

RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA

Annual Financial Report
Year Ended December 31, 1995

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INDEPENDENT AUDITOR'S REPORT

Commissioners of the Red River Waterway
District
State of Louisiana
Natchitoches, Louisiana

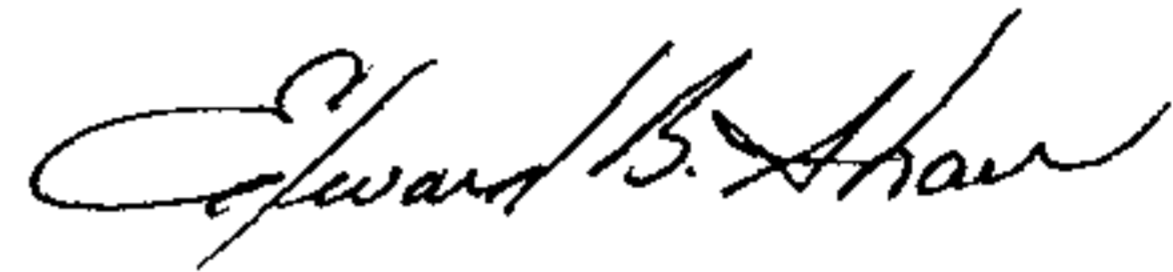
I have audited the accompanying general purpose financial statements of the Red River Waterway District, State of Louisiana, as of and for the year ended December 31, 1995, as listed in the table of contents. These general purpose financial statements are the responsibility of the Red River Waterway District, State of Louisiana's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and "Government Auditing Standards", issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Red River Waterway District, State of Louisiana as of December 31, 1995, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

My audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of per diem paid to commission members is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of Red River Waterway District, State of Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Shreveport, Louisiana
May 17, 1996



RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA
Combined Balance Sheet - All Fund Types and Account Groups
December 31, 1995

Exhibit 1

<u>ASSETS</u>	<u>Governmental Fund Types</u>		<u>Account Groups</u>		<u>Totals</u>	
	<u>General</u>	<u>Capital Projects</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	<u>(Memorandum Only)</u>	
					<u>1995</u>	<u>1994</u>
Cash	\$ 15,550,082	\$ 12,855,903	\$ -	\$ -	\$28,405,985	\$27,170,970
Investments	7,432,086	7,268,489	-	-	14,700,575	13,640,210
Receivables, net of allowance for uncollectibles:						
Taxes	952,229	2,856,686	-	-	3,808,915	3,683,337
State revenue sharing	68,424	205,190	-	-	273,614	269,464
Restricted assets:						
Cash	946,226	-	-	-	946,226	903,957
Receivable	-	1,081,336	-	-	1,081,336	730,651
Prepaid expenses	26,313	-	-	-	26,313	24,425
Property, plant and equipment	-	-	18,324,767	-	18,324,767	17,980,122
Amount to be provided for retirement of general long-term debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,723</u>	<u>80,723</u>	<u>60,844</u>
Total assets	<u>\$ 24,975,360</u> =====	<u>\$ 24,267,604</u> =====	<u>\$18,324,767</u> =====	<u>\$ 80,723</u> =====	<u>\$67,648,454</u> =====	<u>\$64,463,980</u> =====
<u>LIABILITIES</u>						
Accounts payable	\$ 22,177	\$ 360,000	\$ -	\$ -	\$ 382,177	\$ 514,301
Accrued expenses	32,554	97,662	-	-	130,216	127,099
Long-term debt:						
Compensated absences	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,723</u>	<u>80,723</u>	<u>60,844</u>
Total liabilities	<u>54,731</u>	<u>457,662</u>	<u>-</u>	<u>80,723</u>	<u>593,116</u>	<u>702,244</u>
<u>FUND EQUITY</u>						
Investment in general fixed assets	-	-	18,324,767	-	18,324,767	17,980,122
Fund balance:						
Reserved	760,000	6,204,106	-	-	6,964,106	4,550,391
Unreserved:						
Designated	981,226	-	-	-	981,226	938,957
Undesignated	<u>23,179,403</u>	<u>17,605,836</u>	<u>-</u>	<u>-</u>	<u>40,785,239</u>	<u>40,292,266</u>
Total fund equity	<u>24,920,629</u>	<u>23,809,942</u>	<u>18,324,767</u>	<u>-</u>	<u>67,055,338</u>	<u>63,761,736</u>
Total liabilities and fund equity	<u>\$ 24,975,360</u> =====	<u>\$ 24,267,604</u> =====	<u>\$18,324,767</u> =====	<u>\$ 80,723</u> =====	<u>\$67,648,454</u> =====	<u>\$64,463,980</u> =====

