:		
Intergovernmental	\$ 62,458	\$ 60,460
Interest	<u>353</u>	<u>462</u>
Total revenues	62,811	60,922
Expenditures:		
General government	<u>61,083</u>	<u>58,929</u>
Net change in fund balance	1,728	1,993
Fund balance, beginning	<u>30,268</u>	<u>28,275</u>
<i>Fund balance, ending</i>	<u>\$ 31,996</u>	<u>\$ 30,268</u>

See Notes to Financial Statements.

SABINE RIVER COMPACT ADMINISTRATION

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended August 31, 2004

With Comparative Actual Amounts for Year Ended August 31, 2003

	2004		Variance With Final Budget - Positive (Negative)	2003 Actual
	Original and Final Budget	Actual		
Revenues:				
Intergovernmental -				
Contributions:				
State of Texas	\$ 31,229	\$ 31,229	\$ -	\$ 30,230
State of Louisiana	31,229	31,229	-	30,230
Interest income	-	353	353	462
Total revenues	<u>62,458</u>	<u>62,811</u>	<u>353</u>	<u>60,922</u>
Expenditures:				
General government -				
Maintenance - office of:				
Secretary	4,300	3,450	850	3,450
Treasurer	800	800	-	1,800
Water resources				
investigation	53,358	53,358	-	51,981
Audit fees	3,000	2,000	1,000	1,100
Other	1,000	1,475	(475)	598
Total expenditures	<u>62,458</u>	<u>61,083</u>	<u>1,375</u>	<u>58,929</u>
Net change in fund balance	\$ <u>-0-</u>	1,728	\$ <u>1,728</u>	1,993
Fund balance, beginning		<u>30,268</u>		<u>28,275</u>
Fund balance, ending		\$ <u>31,996</u>		\$ <u>30,268</u>

See Notes to Financial Statements.

SABINE RIVER COMPACT ADMINISTRATION

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Basis of presentation:

The accompanying financial statements have been prepared in accordance with accounting principles (GAAP) generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting principles and financial reporting standards.

This financial report has been prepared in conformity with GASB Statement No. 34, *"Basic Financial Statements and Management's Discussion and Analysis for State and Local Government,"* issued in June 1999.

Reporting entity:

The Sabine River Compact Administration, a component unit of the State of Texas and State of Louisiana, is an entity formed by a compact entered into by the State of Texas and the State of Louisiana on January 26, 1953, under authority granted by an Act of the Congress of the United States approved November 1, 1951, (Public Law No. 252, 82nd Congress, First Session). The Act was amended on October 30, 1992 (Public Law No. 102-575 of the 102 Congress). The objective of the Compact is to provide equitable apportionment of the waters of the Sabine River and its tributaries between the two states. The operation is administered by an Inter-State Administrative Agency composed of two members appointed by the Governor of Texas and two members appointed by the Governor of Louisiana; and one member, as representative of the United States appointed by the President of the United States, which member shall be ex-officio chairman of the Administration without vote and shall not be a domiciliary of or resident in either state.

Measurement focus/basis of accounting:

Government-wide financial statements (GWFS):

The Statement of Net Assets and the Statement of Activities display information about the reporting government as a whole. These statements include all the financial activities of the Administration.

NOTES TO FINANCIAL STATEMENTS

The GWFS were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions."

Fund financial statements:

Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the statement of net assets. The statement of activities reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the GWFS are prepared; however, there are no differences between the GWFS and the fund financial statements as of and for the year ended August 31, 2004.

Fund financial statements report detailed information about the Administration. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. The Administration has only one fund, the General Fund, which by definition is always a major fund.

Governmental funds use the modified accrual basis of accounting. 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 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 interest. Both of these are susceptible to accrual.

Budgets:

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the General Fund. The budget is prepared by the Sabine River Compact Administration management for formal approval by the Board of Commissioners. Any amendments to the original budget are approved by the Board of Commissioners. Budgeted amounts presented are as originally adopted and as amended. Because the Administration did not amend its budget during the fiscal year, the amounts presented as original and final are the same.

NOTES TO FINANCIAL STATEMENTS

Cash:

Cash consists of amounts in interest bearing deposit accounts.

Note 2. Deposits

The carrying amount of deposits was \$44,328 and \$62,112 and the bank balance was \$44,328 and \$62,112 at August 31, 2004 and 2003, respectively. The entire bank balance was covered by federal depository insurance.



BROUSSARD, POCHÉ, LEWIS & BREAU, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

4112 West Congress
P. O. Box 61400
Lafayette, Louisiana
70596-1400
phone: (337) 988-4930
fax: (337) 984-4574

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
(337) 783-0650
Opelousas, LA
(337) 942-5217

Abbeville, LA
(337) 898-1497

New Iberia, LA
(337) 364-4554

Church Point, LA
(337) 684-2855

To the Board of Commissioners,
Sabine River Compact Administration
States of Texas and Louisiana

We have audited the basic financial statements of the Sabine River Compact Administration, a component unit of the State of Texas and State of Louisiana, as of and for the year ended August 31, 2004, and have issued our report thereon dated September 24, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Eugene C. Gilder, CPA*
Donald W. Kelley, CPA*
Herbert Lemoine II, CPA*
Frank A. Stagno, CPA*
Scott J. Broussard, CPA*
L. Charles Abshire, CPA*
Kenneth R. Dugas, CPA*
P. John Blanchet III, CPA*
Stephen L. Lambousy, CPA*
Craig C. Babineaux, CPA*
Peter C. Borrello, CPA*
George J. Trappey III, CPA*
Gregory B. Milton, CPA*
S. Scott Soileau, CPA*
Patrick D. McCarthy, CPA*
Martha B. Wyatt, CPA*
Troy J. Breau, CPA*
Fayette T. Dupré, CPA*
Mary A. Castille, CPA*
Joey Breau, CPA*
Terrel P. Dressel, CPA*

Compliance

As part of obtaining reasonable assurance about whether the Administration'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 Administration'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 in amounts that

Retired:

Sidney L. Broussard, CPA* 1980
Leon K. Poché, CPA 1984
James H. Breau, CPA 1987
Erma R. Walton, CPA 1988
George A. Lewis, CPA* 1992
Geraldine J. Wimberley, CPA* 1995
Rodney L. Savoy, CPA* 1996
Larry G. Broussard, CPA* 1997
Lawrence A. Cramer, CPA* 1999
Michael P. Crochet, CPA* 1999
Ralph Friend, CPA 2002

Members of American Institute of
Certified Public Accountants
Society of Louisiana Certified
Public Accountants

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.

Broussard, Poche, Lewis & Breault LLP

Lafayette, Louisiana
September 24, 2004

SABINE RIVER COMPACT ADMINISTRATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended August 31, 2004

We have audited the basic financial statements of Sabine River Compact Administration as of and for the year ended August 31, 2004, and have issued our report thereon dated September 24, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 basic financial statements as of August 31, 2004 resulted in an unqualified opinion.

Section I - Summary of Auditors' Reports

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

Internal Control

Material Weaknesses Yes No
Reportable Conditions Yes None Reported

Compliance

Compliance Material to Financial Statements Yes No

Section II - Financial Statement Findings

No matters were reported.

SABINE RIVER COMPACT ADMINISTRATION

SCHEDULE OF PRIOR FINDINGS
For the Year Ended August 31, 2004

Section I. Internal Control and Compliance Material to the Financial Statements

None reported.

Section II. Internal Control and Compliance Material to Federal Awards

Not applicable.

Section III. Management Letter

The prior year's report did not include a management letter.