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RED RIVER WATERWAY DISTRICT

STATE OF LOUISIANA

Annual Financial Report
Year Ended December 31, 1987

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 JUL 01 1988

RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA

Annual Financial Report
Year Ended December 31, 1997

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INDEPENDENT AUDITOR'S REPORT

Commissioners of the Red River Waterway District
State of Louisiana
Shreveport, 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, 1997, 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, 1997, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued my report dated February 27, 1998, on my consideration of Red River Waterway District, State of Louisiana's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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 share 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 presented in all material respects in relation to the general purpose financial statements taken as a whole.

Shreveport, Louisiana
February 27, 1998



**RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA**

Exhibit 1

Combined Balance Sheet - All Fund Types and Account Groups
December 31, 1997

<u>ASSETS</u>	<u>Governmental Fund Types</u>		<u>Account Groups</u>		<u>Total</u>	
	<u>General</u>	<u>Capital Projects</u>	<u>General Land Acq.</u>	<u>General Long-Term Inv.</u>	<u>(Monies and/or Only)</u>	
					<u>1997</u>	<u>1996</u>
Cash	\$ 18,817,340	\$ 18,970,573	\$ -	\$ -	\$39,448,113	\$33,221,678
Investments	8,258,320	4,284,831	-	-	12,543,151	11,893,284
Receivables, net of allowance for uncollectibles:						
Taxes	1,064,814	3,194,440	-	-	4,259,257	4,813,469
State revenue sharing	60,695	599,690	-	-	234,281	249,435
Restricted assets:						
Cash	1,891,134	-	-	-	1,891,134	986,371
Receivable	-	831,585	-	-	831,995	1,418,834
Prepaid expenses	-	-	-	-	-	9,584
Property, plant and equipment	-	-	18,252,322	-	18,252,322	18,794,181
Amount to be provided for retirement of general long-term debt	-	-	-	79,491	79,491	71,211
Total assets	\$ 29,136,310	\$ 23,950,340	\$ 18,252,322	\$ 79,491	\$39,338,272	\$39,244,289
LIABILITIES						
Accounts payable	\$ 21,434	\$ -	\$ -	\$ -	\$ 21,434	\$ 892,479
Accrued expenses	32,443	97,831	-	-	130,274	123,670
Long-term debt:						
Compensated absences	-	-	-	79,491	79,491	71,211
Total liabilities	\$ 53,877	\$ 97,831	\$ -	\$ 79,491	\$ 221,693	\$ 1,087,360
FUND EQUITY						
Investment in general fund assets	-	-	18,252,322	-	18,252,322	18,794,181
Fund balance:						
Reserved:	690,890	18,947,499	-	-	19,638,389	9,926,376
Unreserved:						
Designated	1,866,134	-	-	-	1,866,134	1,821,571
Undesignated	25,515,381	15,045,836	-	-	40,561,217	36,793,621
Total fund equity	\$ 27,072,315	\$ 27,993,335	\$ 18,252,322	\$ -	\$ 31,988,242	\$ 39,034,739
Total liabilities and fund equity	\$ 29,136,310	\$ 23,950,340	\$ 18,252,322	\$ 79,491	\$39,338,272	\$39,244,289

See accompanying notes to financial statements.

RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA

Combined Statement of Revenues, Expenditures, and Changes in Fund
 Balances - All Government Fund Types
 Year Ended December 31, 1997

