

RED RIVER WATERWAY DISTRICT

STATE OF LOUISIANA

Annual Financial Report
Year Ended December 31, 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the District Manager's office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-28-04

**RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA**

Annual Financial Report
Year Ended December 31, 2005

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RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA

Sheet 1

Combined Balance Sheet - All Fund Types and Account Groups
December 31, 2003
(with memorandum only year for December 31, 2002)

| ASSETS | Governmental fund types | | Account Groups | | Totals (Memorandum Only) | |
|--|-------------------------|----------------------|----------------------|------------------------|-----------------------------|----------------------|
| | General | Capital Projects | General Fund assets | General Long-term Debt | 2003 | 2002 |
| Cash | \$ 10,116,498 | \$ 13,111,115 | \$ - | \$ - | \$ 46,201,344 | \$ 44,915,168 |
| Investments | - | - | - | - | - | - |
| Receivables, net of allowance for uncollectibles | | | | | | |
| Taxes | 1,389,231 | 1,849,462 | - | - | 3,138,693 | 3,008,628 |
| State income sharing | 51,240 | 89,719 | - | - | 141,009 | 151,207 |
| Federal financial assistance | - | 110,480 | - | - | 111,480 | 181,760 |
| Other | 296 | 443 | - | - | 741 | 1,514 |
| Inter-fund capital projects fund | - | - | - | - | - | - |
| Restricted monies | | | | | | |
| Cash | 1,046,577 | - | - | - | 1,046,577 | 1,241,140 |
| Receivables | - | - | - | - | - | - |
| Deferred charges | - | 4,281,088 | - | - | 4,281,088 | 5,047,873 |
| Property, plant and equipment | - | - | 14,811,137 | - | 14,811,137 | 16,771,645 |
| Amounts to be repaid for compensated absences | - | - | - | 278,662 | 278,662 | 328,121 |
| Total assets | \$ 24,763,752 | \$ 28,451,762 | \$ 14,811,137 | \$ 278,662 | \$ 76,185,021 | \$ 74,325,473 |
| LIABILITIES | | | | | | |
| Accounts payable | \$ 76,817 | \$ 14,749 | \$ - | \$ - | \$ 112,266 | \$ 207,280 |
| Accrued expenses | 91,451 | 184,181 | - | - | 275,632 | 199,261 |
| Unexpended fund | - | - | - | - | - | - |
| Compensated absences | - | - | - | 278,662 | 278,662 | 328,121 |
| Total liabilities | \$ 168,268 | \$ 331,930 | \$ - | \$ 278,662 | \$ 667,560 | \$ 734,662 |
| FUND EQUITY | | | | | | |
| Investment in general fund assets | - | - | 14,811,137 | - | 14,811,137 | 16,771,645 |
| Reserve fund balance | | | | | | |
| Reserved | 104,838 | \$ 4,094,117 | - | - | 28,194,207 | 10,481,500 |
| Unreserved | 1,046,577 | - | - | - | 1,046,577 | 1,241,140 |
| Unexpended | 21,763,818 | 184,113 | - | - | 26,841,131 | 26,600,734 |
| Total fund equity | \$ 22,815,233 | \$ 4,278,230 | \$ 14,811,137 | \$ - | \$ 55,511,145 | \$ 53,311,111 |
| Total liabilities and fund equity | \$ 24,763,752 | \$ 28,451,762 | \$ 14,811,137 | \$ 278,662 | \$ 76,185,481 | \$ 74,325,473 |

See accompanying notes to financial statements

**RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA**

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**Combined Statement of Revenues, Expenditures, and Changes in Fund
Balances - All Governmental Fund Types**

