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RED RIVER WATERWAY DISTRICT

STATE OF LOUISIANA

Annual Financial Report
Year Ended December 31, 1998

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JUN 23 1999

Release Date _____

**RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA**

Annual Financial Report
Year Ended December 31, 1998

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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, 1998, 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, 1998, 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
April 30, 1999

Edward B. Shaw

**RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA**

Combined Balance Sheet - All Fund Types and Account Groups
December 31, 1998

<u>ASSETS</u>	<u>Governmental Fund Types</u>		<u>Account Groups</u>		<u>Totals</u> (Memorandum Only)	
	<u>General</u>	<u>Capital Projects</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	<u>1998</u>	<u>1997</u>
Cash	\$ 17,182,551	\$ 19,157,940	\$ -	\$ -	\$36,340,491	\$35,488,115
Investments	8,716,759	4,504,455	-	-	13,221,214	12,543,332
Receivables, net of allowance for uncollectibles:						
Taxes	1,093,410	3,282,593	-	-	4,376,003	4,259,257
State revenue sharing	62,505	187,517	-	-	250,022	254,261
Restricted assets:						
Cash	1,086,197	-	-	-	1,086,197	1,031,154
Receivable	-	1,177,123	-	-	1,177,123	851,595
Prepaid expenses	-	-	-	-	-	-
Property, plant and equipment	-	-	18,267,750	-	18,267,750	18,232,522
Amount to be provided for retirement of general long-term debt	-	-	-	101,997	101,997	79,491
Total assets	\$ 28,141,422	\$ 28,309,628	\$ 18,267,750	\$ 101,997	\$74,820,797	\$72,739,727
 <u>LIABILITIES</u>						
Accounts payable	\$ 78,034	\$ 17,500	\$ -	\$ -	\$ 95,534	\$ 21,414
Accrued expenses	33,232	99,695	-	-	132,927	130,580
Long-term debt:						
Compensated absences	-	-	-	101,997	101,997	79,491
Total liabilities	111,266	117,195	-	101,997	330,458	231,485
 <u>FUND EQUITY</u>						
Investment in general fixed assets	-	-	18,267,750	-	18,267,750	18,232,522
Fund balance:						
Reserved	560,000	25,010,569	-	-	25,570,569	11,627,469
Unreserved:						
Designated	1,086,197	-	-	-	1,086,197	1,066,154
Undesignated	26,383,959	3,181,864	-	-	29,565,823	41,582,097
Total fund equity	28,030,156	28,192,433	18,267,750	-	74,490,339	72,508,242
Total liabilities and fund equity	\$ 28,141,422	\$ 28,309,628	\$ 18,267,750	\$ 101,997	\$74,820,797	\$72,739,727

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, 1998

	<u>Governmental Fund Types</u>		<u>Totals</u>	
	<u>General</u>	<u>Capital Projects</u>	<u>(Memorandum Only)</u> <u>1998</u>	<u>1997</u>
Revenues:				
Ad valorem taxes, including penalty and interest	\$ 1,111,031	\$ 3,335,457	\$ 4,446,488	\$ 4,371,695
Intergovernmental	94,022	282,065	376,087	374,133
Interest revenues	1,017,759	1,038,862	2,056,621	2,255,068
Investment revenues	434,779	222,062	656,841	658,233
Other	-	53,969	53,969	42,976
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	<u>2,657,591</u>	<u>4,932,415</u>	<u>7,590,006</u>	<u>7,702,105</u>
Expenditures:				
Current:				
Public works	1,199,889	285,131	1,485,020	1,529,585
Recreation and parks	401,411	269,495	670,906	277,087
Port development, operations and maintenance	148,530	3,263,200	3,411,730	2,223,850
Capital outlay	35,722	63,185	98,907	189,541
Statutory charges:				
Assessors' compensation	1,226	3,681	4,907	7,871
Retirement systems	33,232	99,695	132,927	129,129
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	<u>1,820,010</u>	<u>3,984,387</u>	<u>5,804,397</u>	<u>4,357,063</u>
Excess of revenues over (under) expenditures	837,581	948,028	1,785,609	3,345,042
Other financing resources:				
Proceeds of general fixed asset disposition	<u>10,260</u>	<u>151,000</u>	<u>161,260</u>	<u>190,120</u>
Excess of revenues and other sources over (under) expenditures	847,841	1,099,028	1,946,869	3,535,162
Fund balance, beginning of year	27,182,315	27,093,405	54,275,720	50,740,558
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance, end of year	<u>\$ 28,030,156</u>	<u>\$ 28,192,433</u>	<u>\$ 56,222,589</u>	<u>\$ 54,275,720</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, 1998