See accompanying notes to financial statements.

RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA

Exhibit 2

Combined Statement of Revenues, Expenditures, and Changes in Fund
Balances - All Governmental Fund Types
Year ended December 31, 1995

	Governmental Fund Types		Totals	
	General	Capital Projects	(Memorandum Only) 1995	1994
Revenues:				
Ad valorem taxes, including penalty and interest	\$ 977,282	\$ 2,931,443	\$ 3,908,725	\$ 3,776,999
Intergovernmental	94,149	282,365	376,514	415,001
Interest revenues	764,464	614,385	1,378,849	1,076,194
Investment revenues	555,151	512,260	1,067,411	605,912
Federal financial assistance	-	-	-	137,470
Other	1,022	30,263	31,285	28,929
Total revenues	<u>2,392,068</u>	<u>4,370,716</u>	<u>6,762,784</u>	<u>6,040,505</u>
Expenditures:				
Current:				
Public works	1,113,655	945,761	2,059,416	5,683,827
Recreation and parks	225,677	473,056	698,733	1,464,700
Port development, operations and maintenance	165,600	367,779	533,379	4,863,701
Capital outlay	356,592	28,060	384,652	3,334,671
Statutory charges:				
Assessors' compensation	4,109	12,325	16,434	17,046
Retirement systems	30,303	90,910	121,213	117,329
Total expenditures	<u>1,895,936</u>	<u>1,917,891</u>	<u>3,813,827</u>	<u>15,481,274</u>
Excess of revenues over (under) expenditures	496,132	2,452,825	2,948,957	(9,440,769)
Fund balance, beginning of year	24,424,497	21,357,117	45,781,614	55,222,383
Fund balance, end of year	\$ 24,920,629	\$ 23,809,942	\$ 48,730,571	\$ 45,781,614
	=====	=====	=====	=====

See accompanying notes to financial statements.

RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA
Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances - Budget and Actual -
General and Capital Projects Funds
Year Ended December 31, 1995

Exhibit 3

	General Fund (GAAP)			Capital Projects Fund (GAAP)			Total (Memorandum Only)	
	Budget	Actual	Variance - Favorable (Unfavorable)	Budget	Actual	Variance - Favorable (Unfavorable)	1995	1994
Revenues:								
Ad valorem taxes, including penalty and interest	\$	\$ 977,282	\$	\$	\$ 2,931,443	\$	\$ 3,908,725	\$ 3,776,999
Intergovernmental		94,149			282,365		376,514	415,001
Interest revenue		764,464			614,385		1,378,849	1,076,194
Investment revenue		555,151			512,260		1,067,411	605,912
Federal financial assistance		-			-		-	137,470
Other		1,022			30,263		31,285	28,929
Total revenues	2,197,619	2,392,068	194,449	3,380,000	4,370,716	990,716	6,762,784	6,040,505
Expenditures:								
Current:								
Public works	1,247,057	1,113,655	133,402	1,720,000	945,761	774,239	2,059,416	5,683,827
Recreation and parks	292,500	225,677	66,823	470,000	473,056	(3,056)	698,733	1,464,700
Port development, operations and maintenance	370,000	165,600	204,400	1,000,000	367,779	632,221	533,379	4,863,701
Capital outlay	258,062	356,592	(98,530)	100,000	28,060	71,940	384,652	3,334,671
Statutory charges:								
Assessors' compensation	-	4,109	(4,109)	-	12,325	(12,325)	16,434	17,046
Retirement Systems	30,000	30,303	(303)	90,000	90,910	(910)	121,213	117,329
Total expenditures	2,197,619	1,895,936	301,683	3,380,000	1,917,891	1,462,109	3,813,827	15,481,274
EXCESS REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ 496,132	\$ 496,132	\$ -	\$ 2,452,825	\$ 2,452,825	\$ 2,948,957	\$(9,440,769)
Fund balance, beginning of year as previously reported		<u>24,424,497</u>			<u>21,357,117</u>		<u>45,781,614</u>	<u>55,222,383</u>
Fund balance, end of year (GAAP Basis)		<u>\$24,920,629</u>			<u>\$23,809,942</u>		<u>\$48,730,571</u>	<u>\$45,781,614</u>

