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**SABINE RIVER COMPACT ADMINISTRATION
FINANCIAL REPORT
AUGUST 31, 1999**

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 FEB 7 6 2000

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying 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, 1999, as listed in the table of contents. 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 generally accepted auditing standards, the standards for financial and compliance audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the Louisiana Governmental Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Sabine River Compact Administration as of August 31, 1999, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

The financial information for the preceding year which is included for comparative purposes was taken from the financial report for that year in which we expressed an unqualified opinion on the general purpose financial statements of Sabine River Compact Administration.

In accordance with Government Auditing Standards, we have also issued a report dated October 5, 1999, 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 and contracts.

Broussard, Poche, Jarvis & Breault LLP

Lafayette, Louisiana
October 5, 1999

SABINE RIVER COMPACT ADMINISTRATION

BALANCE SHEETS
August 31, 1999 and 1998

ASSETS	<u>1999</u>	<u>1998</u>
Cash	\$ 35,728	\$ 38,916
Total assets	<u>\$ 35,728</u>	<u>\$ 38,916</u>
LIABILITIES AND FUND EQUITY		
Accounts payable	\$ 12,902	\$ 19,194
Fund balance - undesignated	<u>22,826</u>	<u>19,722</u>
Total liabilities and fund equity	<u>\$ 35,728</u>	<u>\$ 38,916</u>

See Notes to Financial Statements.

SABINE RIVER COMPACT ADMINISTRATION

STATEMENTS OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - GOVERNMENTAL FUND TYPE
 Years Ended August 31, 1999 and 1998

	<u>General Fund</u>	
	<u>1999</u>	<u>1998</u>
Revenues:		
Intergovernmental	\$ 59,634	\$ 57,564
Interest	<u>2,525</u>	<u>1,507</u>
Total revenues	62,159	59,071
Expenditures:		
General government	<u>59,055</u>	<u>53,504</u>
Excess of revenues over expenditures	3,104	5,567
Fund balance, beginning	<u>19,722</u>	<u>14,155</u>
Fund balance, ending	<u>\$ 22,826</u>	<u>\$ 19,722</u>

See Notes to Financial Statements.

SABINE RIVER COMPACT ADMINISTRATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND
ACTUAL - GOVERNMENTAL FUND TYPE

For the Year Ended August 31, 1999

With Comparative Actual Amounts for Year Ended August 31, 1998

	<u>General Fund</u>		Variance - (Over) Under	1998 <u>Actual</u>
	<u>Budget</u>	<u>1999 Actual</u>		
Revenues:				
Intergovernmental -				
Contributions:				
State of Texas	\$ 29,817	\$ 29,817	\$ -	\$ 28,782
State of Louisiana	29,817	29,817	-	28,782
Interest income	-	2,525	(2,525)	1,507
Total revenues	<u>59,634</u>	<u>62,159</u>	<u>(2,525)</u>	<u>59,071</u>
Expenditures:				
General government -				
Maintenance - office of:				
Secretary	4,450	4,450	-	5,166
Treasurer	1,800	1,800	-	1,800
Water resources				
investigation	51,384	51,384	-	44,414
Audit fees	1,000	1,000	-	1,100
Other	1,000	421	579	1,024
Total expenditures	<u>59,634</u>	<u>59,055</u>	<u>579</u>	<u>53,504</u>
Excess of revenues over expenditures	<u>\$ -0-</u>	3,104	<u>\$ 3,104</u>	5,567
Fund balance, beginning		<u>19,722</u>		<u>14,155</u>
Fund balance, ending		<u>\$ 22,826</u>		<u>\$ 19,722</u>

See Notes to Financial Statements.

SABINE RIVER COMPACT ADMINISTRATION

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of the Sabine River Compact Administration 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 Administration's accounting policies are described below.

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.

Fund accounting:

The Administration uses one fund to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts.

The General Fund, a governmental fund type, is the general operating fund of the Administration. It is used to account for all the financial resources of the Administration.

Basis of accounting:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally

NOTES TO FINANCIAL STATEMENTS

are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

The two major sources of revenues are intergovernmental and interest. Both of these are susceptible to accrual.

Budgets:

Budgets are adopted on a basis consistent with generally accepted accounting principles. 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 are as originally adopted or as amended.

Cash and investments:

Cash consists of amounts in interest bearing deposit accounts.

Comparative data:

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Administration's financial position and operations.

Note 2. Deposits

The carrying amount of deposits was \$35,728 and \$38,916 and the bank balance was \$35,728 and \$38,916 at August 31, 1999 and 1998, respectively. The entire bank balance was covered by federal depository insurance.

NOTES TO FINANCIAL STATEMENTS

Note 3. Year 2000 Issue

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,
Sabine River Compact Administration
States of Texas and Louisiana

We have audited the 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, 1999, and have issued our report thereon dated October 5, 1999. 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 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 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 & Arnaud LLP

Lafayette, Louisiana
October 5, 1999

SABINE RIVER COMPACT ADMINISTRATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended August 31, 1999

We have audited the financial statements of Sabine River Compact Administration as of and for the year ended August 31, 1999, and have issued our report thereon dated October 5, 1999. 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 August 31, 1999 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 X No
Reportable Conditions ___ Yes X None Reported

Compliance

Compliance Material to Financial Statements ___ Yes X No

Section II - Financial Statement Findings

No matters were reported.