	General Fund (GAAP)			Capital Projects Fund (GAAP)			Total (Memorandum Only)	
	Budget	Actual	Variance - Favorable (Unfavorable)	Budget	Actual	Variance - Favorable (Unfavorable)	1998	1997
Revenues:								
Ad valorem taxes, including penalty and interest	\$	\$ 1,111,031	\$	\$	\$ 3,335,457	\$	\$ 4,446,488	\$ 4,371,695
Intergovernmental		94,022			282,065		376,087	374,133
Interest revenue		1,017,759			1,038,862		2,056,621	2,255,068
Investment revenue		434,779			222,062		656,841	658,233
Other		-			53,969		53,969	42,976
Total revenues	2,430,793	2,657,591	226,798	12,676,800	4,932,415	(7,744,385)	7,590,006	7,702,105
Expenditures:								
Current:								
Public works	1,324,056	1,199,889	124,167	1,765,000	285,131	1,479,869	1,485,020	1,529,585
Recreation and parks	781,187	401,411	379,776	2,495,200	269,495	2,225,705	670,906	277,087
Port development, operations and maintenance	195,000	148,530	46,470	6,686,600	3,263,200	3,423,400	3,411,730	2,223,850
Capital outlay	93,050	35,722	57,328	1,630,000	63,185	1,566,815	98,907	189,541
Statutory charges:								
Assessors' compensation	2,500	1,226	1,274	-	3,681	(3,681)	4,907	7,871
Retirement Systems	35,000	33,232	1,768	100,000	99,695	305	132,927	129,129
Total expenditures	2,430,793	1,820,010	610,783	12,676,800	3,984,387	8,692,413	5,804,397	4,357,063
Excess Revenues over (under) Expenditures	\$ -	\$ 837,581	\$ 837,581	\$ -	\$ 948,028	\$ 948,028	\$ 1,785,609	\$ 3,345,042
Other financing resources: Proceeds of general fixed asset disposition	-	10,260	10,260	-	151,000	151,000	161,260	190,120
Excess Revenues and other sources Over (Under) Expenditures	\$ -	\$ 847,841	\$ 847,841	\$ -	\$ 1,099,028	\$ 1,099,028	\$ 1,946,869	\$ 3,535,162
Fund balance, beginning of year as previously reported		27,182,315			27,093,405		54,275,720	50,740,558
Fund balance, end of year (GAAP Basis)		\$ 28,030,156			\$ 28,192,433		\$ 56,222,589	\$ 54,275,720

See accompanying notes to financial statements.

**RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA**

Notes to Financial Statements
December 31, 1998

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, 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 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, 1998

NOTE A - Summary of Accounting Policies - continued

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 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.

**RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA**

Notes to Financial Statements - continued
December 31, 1998

NOTE A - Summary of Accounting Policies - continued

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, 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 \$36,340,491 and \$1,086,197 respectively at December 31, 1998. 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, 1998, with the related federal deposit insurance and pledged securities:

	<u>Deposits</u>	<u>Market Value Securities</u>	<u>Federal Insurance</u>	<u>Over Secured</u>	<u>Under Secured</u>
Cash and Cash Equivalent	\$36,340,491	36,104,467	2,400,000	2,163,976	-
Restricted Cash	1,086,197	1,095,497	-	9,300	-
	<u>\$37,426,688</u>	<u>37,199,964</u>	<u>2,400,000</u>	<u>2,173,276</u>	<u>-</u>

All of the District's deposits were properly secured at December 31, 1998.

**RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA**

Notes to Financial Statements - continued
December 31, 1998

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 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, 1998 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	\$ 8,122,021	128	-	8,122,149
Short Term Government Fund	<u>5,099,193</u>	<u>-</u>	<u>100,071</u>	<u>4,999,122</u>
	<u>\$13,221,214</u>	<u>128</u>	<u>100,071</u>	<u>13,121,271</u>

The amortized cost and estimated market value of investments at December 31, 1998 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.

	<u>Book Value</u>	<u>Estimated Market Value</u>
Due in on year or less	<u>\$ 13,221,214</u>	<u>13,121,271</u>

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, 1998, computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards Section C60.105, is estimated to be \$101,997. 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, 1998

NOTE A - Summary of Accounting Policies - continued

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.

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, 1998, is as follows:

General Fund	\$ 1,708
Capital Projects Fund	<u>5,123</u>
	\$ <u>6,831</u>

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 (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, 1998

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. Under Plan A, 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. However, for those employees who were members of the supplemental plan only prior to January 1, 1980, 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 benefit 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. That report may be obtained by writing to the Parochial Employees' Retirement System, P.O. Box 14619, Baton Rouge, LA 70898-4619, or by calling (504) 928-1361.