See accompanying notes to financial statements.

RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA
Notes to Financial Statements

December 31, 1995

NOTE A - Summary of Accounting Policies

The Red River Waterway District (the District) was created by Act No.17 of the Louisiana Legislature for the year 1965 as a body politic and corporate of the State of Louisiana and the powers of the District are enumerated in La. R.S. 34:2301-2317. The District is not subject in any respect to the authority, control or supervision of any regulatory body of the state or any political subdivision thereof. The District is composed of all territories located within the parishes of Avoyelles, Rapides, Natchitoches, Red River, Grant, Bossier and Caddo. The District was created to establish, operate, and maintain a navigable waterway system extending from the vicinity of the confluence of the Red River with Old River and the Atchafalaya River northwestward in the Red River Valley to the state boundary. The commissioners administer the operations and responsibilities of the District in accordance with Louisiana statutes. Members of the commission are appointed by the governor with one member from each Parish being selected from the recommendations of the respective Police Juries. The Secretary of the Louisiana Department of Transportation and Development (DOTD) serves as ex-officio chairman of the Red River Waterway District.

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

1. The Reporting Entity

The Red River Waterway District for financial purposes, includes all of the funds and account groups relevant to the operations of the Red River Waterway District. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Red River Waterway District.

The Division of Administration of the State of Louisiana has determined that the Red River Waterway District is primary government and not a component unit or agency of the state government for financial reporting purposes.

2. Fund Accounting

The accounts of the Red River Waterway District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, fund equity,

RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA
Notes to Financial Statements - continued

December 31, 1995

NOTE A - Summary of Accounting Policies - continued

revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the component unit financial statements in this report, into two generic fund types as follows:

GOVERNMENTAL FUND TYPES

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Project Funds - These funds are used to account for financial resources to be used for the acquisition and construction of major capital facilities.

3. Property, Plant and Equipment and Long-Term Liabilities

The accounting and reporting treatment applied to property, plant and equipment and long-term liabilities associated with a fund are determined by its measurement focus. All governmental fund types are accounted for on a spending "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Property, plant and equipment used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. No depreciation has been provided on such property, plant and equipment. All property, plant and equipment are valued at historical cost. Donated property, plant and equipment are valued at their estimated fair value on the date donated.

The District has adopted the accounting policy of not capitalizing "public domain" or "infrastructure" general fixed assets.

Long-term liabilities expected to be financed from governmental fund types are accounted for in the General Long-Term Debt Account Group, not in the governmental

RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA
Notes to Financial Statements - continued

December 31, 1995

NOTE A - Summary of Accounting Policies - continued

3. Property, Plant and Equipment and Long-Term Liabilities-cont.

funds. The two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Ad valorem taxes and intergovernmental revenues are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Investment earnings are recorded as earned and available for withdrawal. Other revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include; (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued; and (2) salaries which are recognized when paid. Accrued salaries at year end are not material to the financial statements.

Federal financial assistance funds are considered to be earned to the extent of expenditure made under the provisions of the grant and, accordingly, when such funds are received they are recorded as deferred revenues until earned.

5. Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Red River Waterway District is excluded from the provisions of Act 504 of 1980 (Budget Act) by Attorney General Opinion 80-1561. The District has developed an expenditure budget for the operating and maintenance (general fund) and the construction (capital projects fund) in order to maintain improved control over expenditures. Revenues were not budgeted in detail,

RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA
Notes to Financial Statements - continued

December 31, 1995

NOTE A - Summary of Accounting Policies - continued

5. Budgets and Budgetary Accounting - continued

but were assumed sufficient to cover the expenditures.

- b. The combined statement of revenues, expenditures, and changes in fund balance - budget and actual for the General Fund and Capital Projects Fund present comparisons of legally adopted budgets with actual data on a budgetary basis. Accounting principles applied for purposes of developing data on a budgetary basis is in conformity with generally accepted accounting principles.
- c. Unused appropriations for all of the above annually budgeted funds lapse at the end of year.
- d. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

6. Cash and Cash Equivalent

Cash and cash equivalent include demand deposits and time certificates of deposit. Under state law, the Red River Waterway District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana. Furthermore, the District may invest in time deposits or certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal offices in the State of Louisiana. The District has cash and cash equivalent and restricted cash (book balance) totaling \$28,408,985 and \$946,226 respectively at December 31, 1995. Cash and cash equivalent and restricted cash are stated at cost which approximates market. Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. These pledged securities are held in the name of the pledging bank or in a holding or custodial bank in the form of safekeeping receipts held by the state treasurer or a custodial bank that is mutually acceptable to the parties involved.

The following is a summary of deposit balances (bank balances) at December 31, 1995, with the related federal deposit insurance and pledged securities:

RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA
Notes to Financial Statements - continued

December 31, 1995

NOTE A - Summary of Accounting Policies - continued

6. Cash and Investments - continued

	<u>Deposits</u>	<u>Market Value Securities</u>	<u>Federal Insurance</u>	<u>Over Secured</u>	<u>Under Secured</u>
Cash and Cash Equivalent	\$28,405,985	35,955,281	2,100,000	9,649,296	-
Restricted Cash	<u>946,226</u>	<u>1,304,454</u>	<u>100,000</u>	<u>458,228</u>	<u>-</u>
	\$29,352,211	37,259,735	2,200,000	10,107,524	-
	=====	=====	=====	=====	=====

All of the District's deposits were properly secured at December 31, 1995.

7. Investments

The Red River Waterway District is a political subdivision of the State of Louisiana and has the authority to invest in direct U.S. Treasury obligations and U.S. Government Agency obligations under R.S. 33:2955.

Investments in U.S. obligations are stated at cost, adjusted for amortization of premiums and accretion of discounts on a straight-line method over the period of maturity or average life of the related securities.

The book value and estimated market values of investments at December 31, 1995 are as follows:

	<u>Book Value</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Estimated Market Value</u>
U.S. Treasury	\$ 7,912,121	18,762	2,587	7,928,296
Short Term Government Fund	4,299,697	-	65,118	4,234,579
Mortgage Backed Securities	<u>2,488,757</u>	<u>54,242</u>	<u>16,804</u>	<u>2,526,195</u>
	\$14,700,575	73,004	84,509	14,689,070
	=====	=====	=====	=====

The amortized cost and estimated market value of investments at December 31, 1995 by contractual maturity at shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA
Notes to Financial Statements - continued

December 31, 1995

NOTE A - Summary of Accounting Policies - continued

7. Investments - continued

	<u>Book Value</u>	<u>Estimated Market Value</u>
Due in on year or less	\$ 12,211,818	12,162,875
Mortgage backed securities	2,488,757	2,526,195
	\$ 14,700,575	14,689,070
	=====	=====

8. Inventory

Purchase of operating supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year.

9. Accumulated Compensation Absences

Employees earn and accumulate vacation and sick leave at various rates, depending on their years of service. The amount of vacation and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused vacation leave at the employee's hourly rate of pay. Upon retirement, unused vacation leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits. The liability for unused vacation leave payable at December 31, 1995, computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards Section C60.105, is estimated to be \$80,723. This amount is recorded in the general long-term debt account group.