Year Ended December 31, 2003

(with nonmembers only totals for December 31, 2002)

| | Government Fund Types | | Totals (Nonmembers Only) | |
|---|-----------------------|----------------------|-----------------------------|----------------------|
| | General | Capital Projects | 2002 | 2003 |
| Revenues | | | | |
| Ad valorem taxes, including penalty and interest | \$ 1,318,048 | \$ 1,084,144 | \$ 2,702,192 | \$ 4,024,776 |
| Intergovernmental | 83,778 | 354,233 | 398,451 | 381,440 |
| Federal financial assistance | - | 149,738 | 149,750 | 381,987 |
| Interest revenues | 398,776 | 334,178 | 732,954 | 1,084,370 |
| Investment revenues | - | - | - | 171,888 |
| Loss on sale of investments | - | - | - | (24,888) |
| Other | 18,875 | 167,542 | 196,417 | 393,442 |
| Total revenues | <u>1,819,677</u> | <u>2,989,895</u> | <u>4,078,714</u> | <u>7,368,693</u> |
| Expenditures | | | | |
| Current: | | | | |
| Public works | 1,413,883 | 79,489 | 1,493,372 | 1,617,542 |
| Recreation and parks | 441,389 | 7,102,500 | 7,543,889 | 3,046,874 |
| Fuel development, operations and maintenance | 138,118 | 481,403 | 700,810 | 1,111,000 |
| Capital outlay | 88,880 | - | 88,880 | 211,000 |
| Debtary charges: | | | | |
| Amortized compensation | 1,290 | 3,374 | 5,148 | 1,128 |
| Refunding system | 42,804 | 124,152 | 166,956 | 188,378 |
| Total expenditures | <u>2,125,864</u> | <u>7,891,218</u> | <u>11,246,021</u> | <u>7,075,918</u> |
| Excess of revenues over (under) expenditures | (306,187) | (1,901,323) | (1,047,307) | (687,225) |
| Other financing resources: | | | | |
| Proceeds of general bond and dispositions | - | 37,887 | 37,887 | 5,078 |
| Excess of revenues and other sources over (under) expenditures | (306,187) | (1,863,436) | (1,009,420) | (682,147) |
| Fund balances, beginning of year | 21,881,688 | 21,028,648 | 21,779,336 | 28,255,051 |
| Fund balances, end of year | <u>\$ 21,575,501</u> | <u>\$ 19,165,212</u> | <u>\$ 20,769,916</u> | <u>\$ 27,572,904</u> |

**RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA**

**Combined Statement of Revenues, Expenditures, and Changes in Fund
Balances - Budget and Actual - General and Capital Projects Fund
Year Ended December 31, 2002
(with encumbrances only until December 31, 2002)**

Exhibit 1

| | General Fund (0000) | | | Capital Projects Fund (0000) | | | Total | |
|---|------------------------|------------------|----------------------------------|---------------------------------|------------------|----------------------------------|------------------|------------------|
| | Budget | Actual | Percent Variance (0000000) | Budget | Actual | Percent Variance (0000000) | (000) | (000) |
| Revenues | | | | | | | | |
| All revenue items including grants and interest (unapportioned) | - | 1,034,490 | - | - | 1,044,104 | - | 1,034,490 | 1,044,104 |
| Federal financial assistance | - | 51,719 | - | - | 50,023 | - | 50,491 | 50,000 |
| Interest revenue | - | - | - | - | 54,770 | - | 54,770 | 54,000 |
| License revenue | - | 380,000 | - | - | 380,000 | - | 380,000 | 380,000 |
| Investment revenue | - | - | - | - | - | - | - | 17,000 |
| Continental of treatment fees | - | - | - | - | - | - | - | 10,000 |
| | | <u>1,416,209</u> | | | <u>1,528,907</u> | | <u>1,475,001</u> | <u>1,515,104</u> |
| Total revenues | <u>1,034,490</u> | <u>1,416,209</u> | <u>1,370,410</u> | <u>1,034,490</u> | <u>1,528,907</u> | <u>1,468,000</u> | <u>1,475,001</u> | <u>1,515,104</u> |
| Expenditures | | | | | | | | |
| Current | | | | | | | | |
| Public works | 1,546,000 | 1,470,000 | 95,000 | 25,000 | 24,000 | 90,000 | 1,500,000 | 1,470,000 |
| Administration and non-development operations | 50,000 | 40,000 | (10,000) | 1,000,000 | 1,030,000 | 30,000 | 760,000 | 1,040,000 |
| Administration | 50,000 | 100,000 | 100,000 | 50,000 | 40,000 | (10,000) | 70,000 | 1,000,000 |
| Public works | - | 50,000 | 50,000 | 0 | - | - | 50,000 | 50,000 |
| Utility design | - | - | - | - | - | - | - | - |
| Capital expenditures | 1,000 | 1,000 | 0 | - | 3,000 | 3,000 | 1,000 | 1,000 |
| Relocation water | 40,000 | 40,000 | 0 | 50,000 | 36,000 | (14,000) | 40,000 | 39,000 |
| Total expenditures | <u>1,596,000</u> | <u>1,550,000</u> | <u>95,000</u> | <u>1,025,000</u> | <u>1,054,000</u> | <u>29,000</u> | <u>1,260,000</u> | <u>1,510,000</u> |
| Basic allowance over (under) expenditures | - | (133,791) | (133,791) | - | (26,093) | (26,093) | (133,791) | (26,093) |
| Other funding resources | | | | | | | | |
| Proceeds of general fund encumbrances | - | - | - | - | 3,000 | 3,000 | 3,000 | 3,000 |
| Basic allowance and other amounts over (under) expenditures | <u>0</u> | <u>(133,791)</u> | <u>(133,791)</u> | <u>0</u> | <u>(23,093)</u> | <u>(23,093)</u> | <u>(130,791)</u> | <u>(23,093)</u> |
| Residuals, beginning of year | <u>1,000,000</u> | | | <u>1,000,000</u> | | | <u>1,000,000</u> | <u>1,000,000</u> |
| Residuals, end of year | <u>0</u> | <u>(133,791)</u> | | <u>0</u> | <u>(26,093)</u> | | <u>(130,791)</u> | <u>(26,093)</u> |