Funding Policy. Under Plan A, members are required by state statute to contribute 9.50 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 7.75 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 salaries 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 11:103, 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, 1998, 1997 and 1996, were \$47,144, \$40,145, and \$38,813, 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, <u>1998</u>	<u>Additions</u>	<u>Deductions</u>	Balance December 31, <u>1998</u>
Land	\$ 17,082,135	63,185	-	\$ 17,145,320
Buildings	\$ 659,838	-	-	\$ 659,838
Furniture and Equipment	\$ <u>490,549</u>	<u>35,722</u>	<u>63,679</u>	\$ <u>462,592</u>
	\$ <u>18,232,522</u>	<u>98,907</u>	<u>63,679</u>	\$ <u>18,267,750</u>

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

The annual changes to general long-term debt compensated absences as of December 31 1998, are as follows:

<u>January 1, 1998</u>	<u>Increase(Decrease)</u>	<u>December 31, 1998</u>
\$ <u>79,491</u>	\$ <u>22,506</u>	\$ <u>101,997</u>

**RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA**

Notes to Financial Statements - continued
December 31, 1998

NOTE E - Levied taxes

The following is a summary of authorized and levied ad valorem taxes for the year ended December 31, 1998, 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	2.13	2.13
Maintenance	.71	.71

NOTE F - Reserves and Designations of Fund Balances

The District has the following reserves and designation of fund balance at December 31, 1998:

	<u>General Fund</u>	<u>Capital Projects Fund</u>
Reserves for:		
Escrow deposits	\$ -	\$ -
Long-term receivables	-	1,177,123
Capital outlays	-	16,386,624
Port commitments	<u>560,000</u>	<u>7,446,821</u>
	\$ <u>560,000</u>	\$ <u>25,010,568</u>
Designated for:		
Supplemental insurance	\$ <u>1,086,197</u>	\$ <u>-</u>
	\$ <u>1,086,197</u>	\$ <u>-</u>

NOTE G - Restricted Assets

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

General Fund:

Supplemental insurance \$ 1,086,197

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.

Capital Projects Fund:

Escrow Deposits \$ -

Long-term receivable \$ 1,177,123

**RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA**

Notes to Financial Statements - continued
December 31, 1998

NOTE G - Restricted Assets - continued

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, 1998, is reported as a reserve of fund balance to indicate that this account does not represent current available resources. At December 31, 1998, \$-0- were on deposit.

The long-term receivables are conditional grants made for the development of ports and at December 31, 1998 are made up as follows:

Natchitoches Port Commission	\$ <u>1,177,123</u>
	\$ <u>1,177,123</u>

The conditional grants 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 conditional grant of \$1,224,161 and calls for repayment at six per cent interest per annum on the amount outstanding after ten years, only if the grantee does not develop an operational port within the 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 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, 1998, claims have been asserted in the aggregate amount of approximately \$1,500,000.

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 one year was approved in 1998 by the District in accordance with the guidelines. At December 31, 1998, commitments and the amount expended to date are as follows:

<u>Port</u>	<u>Commitments</u>	<u>Expended</u>	<u>Balance</u>
Caddo-Bossier	\$ 400,000	\$ 360,000	\$ 40,000
Alexandria	400,000	360,000	40,000
Natchitoches	320,000	160,000	160,000
Red River	<u>320,000</u>	<u>-</u>	<u>320,000</u>
	<u>\$ 1,440,000</u>	<u>\$ 880,000</u>	<u>\$ 560,000</u>

**RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA**

Notes to Financial Statements - continued
December 31, 1998

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, 1998, 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	\$ 10,633,880	\$ 7,767,221	\$ 2,866,659
Natchitoches	4,910,801	3,305,710	1,605,091
Alexandria	4,888,845	4,844,506	44,339
Red River	1,200,000	19,267	1,180,733
All Ports	<u>1,750,000</u>	-	<u>1,750,000</u>
	<u>\$ 23,383,526</u>	<u>\$15,936,704</u>	<u>\$ 7,446,822</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 \$1,750,000 per year for all ports on the Red River. \$1,587,705 was expended in 1998 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 at December 31, 1998 for the unexpended portion of these contracts in the amount of \$ 16,386,624.

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 in Pools 1 & 2. There was no activity in this program during 1998.

NOTE K - Year 2000 Issue (Unaudited)

The Year 2000 Issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the governments operations as early as the calendar year 1999.

The Red River Waterway District has completed an inventory of computer systems and other electronic equipment that may be affected by the Year 2000 Issue and are necessary to conducting the District's operation. Based on this inventory, the District is in the final stage of compliance in that the necessary measures have been taken to upgrade the equipment, through the Office Equipment and Repair budget, by the end of 1999.

Because of the unprecedented nature of the Year 2000 Issue, its effects and the success of the related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that with parties with whom the District does business will be year 2000 ready.

RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA

SCHEDULE OF PER DIEM PAID TO COMMISSION MEMBERS

Year Ended December 31, 1998

<u>Name</u>	<u>Number</u>	<u>Amount</u>
Marc Dupuy	29	2,175
Richard Gibson	36	2,700
Odell Hodnett	37	2,775
Larry Taylor	42	3,150
Paul Fleming	32	2,400
Joel Thomas	44	3,300
Larry Ferdinand	36	2,700
Carl Gunter	2	150
James Maxey	20	1,500
Alvin Owens	29	<u>2,175</u>
Total		\$ <u>23,025</u>

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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
Natchitoches, Louisiana

I have audited the general purpose financial statements of Red River Waterway District, State of Louisiana, for the year ended December 31, 1998, and have issued my report thereon dated April 30, 1999. 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 those 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
April 30, 1999

Edward B. Shaw