	Governmental Fund Types		Local	
	General	Capital Projects	(Miscellaneous Only)	
	1997	1996	1997	1996
Revenues:				
Ad valorem taxes, including penalty and interest:	\$ 1,099,910	\$ 1,278,772	\$ 4,371,693	\$ 4,893,229
Intergovernmental:	81,553	280,680	274,133	360,428
Interest revenues:	1,610,193	1,302,378	2,359,068	1,883,819
Dividend revenues:	444,847	315,588	658,213	754,452
Gains or (loss) on sale of investments:	-	-	-	34,383
Other:	-	42,978	42,978	31,880
Total revenues:	<u>3,681,293</u>	<u>3,618,812</u>	<u>7,705,985</u>	<u>8,077,191</u>
Expenditures:				
Current:				
Public works:	977,290	552,288	1,528,583	1,737,719
Recreation and parks:	267,262	9,812	377,887	160,648
Port development, operation and maintenance:	121,880	2,695,968	2,215,850	1,744,601
Capital outlay:	48,501	140,840	189,541	89,569
Debtway charges:				
Assessors' compensation:	1,468	3,981	7,871	16,788
Retirement systems:	37,283	86,847	174,179	123,036
Total expenditures:	<u>1,629,183</u>	<u>3,808,864</u>	<u>4,157,063</u>	<u>4,867,411</u>
Excess of revenues over (under) expenditures:	2,052,110	(1,190,052)	3,548,922	3,209,780
Other financing resources:				
Proceeds of general fixed asset disposition:	-	180,126	180,126	-
Excess of revenues and other resources over (under) expenditures:	<u>2,052,110</u>	<u>-99,926</u>	<u>3,729,048</u>	<u>3,209,780</u>
Fund balances, beginning of year:	25,815,221	24,783,337	98,718,158	48,733,871
Fund balances, end of year:	<u>\$ 27,867,321</u>	<u>\$ 23,683,411</u>	<u>\$ 102,447,206</u>	<u>\$ 51,943,651</u>

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, 1997

	General Fund (GAAP)			Capital Projects Fund (GAAP)			Total (Millions Only)	
	Budget	Actual	Variance - Favorable/ Unfavorable	Budget	Actual	Variance - Favorable/ Unfavorable	1997	1996
Revenues:								
Ad valorem taxes, including penalty and interest:								
Intergovernmental	\$	\$ 1,490,914	\$	\$	\$ 1,127,972	\$	\$ 4,078,891	\$ 4,903,225
Interest revenue		79,533			289,600		379,133	367,029
Investment revenue		1,802,198			1,360,899		3,333,988	1,663,893
Gain or loss on sale of investments		444,607			113,286		444,220	794,470
Other		-			-		-	14,383
Total revenues	1,500,732	3,817,252	(3,416)	1,137,632	2,882,867	(1,454,665)	7,757,122	6,873,000
Expenditures:								
Current:								
Public works	1,041,282	971,206	\$ 70,076	1,679,089	151,289	1,527,800	1,339,889	2,751,749
Recreation and parks	275,000	264,282	10,718	883,889	923	874,176	271,687	69,489
Port development, operations and maintenance	278,500	100,898	177,602	3,628,127	3,095,948	1,532,179	3,228,486	1,766,661
Capital outlay	91,200	49,209	41,991	833,200	143,940	689,260	189,044	49,940
Statutory charges:								
Assessor's compensation	-	1,988	(1,988)	-	2,995	(2,995)	7,971	(6,788)
Retirement Systems	(31,800)	(32,888)	1,088	(30,000)	(36,841)	(6,841)	(126,330)	(169,426)
Total expenditures	2,147,782	1,419,683	728,099	6,024,305	(2,999,864)	(3,702,541)	4,737,563	(3,802,511)
Excess Revenues over (under)- Expenditures	\$ -	\$ 1,397,569	\$ 1,688,096	\$ -	\$ 1,173,294	\$ 1,173,294	\$ 1,344,690	\$ 2,000,489
Other financing resources:								
Proceeds of general bond and disposition	-	-	-	-	89,820	(89,820)	779,226	-
Excess Revenues and other sources								
Over (Under) Expenditures	1	\$ 1,397,569	\$ 1,688,096	1	\$ 1,397,569	\$ 1,397,569	\$ 1,397,569	\$ 2,000,489
Fund balance, beginning of year (GAAP Basis)		28,000,111			24,736,132		56,736,518	58,139,111
Fund balance, end of year (GAAP Basis)		30,400,111			26,136,132		56,536,518	58,139,111

See accompanying notes to financial statements.

RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA

Notes to Financial Statements
December 31, 1997

NOTE 4 - 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 component of the State of Louisiana and the powers of the District are enumerated in La. R.S. 48:1101-1117. The District is not subject to any 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 Assiouton, Rapides, Natchitoches, Red River, Grant, Bossier and Cadeo. 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 northward to 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, revenues, and expenditures or expenses, as appropriate. Governmental revenues 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 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.

RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA

Notes to Financial Statements - continued
December 31, 1999

NOTE A - Summary of Accounting Policies - continued

3. Property, Plant and Equipment and Leases (see Leases)

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 revenues (revenues and other financing sources) and decreases (expenditures and other financing used 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. Depreciated 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 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. All revenues from 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 expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as deferred revenues until earned.

**RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA**

Notes to Financial Statements - continued
December 31, 1997

NOTE A - Summary of Accounting Policies - continued

5. Budgetary 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 184 of 1990 (Budget Act) by Attorney General Opinion 89-1261. The District has developed an expenditure budget for its 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, 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 a fully adopted budget 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 Equivalents

Cash and cash equivalents include demand deposits and time certificates of deposits. 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 its time deposits or certificates of deposits in 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 equivalents and restricted cash (bank balances) totaling \$15,488,115 and \$1,631,138 respectively at December 31, 1997. 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 subledger receipts held by the state treasurer or a custodial bank that is directly accountable to the parties involved.

The following is a summary of deposit balances (bank balances) at December 31, 1997, with the related federal deposit insurance and pledged securities:

	Specials	Market Value Reserves	Federal Insurance	Over Security	Under Security
Cash and Cash Equivalents	\$15,488,115	\$7,929,625	\$1,867,080	4,941,210	-
Restricted Cash	<u>1,631,138</u>	<u>1,638,244</u>	<u>-</u>	<u>7,098</u>	<u>-</u>
	<u>\$16,919,253</u>	<u>\$9,567,869</u>	<u>\$1,867,080</u>	<u>\$4,948,308</u>	<u>-</u>

All of the District's deposits were properly secured at December 31, 1997.

RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA

Notes to Financial Statements - continued
December 31, 1997

NOTE A - Summary of Accounting Policies - continued

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 U.S. 11-2950.

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, 1997 are as follows:

	<u>Book Value</u>	<u>Gross</u> <u>Unrealized</u> <u>Losses</u>	<u>Gross</u> <u>Unrealized</u> <u>Gains</u>	<u>Estimated</u> <u>Market</u> <u>Value</u>
U.S. Treasury	\$ 7,711,527	\$ 734	-	\$ 7,712,261
Short Term Government Fund	\$ 4,119,861	-	\$ 10,184	\$ 4,130,045
	<u>\$11,831,388</u>	<u>\$ 734</u>	<u>\$ 10,184</u>	<u>\$11,951,600</u>

The unrealized cost and estimated market value of investments at December 31, 1997 by contractual maturity at shown below. Ex-posed maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	<u>Book Value</u>	<u>Estimated</u> <u>Market Value</u>
Due in one year or less	\$ 12,541,152	\$ 12,541,152

8. Inventory

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

9. Accrued Compensation Expenses

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 100 hours of unused vacation leave at the employee's hourly rate of pay. Upon retirement, unused vacation leave in excess of 100 hours plus unused sick leave are used to compute retirement benefits. The liability for unused vacation leave payable at December 31, 1997, computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards Section 250.105, is estimated to be \$78,490. This amount is recorded in the general long-term debt account group.

RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA

Notes to Financial Statements - continued
December 31, 1997

NOTE A - Summary of Accounting Policies - continued

15. Valuation, Recognition, (Defer) - Tangible

All valuations used stand 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.

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

16. Allowance for Uncollectible Accounts

All valuations taxes are not considered fully collectible and an allowance for uncollectible accounts was established to satisfy the measurability criterion. A reserve for uncollectible accounts at December 31, 1997, is as follows:

General Fund	\$ 3,501
Capital Projects Fund	16,110
	\$ 19,611

17. 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.

18. Total Columns on Combined Statements - Overview

Total columns on the Combined Statements Overview are enclosed "memorandum only" to indicate that they are presented only to facilitate financial analysis. Internal eliminations have not been made to the aggregation of this class.

NOTE B - Pension Plan

Substantially all employees of the Red River Waterway District are members of the Parishial Employees Retirement System of Louisiana ("System"), a multiple-employer (cost sharing), 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.

**RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA**

Notes to Financial Statements - continued
December 31, 1997

NOTE B - Pension Plan - continued

All permanent employees working at least 26 hours per week who are paid weekly or at year intervals District funds are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of credited service, or at or after age 55 with 25 years of credited service, or at any age in what is at least 30 years of credited service are entitled to a retirement benefit, payable monthly for life, equal to 2 percent each of their final average salary for each year of credited service. However, for those employees who were members of the supplemental plan only prior to January 1, 1948, the benefit is equal to one percent of the final average salary plus \$24 for each year of supplemental-plan-only service earned prior to January 1, 1980. 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 benefits accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the Parished Employer's Retirement System, P.O. Box 14619, Baton Rouge, LA 70804-0619, or by calling (504) 838-1161.