See accompanying notes to financial statements.

RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA

Notes to Financial Statements
December 31, 2000

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 1963 as a body politic and corporate of the State of Louisiana and the powers of the District are enumerated in L.A. R.S. 34:2081-2311. 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 parishes located within the parishes of Acadian, Rapides, Natchitoches, Red River, Grant, Bossier and Calcasieu. The District was created to construct, 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 in the state boundary. The commission administers 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 Parish 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 a primary government and not a component unit or agency of the state government for financial reporting purposes.

1. 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 composed 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 five general 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 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 measurement made, regardless of the measurement basis 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 intergovernmental revenues are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenues at that time. Investment earnings are recorded as earned and available for withdrawal. Other revenues are recorded as revenues 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 in 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.

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 204 of 1983 (Budget Act) by Attorney General Opinion 88-1443. 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. Based on improved data, the budget is periodically amended and approved by the Board of Commissioners.
- c. The combined statement of revenues, expenditures, and changes in fund balances— budget and actual for the General Fund and Capital Projects Fund presents 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.
- d. Unused appropriations for all of the above annually budgeted funds lapse at the end of year.
- e. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

4. Cash

Cash and cash equivalents include demand deposits and time certificates of deposit which approximate fair value. Under state law, the Red River Waterway District may deposit funds only 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 deposit 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 (book balance) totaling \$40,211,544 and \$1,598,177 respectively at December 31, 2003. Cash 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 subposting 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, 2003 with the related federal deposit insurance and pledged securities:

| | Deposits | Value of securities | Federal insurance | Over secured | Under secured |
|-----------------|----------------------|----------------------|---------------------|----------------------|---------------|
| Cash | \$ 40,211,544 | \$ 49,759,754 | \$ 1,600,000 | \$ 30,002,230 | \$ - |
| Restricted cash | 1,598,177 | 1,655,131 | - | 348,152 | - |
| | <u>\$ 41,809,721</u> | <u>\$ 51,414,885</u> | <u>\$ 1,600,000</u> | <u>\$ 31,350,382</u> | <u>\$ -</u> |

All of the District's deposits were properly secured at December 31, 2003.

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

Category 1 - Deposits which are insured or collateralized with securities held by the District or by its agent in the District's name.

Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or by its agent in the District's name.

Category 3 - Deposits which are not collateralized or insured.

Based on these three levels of risk, all of the District's cash deposits are classified as Category 1.

5. 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. 50:9415.

At December 31, 2003, the District did not have any investments.