10. Revenue Recognition - Property Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 15 and are due and payable at that time. All unpaid taxes levied October 15 become delinquent December 31.

Ad valorem tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end. Ad valorem tax revenues are reduced by the allowances for uncollectible accounts.

RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA
Notes to Financial Statements - continued

December 31, 1995

NOTE A - Summary of Accounting Policies - continued

11. Allowance for Uncollectible Accounts

Ad valorem taxes are not considered fully collectible and an allowance for uncollectible accounts was established to satisfy the measurability criterion. Allowance for uncollectible accounts at December 31, 1995, is as follows:

General Fund	\$ 9,961
Capital Projects Fund	<u>29,882</u>
	\$ 39,843
	=====

12. Comparative Data

Comparative data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, complete comparative data (i.e., presentation of prior year totals by fund type in each of the statements) have not been presented since their inclusion would make the statements unduly complex and difficult to read. Some prior year balances have been reclassified to conform with the current year presentation.

13. Total Columns on Combined Statements - Overview

Total columns on the Combined Statements -Overview are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Interfund eliminations have not been made in the aggregation of this data.

NOTE B - Pension Plan

Substantially all employees of the Red River Waterway District are members of the Parochial Employees Retirement System of Louisiana ("System"), a multiple-employer, public employee retirement system (PERS), controlled and administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Red River Waterway District are members of Plan A. For the year ended December 31, 1995, the total payroll for employees of the Red River Waterway District covered by the System was \$515,916. The total payroll for all employees of the Red River Waterway District was \$536,700.

RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA
Notes to Financial Statements - continued

December 31, 1995

NOTE B - Pension Plan - continued

All permanent employees working at least 28 hours per week who are paid wholly or in part from District funds are eligible to participate in the System. Employees who retire at or after age 60 with at least 10 years of credited service, at or after age 55 with 25 years of credited service, or at any age with at least 30 years of credited service are entitled to a retirement benefit, payable monthly for life, equal to 3 per cent of their final-average salary for each year of credited service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of credited service stated previously and do not withdraw their employee contributions may retire at the ages specified previously and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

Contributions to the System include one-fourth of one per cent of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge Parishes. These tax dollars are divided between Plan A and Plan B, based proportionately on the salaries of the active members of each plan. State statute requires employees covered by Plan A to contribute 9.50 per cent of their salaries to the System; the District must contribute 8.00 per cent of the salary of each employee covered by Plan A as an employer match.

Although contributions are determined by state statute rather than actuarial calculations, actuarially required contributions are determined for the System. For the year ended December 31, 1995, the System's total actuarially required contribution from all sources (dedicated taxes, employees, and employers) was \$49,475,295. The total payroll of all covered employees of the System for the year ended December 31, 1995, is not available. For the year ended December 31, 1994, the total actuarially required contribution was 16.82 per cent of the total covered payroll on December 31, 1994. It is estimated that dedicated taxes received by the System for the year ended December 31, 1995, will provide \$2,735,554 (or .93 per cent of total covered payroll), indicating an actuarially required contribution by employers and employees in the amount of \$51,475,485 or 17.50 per cent of the December 31, 1994, covered payroll.

The statutorily required contribution by the District for the year ended December 31, 1995, was \$90,285, which consisted of \$41,273 as the employer's share and \$49,012 from covered employees. The actuarially required contribution by the District and its employees for the year ended December 31, 1995, was \$86,522 which represents .175 per cent of the total

RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA
Notes to Financial Statements - continued

December 31, 1995

NOTE B - Pension Plan - continued

actuarially required contribution of all participating employers and employees. The actual contribution made by the Red River Waterway District was \$90,285, which consisted of \$49,012 as employee contributions and \$41,273 as the employer contribution. The pension benefit obligation is a standardized measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rated 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 PERS and employers. The System does not make separate measurements of assets and pension benefit obligations for individual employers. The pension benefit obligation at December 31, 1994, determined through an actuarial valuation performed as of that date, was \$691,858,596. The net assets available for benefits on that date (amortized cost value) was \$597,625,304, leaving an unfunded pension benefit obligation of \$94,233,292.

Historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's December 31, 1994 comprehensive annual financial report. The Red River Waterway District does not guarantee the benefits granted by the System.

NOTE C - General Fixed Assets Account Group

The following is a summary of changes in the general fixed asset account group.

	Balance January 1, <u>1995</u>	<u>Additions</u>	<u>Deductions</u>	Balance December 31, <u>1995</u>
Land	\$17,104,155	\$ 28,060	\$ -	\$17,132,215
Buildings	\$ 539,002	\$ 120,835	\$ -	\$ 659,837
Furniture and Equipment	\$ <u>336,965</u>	\$ <u>235,757</u>	\$ <u>40,007</u>	\$ <u>532,715</u>
	\$17,980,122	\$ 384,652	\$ 40,007	\$18,324,767
	=====	=====	=====	=====

NOTE D - Changes in General Long-Term Debt Account Group

The annual changes to general long-term debt compensated absences as of December 31 1995, are as follows:

RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA
Notes to Financial Statements - continued

December 31, 1995

NOTE D - Changes in General Long-Term Debt Account Group - continued

<u>January 1, 1995</u>	<u>Increase (Decrease)</u>	<u>December 31, 1995</u>
\$60,844 =====	\$ 19,879 =====	\$80,723 =====

NOTE E - Levied taxes

The following is a summary of authorized and levied ad valorem taxes for the year ended December 31, 1995, for the Red River Waterway District, a multi-parish District:

	<u>Authorized Millage</u>	<u>Levied Millage</u>
Red River Waterway District taxes:		
Capital Outlay	2.19	2.19
Maintenance	.73	.73

NOTE F - Reserves and Designations of Fund Balances

The District has the following reserves and designation of fund balance at December 31, 1995:

	<u>General Fund</u>	<u>Capital Projects Fund</u>
Reserves for:		
Escrow deposits	\$ -	\$ -
Long-term receivables	-	1,081,336
Capital outlays	-	-
Port commitments	<u>760,000</u>	<u>5,122,770</u>
	\$ <u>760,000</u> =====	\$ <u>6,204,106</u> =====
Designated for:		
Supplemental insurance	\$ 946,226	\$ -
Employee insurance claims	<u>35,000</u>	<u>-</u>
	\$ <u>981,226</u> =====	\$ <u>-</u> =====

NOTE G - Restricted Assets

The District has the following restricted assets used in current operations:

General Fund:	
Supplemental insurance	\$ 946,226 =====

The District designated \$750,000 of its fund balance to supplement the high cost of liability insurance and be primarily used to offset the higher deductible used to obtain lower premiums on its primary liability coverage. The interest earned is to be considered additional designated funds.

RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA
Notes to Financial Statements - continued

December 31, 1995

NOTE G - Restricted Assets - continued

Capital Projects Fund:	
Escrow Deposits	\$ - =====
Long-term receivable	\$ 1,081,336 =====

The escrow deposits are in accordance with the Water Resources Development Act of 1976 (Public Law 94-587), whereby the District is required to contribute 25 per cent of the construction costs of each construction contract containing dike, bulkhead, and embankment items within 10 days after receiving notification as to which bid is to be accepted for each contract. This contribution is held in an escrow account and is used by the respective construction contractor for that contract. Interest earned on the escrow account is credited to the commission; however, disbursement of funds from this account is made solely by the Corps of Engineers and is recognized as a District expenditure upon such disbursement. The balance of cash in escrow on deposit at December 31, 1995, is reported as a reserve of fund balance to indicate that this account does not represent current available resources. At December 31, 1995, \$-0- were on deposit.