Funding Policy. Under Plan A, members are required by state statute to contribute 9.58 percent of their annual covered salary and the Red River Waterway District is required to contribute at an actuarially determined rate. The current rate is 7.79 percent of annual covered payroll. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each Parish. These tax dollars are divided between Plan A and Plan B based proportionately on the status of the active members of each plan. The contribution requirements of plan members and the Red River Waterway District are established and may be amended by state statute, as provided by Louisiana Revised Statute 11:100. The employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Red River Waterway District's contributions to the System under Plan A for the years ending December 31, 1997, 1996 and 1995, were \$48,143, \$38,813, and \$44,275, respectively, equal to the required contributions for each year.

NOTE C - General Fixed Assets Account Group

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

	Balance January 1, 1997	Additions	Deductions	Balance December 31, 1997
Land	\$ 17,372,215	140,840	799,720	\$ 17,682,155
Buildings	\$ 679,318	-	-	\$ 679,838
Furniture and Equipment	\$ 492,125	49,581	261,862	\$ 340,589
	<u>\$ 18,363,658</u>	<u>190,421</u>	<u>1,061,582</u>	<u>\$ 17,492,527</u>

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

The annual changes in general long-term debt compressed drawings as of December 31, 1997, are as follows:

January 31, 1997	Increases/Decreases	December 31, 1997
<u>\$ 11,811</u>	<u>\$ 8,700</u>	<u>\$ 20,511</u>

**RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA**

Notes to Financial Statements - continued
December 31, 1997

NOTE E - Levied taxes

The following is a summary of authorized and levied ad valorem taxes for the year ended December 31, 1997, for the Red River Waterway District, a multi-parish District:

Red River Waterway District taxes	Authorized Millage	Levied Millage
Capital Outlay	2.03	2.19
Maintenance	.71	.71

NOTE F - Reserves and Designations of Fund Balances

The District has the following reserves and designation of fund balances at December 31, 1997:

	General Fund	Capital Projects Fund
Reserves for:		
Excess deposits	\$ -	\$ -
Long-term receivables	-	897,593
Capital outlays	-	-
Post commitment	<u>599,000</u>	<u>18,000,000</u>
	\$ <u>599,000</u>	\$ <u>18,897,593</u>
Designated for:		
Supplemental insurance	\$ 1,811,004	\$ -
Employee insurance-claims	<u>10,000</u>	<u>-</u>
	\$ <u>1,821,004</u>	\$ -

NOTE G - Restricted Assets

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

General Fund:	
Supplemental insurance	\$ <u>1,821,004</u>

The District designated \$158,000 of its fund balances to supplement the high cost of liability insurance and is primarily used to offset the higher deductible cost to obtain lower premiums on its primary liability coverage. The interest earned is to be considered additional designated funds.

Capital Projects Fund:	
Excess Deposits	\$ <u> </u>
Long-term receivable	\$ <u>897,593</u>

RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA

Notes to Financial Statements - continued
December 31, 1997

NOTE 1 - Restricted Assets - continued

The reserve deposits, as its accordance with the Water Resources Development Act of 1976 (Public Law 94-587), whereby the District is required to contribute 75 per cent of the construction costs of each construction contract containing silt, bulkhead, and embankment items within 18 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 contractor exclusively for that contract. Interest earned on the escrow account is credited to the contractor; however, disbursement of funds from this account is made solely by the Corps of Engineers and is recognized as a District expenditure upon each disbursement. The balance of such in escrow on deposit at December 31, 1997, is reported as a reserve fund balance to indicate that this account does not represent current available resources. At December 31, 1997, \$4- was on deposit.