6. Inventory

Purchases of operating supplies are expensed 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 Allowance

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, 2000 computed in accordance with the Certification of Governmental Accounting and Financial Reporting Standards Section 9801.03, is estimated to be \$204,065. This amount is recorded in the general long-term debt account group.

10. Revenue Recognition - Property Taxes

All valuations taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 13 and are due and payable on that date. All unpaid taxes levied October 13 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.

11. Allowance for Uncollectible Accounts

All valuations taxes are not considered fully collectible and an allowance for uncollectible accounts was established to satisfy the conservatism criterion. Allowance for uncollectible accounts at December 31, 2000 is as follows:

| | |
|-----------------------|------------------|
| General Fund | \$ 4,704 |
| Capital Projects Fund | 28,112 |
| | <u>\$ 32,816</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 in order to be in 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. Detailed eliminations have not been made in the aggregation of this data.

NOTE B - Pension Plan

Instantiated all employees of the Red River Waterway District are members of the Fawcett 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.

All permanent employees working at least 20 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 55 with at least 10 years of credited service, at or after age 53 with 20 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 7 percent 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, 1988, the benefit is equal to one percent of the final average salary plus \$20 for each year of

supplemental-plan-only service earned prior to January 1, 1986. 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 earned in 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 Principal Employer Retirement System, P.O. Box 14403, Baton Rouge, LA 70804-4403, or by calling (504) 928-1161.

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 7.78 percent of annual covered payroll, but this rate was increased to 11.75 percent for 2004. Contributions to the System also include one-fourth of one percent (except Orleans and Red River 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 proportionally 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 11:881, 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, 2003, 2002 and 2001, were \$84,814, \$71,874, and \$29,807, respectively, equal to the required contributions for each year.

NOTE C - General Fixed Asset Account Group

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

| | Balance January 1, 2003 | Additions | Deductions | Balance December 31, 2003 |
|-------------------------|-------------------------------|---------------|---------------|---------------------------------|
| Land | \$ 18,148,987 | - | 3,343 | \$ 18,146,234 |
| Buildings | 225,893 | - | - | 225,893 |
| Furniture and equipment | 752,189 | 38,085 | 17,334 | 782,239 |
| | <u>\$ 19,126,869</u> | <u>38,085</u> | <u>20,677</u> | <u>\$ 19,211,317</u> |

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

The annual changes in general long-term debt (comprised of leases) as of December 31, 2003, are as follows:

| | January 1, 2003 | Increase/Decrease | December 31, 2003 |
|--|-------------------|-------------------|-------------------|
| | <u>\$ 228,830</u> | <u>(11,941)</u> | <u>\$ 208,889</u> |

NOTE E - Levied taxes

The following is a summary of authorized and levied ad valorem taxes for the year ended December 31, 2005 for the Red River Waterway District, a multi-parish District:

| Red River Waterway District Taxes | Authorized Millage | Levied Millage |
|-----------------------------------|-----------------------|-------------------|
| Capital Outlay | 2.64 | 2.64 |
| Maintenance | .68 | .68 |

NOTE F - Reserves and Designations of Fund Balances

The District has the following reserves and designation of fund balances at December 31, 2005:

| | General Fund | Capital Projects Fund |
|------------------------|---------------------|--------------------------|
| Reserves for: | | |
| Reserve deposits | \$ - | \$ - |
| Long-term obligations | - | 737,488 |
| Deferred charges | - | 6,518,081 |
| Capital outlays | - | 9,083,122 |
| Fund commitments | 118,892 | 12,196,524 |
| Totals | \$ <u>118,892</u> | \$ <u>28,535,215</u> |
| Designated for: | | |
| Supplemental insurance | \$ <u>1,306,577</u> | \$ - |

NOTE G - Restricted Assets

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

| General Fund: | |
|------------------------|---------------------|
| Supplemental insurance | \$ <u>1,306,577</u> |

The District designated \$737,488 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 Project Funds: | |
|------------------------|---------------------|
| Reserve deposits | \$ - |
| Long-term obligations | \$ <u>737,488</u> |
| Deferred charges | \$ <u>6,518,081</u> |

The reserve deposits are in accordance with the Water Resources Development Act of 1976 (Public Law 94-387), whereby the District is required to contribute 25 percent of the construction cost of each construction contract containing dikes, bulkheads, 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 construction contractor for that contract. Interest earned on the escrow account is credited to the commission; however, disbursements 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, 2005 is reported as a reserve of fund balances to indicate that this account does not represent current available resources. At December 31, 2005 \$- was on deposit.