The long-term receivables are loans made for the development of ports and at December 31, 1995 are made up as follows:

City of Alexandria	\$ 613,404
Natchitoches Port Commission	<u>467,932</u>
	\$ 1,081,336 =====

The District advanced the City of Alexandria \$306,000 on December 5, 1986, pursuant to a supplemental agreement effective April 18, 1986 for the development of the Port of Alexandria. The terms of the supplemental agreement state that the City is obligated to repay the District with interest at nine per cent per annum from revenues generated by the port starting upon completion of the port. Pursuant to an agreement dated February 11, 1985, and a supplemental agreement dated September 23, 1985, the District reimbursed the City of Alexandria \$2,000,000 for "Differential Costs" relative to the development of the port. The agreements provide for an obligation to repay the \$2,000,000 with nine per cent interest only in the event that the port is not completed within the time provided in an Act of Donation of the port site from Guaranty Realty Corporation to the City of Alexandria recorded in Conveyance Book 1128, page 616, Records of Rapides Parish, Louisiana.

RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA
Notes to Financial Statements - continued

December 31, 1995

NOTE G - Restricted Assets - continued

The loans to the various ports Port Commissions are being made pursuant to a "Memorandum of Cooperative Endeavor" between the parties.

The agreement with Natchitoches Port Commission provides for a total loan of \$1,000,000 and calls for repayment at six per cent interest per annum on the amount outstanding after ten years.

NOTE H - Litigation and Claims

The Red River Waterway District is continually faced with suits and claims as a result of expropriation of property for right-a-ways in its normal operations. Any cost that would be incurred by the Red River Waterway District relative to these litigations and claims has been anticipated in developing the annual budget and would not be considered a contingency. At December 31, 1995, claims have been asserted in the aggregate amount of approximately \$1,000,000.

NOTE I - Commitments

The Red River Waterway District has agreed to match funds with any port in the District's jurisdiction which meets the guidelines set forth by the District for obtaining matching funds up to \$40,000 per year for three years. An extension of an additional two years was approved in 1995 by the District in accordance with the guidelines. At December 31, 1995, commitments and the amount expended to date are as follows:

<u>Port</u>	<u>Commitments</u>		<u>Expended</u>		<u>Balance</u>
Caddo-Bossier	\$ 320,000	\$	240,000	\$	80,000
Alexandria	320,000		240,000		80,000
Natchitoches	320,000		40,000		280,000
Red River	<u>320,000</u>		<u>-</u>		<u>320,000</u>
	\$ 1,280,000	\$	520,000	\$	760,000
	=====		=====		=====

RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA
Notes to Financial Statements - continued

December 31, 1995

NOTE I - Commitments - continued

The Red River Waterway District has entered into or agreed to enter into certain intergovernmental cooperative agreements for the development of ports. At December 31, 1995, the total commitments and the amounts expended to date are as follows:

<u>Port</u>	<u>Commitments</u>	<u>Expended</u>	<u>Balance</u>
Caddo-Bossier	\$ 4,891,394	\$ 4,525,686	\$ 365,708
Natchitoches	3,500,000	467,932	3,032,068
Alexandria	3,964,192	3,239,198	724,994
All Ports	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
	\$ 13,355,586	\$ 8,232,816	\$ 5,122,770
	=====	=====	=====

The District has amended it's guidelines for port development to provide for 25% local matching funds required of port authorities to obtain 75% funding of approved projects from the Louisiana State Ports Priority Program, not to exceed \$1,000,000 per year for all ports on the Red River. \$367,779 was expended in 1995.

Pursuant to contracts awarded in the development of recreation areas, levee structures, access roads and relocation projects, the Red River Waterway District has commitments at December 31, 1995 for the unexpended portion of these contracts in the amount of \$ -0-.

NOTE J - Federal Financial Assistance and Accrued or Deferred Revenue

Grant revenues from Federal financial assistance programs are considered measurable and available and are recorded simultaneously with grant expenditures unless such recognition is prohibited by the grant requirement. Grant revenues received in excess of grant expenditures are recorded as deferred revenues until expended. Grant expenditures in excess of grant revenues received are recorded as accounts receivable.

The Red River Waterway District has one program which received Federal financial assistance. This program is directly associated with the development of recreation areas on the Red River and provide for 50% matching funds. There was no activity in this program during 1995.

RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA

SCHEDULE OF PER DIEM PAID TO COMMISSION MEMBERS

Year Ended December 31, 1995

<u>Name</u>	<u>Number</u>	<u>Amount</u>
Norman Budd	18	1,575
John Bundy	14	1,500
Marc Dupuy	24	1,425
Richard Gibson	24	1,800
Odell Hodnett	23	825
Pat Johnson	24	1,125
Robert Lucky	24	1,350
Albin Provosty	17	450
Larry Taylor	24	1,125
Joel Thomas	10	<u>675</u>
Total		\$ 11,850 =====

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE
BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Commissioners of the Red River Waterway District
State of Louisiana
Natchitoches, Louisiana

I have audited the general purpose financial statements of Red River Waterway District, State of Louisiana, for the year ended December 31, 1995, and have issued my report thereon dated May 17, 1996.

I conducted my audit in accordance with generally accepted auditing standards and "Government Auditing Standards", issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

The management of Red River Waterway District, State of Louisiana, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorizations and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of

changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing my audit of the general purpose financial statements of Red River Waterway District, State of Louisiana, for the year ended December 31, 1995, I obtained an understanding of the internal control structure. With respect to the internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion of the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

I noted certain matters involving the internal control structure and its operation that I considered to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgement, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

CAPITAL OUTLAYS

Finding The Red River Waterway District is not reconciling the capital outlay expenditures as per the inventories to the general ledger on a monthly basis. As a result, the costs per the inventory and general ledger may not agree and omissions from the inventory or the general ledger are not ascertained timely.

Recommendation The Red River Waterway District should reconcile the additions made to the inventories (land, building and grounds and equipment) to the general ledger on a monthly basis.

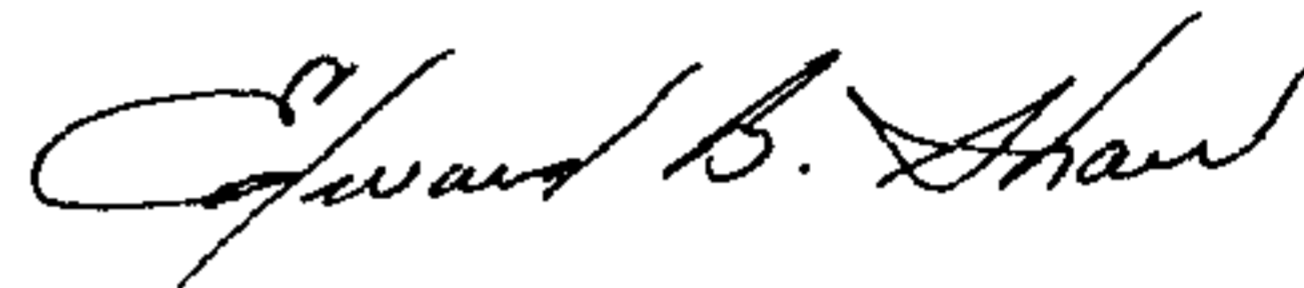
Management's Response Management agreed to the above recommendation and will initiate the necessary procedures.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose 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.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, I believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of management and the Legislative Auditor, State of Louisiana. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Legislative Auditor, State of Louisiana, is a matter of public record.

Shreveport, Louisiana
May 17, 1996



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Commissioners of the Red River Waterway District
State of Louisiana
Natchitoches, Louisiana

I have audited the general purpose financial statements of Red River Waterway District, State of Louisiana, as of and for the year ended December 31, 1995, and have issued my report thereon dated May 17, 1996.

I conducted my audit in accordance with generally accepted auditing standards and "Government Auditing Standards", issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to Red River Waterway District, State of Louisiana is the responsibility of Red River Waterway District's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of Red River Waterway District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

The results of my tests disclosed no instances of noncompliance that are required to be reported under "Government Auditing Standards".

This report is intended for the information of management and the Legislative Auditor, State of Louisiana. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Legislative Auditor, State of Louisiana, is a matter of public record.

Shreveport, Louisiana
May 17, 1996