The long-term receivables are loans made for the development of ports and at December 31, 1997 are made up as follows:

City of Alexandria	\$ -
Maritimeport Port Commission	<u>\$21,000</u>
	<u>\$ 21,000</u>

The District advanced the City of Alexandria \$108,000 on December 3, 1984, pursuant to a supplemental agreement effective April 18, 1984, 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 15, 1983, and a supplemental agreement dated September 23, 1983, the District advanced the City of Alexandria \$2,800,000 for "Out-of-Cost" relative to the development of the port. The agreements provide for an obligation to repay the \$2,800,000 with nine per cent interest only in the event that the port is not completed within the time provided in an Act of the Legislature of the port site from Quantity Ready Corporation to the City of Alexandria recorded in Carveyware Book 1128, page 618, Records of Rapides Parish, Louisiana. On January 8, 1997, the District, by resolution, approved that the receivables due from Alexandria Regional Port Authority need not be returned to the District, but shall instead be considered a grant in accordance with the cooperative agreements between the District and the Alexandria Regional Port Authority.

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

The agreement with Maritimeport Port Commission provides for a total loan of \$1,800,000 and calls for repayment at six per cent interest per annum on the amount outstanding after six years.

NOTE 11 - Litigation and Claims

The Red River Waterway District is continually faced with suits and claims as a result of appropriation of property for right-of-way and damages resulting from the normal operation of the waterway. Any known 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, 1997, claims have been accrued in the aggregate amount of approximately \$1,580,000.

**RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA**

Notes to Financial Statements - continued
December 31, 1997

NOTE 1 - 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 1993 by the District in accordance with the guidelines. As December 31, 1997, commitments and the amount expended to date are as follows:

<u>Port</u>	<u>Commitment</u>	<u>Expended</u>	<u>Balance</u>
Caddo-Boisfort	\$ 360,000	\$ 128,000	\$ 232,000
Alexandria	360,000	128,000	232,000
Marshland	120,000	120,000	0
Red River	120,000	-	120,000
	<u>\$ 960,000</u>	<u>\$ 376,000</u>	<u>\$ 584,000</u>

The Red River Waterway District has entered into or agreed to enter into certain intergovernmental cooperative agreements for the development of ports. As December 31, 1997, the total commitments and the amounts expended to date are as follows:

<u>Port</u>	<u>Commitment</u>	<u>Expended</u>	<u>Balance</u>
Caddo-Boisfort	\$ 8,841,075	\$ 3,166,956	\$ 5,674,119
Marshland	8,736,130	3,766,629	4,969,501
Alexandria	4,888,842	4,288,521	600,321
Red River	1,088,000	-	1,088,000
All Ports	<u>\$ 23,554,047</u>	<u>\$ 11,222,106</u>	<u>\$ 12,331,941</u>

The District has amended its 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. (\$73,297 was expended in 1997 pursuant to the Louisiana State Ports Priority Program.

Pursuant to contracts awarded in the development of recreation areas, levee structures, access roads and relocation projects, the Red River Waterway District has commitments as December 31, 1997 for the unexpended portion of these contracts in the amount of \$-0-

NOTE 2 - Federal Financial Assistance and Accrued or Deferred Revenues

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 1997.

**RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA**

SCHEDULE OF PER DIEM PAID TO COMMISSION MEMBERS

Year Ended December 31, 1991

<u>Name</u>	<u>Months</u>	<u>Amount</u>
Norman Boud	14	\$ 1,000
Mark Dugay	15	1,325
Michael Gibson	27	2,775
Orville Robinson	26	2,760
Alvin Provenly	4	368
Larry Taylor	3	324
Alvin Wiley	7	674
Paul Fleming	21	2,125
Donald Covert	13	815
Paul Thomas	16	1,280
Larry Fordham	19	1,425
Carl Guster	3	375
James Mackey	7	675
Murphy Mack, Jr.	3	325
Alvin Owens	12	960
Total		\$ 18,650

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING 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
New Iberia, Louisiana

I have audited the general purpose financial statements of Red River Waterway District, State of Louisiana, for the year ended December 31, 1997, and have issued my report thereon dated February 27, 1998. I conducted my 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 Red River Waterway District, State of Louisiana's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of my audit and, 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Red River Waterway District, State of Louisiana's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters of 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 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. I noted no matters involving the internal control over financial reporting and its operation that I considered to be material weaknesses.

This report is intended for the information of the banking committee, management and the Legislative Auditor, State of Louisiana. However, this report is a matter of public record upon acceptance by the Legislative Auditor, State of Louisiana, and its distribution is not limited.

Shreveport, Louisiana
February 27, 1998