The long-term receivable is due from the Corps of Engineers' payment to the cost sharing contract dated July 23, 1981 for development of recreation areas in Pools 1 and 2 of the Red River Waterway. At December 31, 2003 the long-term receivables were as follows:

Department of Defense - Corps of Engineers \$ 737,880

On April 18, 2000, the Red River Waterway District and the U.S. Army Corps of Engineers (COE) entered into a Project Cooperation Agreement (PCA). The agreement provides for an equal cost share in the project costs on 22 recreational sites in Pools 3, 4, and 5 and 3 sites in Pool 1 and 2. The COE is responsible for the overall project. The District is required under the agreement to make payment to the COE for its 50% cost share. Payments to COE for its 50% share are being accomplished by cash contributions and work-in-kind expenditures. The extent of the work-in-kind expenditures over the District's 50% share is being deferred and will be absorbed against 50% of future COE expenditures. At December 31, 2000, total work-in-kind expenditures amount to \$3,006,064 of which \$6,518,062 has been deferred until utilized by the COE. This deferred charge is also being reflected as a reserve of fund balance to indicate that this amount does not represent current available resources.

NOTE II - Litigation and Claims

The Red River Waterway District is continually faced with lawsuits and claims as a result of appropriation of property for right-of-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, 2003 claims have been estimated in the aggregate amount of approximately \$1,000,000.

NOTE II - 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. An extension of an additional three years was approved in 1999 by the District in accordance with the guidelines. In 2002, an additional extension of two years was extended in two of the ports. At December 31, 2003 commitments and the amounts expended to date are as follows:

| Port | Commitments | Expended | Remaining Balance |
|---------------|-------------------|-------------------|-------------------|
| Cadeaux Bayou | \$ 80,000 | \$ 80,000 | \$ 80,000 |
| Armandville | 80,000 | 80,000 | 80,000 |
| Waukeshaw | 120,000 | 80,000 | 80,000 |
| Red River | 180,000 | 15,110 | 175,890 |
| | <u>\$ 460,000</u> | <u>\$ 195,110</u> | <u>\$ 264,890</u> |

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, 2003 the total commitments and the amounts expended to date are as follows:

| Port | Commitments | Expended | Remaining Balance |
|---------------|----------------------|----------------------|----------------------|
| Cadeaux Bayou | \$ 16,811,476 | \$ 14,811,878 | \$ 4,999,598 |
| Waukeshaw | 8,345,048 | 6,673,589 | 2,771,459 |
| Armandville | 2,288,840 | 4,882,926 | 701,918 |
| Red River | 3,737,584 | 773,283 | 3,151,279 |
| All Ports | <u>1,805,008</u> | <u>-</u> | <u>1,805,008</u> |
| | <u>\$ 30,883,956</u> | <u>\$ 26,471,676</u> | <u>\$ 12,640,264</u> |

The District has amended its guidelines for port development to provide for 25% local matching funds required of port authorities to obtain 50% 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. The District expended \$551,448 in 2003 pursuant to the Louisiana State Ports Priority Program.

Pursuant to design and construction 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, 2003 for the unexpended portion of these contracts in the amount of \$ 9,383,100. This amount is included in the reserve amount as shown in Note F.

NOTE J – Federal Financial Assistance and Accrued or Deferred Revenue

Grant revenues from Federal financial assistance programs are considered receivable and are recorded simultaneously with grant expenditures when such recognition is prohibited by the grant agreement. Grant revenues received in excess of grant expenditures are recorded as deferred revenues until expended. Grant expenditures in excess of grant revenues are recorded as accounts receivable. The Red River Waterway District has one program that receives Federal Financial Assistance. This program is directly associated with the development of recreation areas on the Red River and provides for 50% matching funds in Parts I and L. At December 31, 2003 total expenditures amounted to \$1,874,980 of which \$707,480 has been accrued as a receivable under the 50% cost share agreement.

INDEPENDENT AUDITOR'S REPORT

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

We 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, 2003, 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. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Red River Waterway District, State of Louisiana as of December 31, 2003, and the results of its operations for the year then ended in conformity with generally accepted accounting principles accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also based our report dated April 7, 2004, on our consideration of Red River Waterway District, State of Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedules of per diem paid to commission members, expenditures of federal awards and schedule of work-in-kind are presented for purposes of additional analysis and as required by U.S. Office of Management and Budget, Circular A-133, *Audit of State, Local, Government, and Non-Profit Organizations*, and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.


ROBERTS, CHERRY AND COMPANY

A Corporation of
Certified Public Accountants
Shreveport, Louisiana
April 7, 2004

RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA

Schedule I

SCHEDULE OF PER DIEM PAID-TO-COMMISSION MEMBERS

FOR THE YEAR ENDED DECEMBER 31, 2005

| Name | Number of Meetings | Amount |
|--------------------|--------------------|------------------|
| Eamon Belgard | 30 | \$ 2,250 |
| E.R. Campbell, III | 13 | 815 |
| Wayne T. Davis | 33 | 2,475 |
| Mark Dupuy | 31 | 2,325 |
| Paul Fleming | 27 | 2,075 |
| Randall Fletcher | 34 | 2,550 |
| James F. Hinesy | 33 | 2,475 |
| Mark Roberts | 8 | 600 |
| Michael Simpson | 32 | 2,400 |
| Alvin Wiley | 34 | <u>2,700</u> |
| | | \$ <u>21,435</u> |

See Independent Auditor's Report.

RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA

Notes To Schedule Of Expenditures of Federal Awards
For The Year Ended December 31, 2003

NOTE A -- BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Red River Waterway District, State of Louisiana and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA**

**SCHEDULE OF DEFERRED CHARGES - WORK-IN-PROGRESS
FOR THE YEAR ENDED DECEMBER 31, 2003**

Schedule 3

| PROJECTS | Deferred Charges \$1,015.00 | Offset by Change of Estimate | 2003 50% Within-Kind | Deferred Charges 1,201.00 |
|---|-----------------------------------|------------------------------------|----------------------------|---------------------------------|
| DEPARTMENT OF DEFENSE | | | | |
| Department of the Army Corps of Engineers | | | | |
| Recreation Area Projects | | | | |
| Red River Waterway Ponds 3, 4, & 5 | | | | |
| Tanger Parkway | 1,201,790 | - | 47,398 | 1,154,392 |
| Shreveport Reservoir | 607,001 | - | 4,493 | 611,494 |
| Wicks's Point | 629,047 | - | 3,071 | 632,118 |
| Red Oak | 165,650 | - | 68,006 | 197,656 |
| Grand Bayou | 405,044 | - | 1,465,174 | 1,870,218 |
| Hampton Lake | 807,846 | - | 180,775 | 988,621 |
| Cadins | 1,189,244 | - | 108,687 | 1,297,931 |
| Total Ponds 3, 4, & 5 | <u>5,001,471</u> | <u>-</u> | <u>1,670,529</u> | <u>3,330,942</u> |
| Total Deferred Charges - Work-in-Kind | <u>\$ 5,001,471</u> | <u>\$ -</u> | <u>\$ 1,670,529</u> | <u>\$ 3,330,942</u> |

See Independent Auditor's Report

ROBERTS, CHERRY & COMPANY
Certified Public Accountants, Chartered

**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
Mandeville, Louisiana

We have audited the general purpose financial statements of Red River Waterway District, State of Louisiana, as of and for the year ended December 31, 2003 and have issued our report thereon dated April 3, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

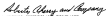
Opinion

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, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

This report is intended for the information of the various, banking and budget committees, management, federal awarding agencies, 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.


ROBERTS, CHERRY & COMPANY

A Corporation of
Certified Public Accountants
Bossierport, Louisiana
April 3, 2004