

RED RIVER WATERWAY COMMISSION**STATE OF LOUISIANA****Financial Statements
Year Ended December 31, 2005**

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**RED RIVER WATERWAY COMMISSION
STATE OF LOUISIANA**

Financial Statements
Year Ended December 31, 2005

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Required Supplemental Information
Management's Discussion and Analysis (Unaudited)

**RED RIVER WATERWAY COMMISSION
STATE OF LOUISIANA**

Developing the Gift of River Living

Management's Discussion and Analysis (Unaudited)

This section of the Red River Waterway Commission's (Commission) annual financial report offers readers a narrative overview and analysis of the financial performance of the Commission for the year ended December 31, 2005. The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. Readers are encouraged to consider the information presented here in conjunction with additional information furnished in the Commission's financial statements, which immediately follow this section.

Financial Highlights

The assets of the Red River Waterway Commission exceeded its liabilities at the close of the most recent fiscal year by \$94,239,227 (net assets). This is a decrease of \$2,307,048 from prior year. Unrestricted net assets which may be used to meet the Commission's ongoing obligations to citizens in accordance with the fund designation and fiscal policies represent \$26,606,038. This is an increase of \$3,502,296 from prior year.

As of the close of the current year, the Red River Waterway Commission's governmental funds reported combined ending fund balances of \$40,980,533. This is a decrease of \$1,082,965 from prior year. Over 65% of this total amount or \$26,772,341 is unreserved and available for use within the Commission's designation and policies. This is an increase of \$3,514,814 from prior year.

At the end of the current fiscal year, unreserved fund balance for the general fund was \$20,115,664. This is a decrease of \$844,171 from prior year. The total general fund expenditures for the current year are 16% of the unreserved fund balance. This is a decrease of 2% from prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private sector business.

The Statement of Net Assets presents information on all of the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Activities presents information showing how the Commission's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future periods (e.g., uncollected taxes and earned, but unused, compensated absences).

The government-wide financial statements distinguish functions of the Commission that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Commission include general government, port and economic development, and recreation and culture. The government-wide financial statements can be found on pages 5-6 of this report.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Commission are classified as governmental funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Commission maintains two governmental funds. Information is presented separately in the Balance Sheet-Governmental Funds and in the Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds for general and capital projects funds, both of which are considered to be major funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 11 through 18.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Red River Waterway Commission, assets exceeded liabilities by \$94,239,227 as of December 31, 2005.

A large portion of the Commission's net assets (48%) reflects its investments in capital assets (e.g., land, buildings, equipment, improvements, construction in progress and infrastructure). The Commission uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending.

Red River Waterway Commission's Net Assets

	As of December 31, 2004			As of December 31, 2005		
	General Fund	Capital Projects Fund	Total	General Fund	Capital Projects Fund	Total
Current and other assets	\$23,028,542	\$28,261	\$51,289,673	\$21,916,962	\$28,401,771	\$50,318,733
Capital assets	<u>989,948</u>	<u>45,103,331</u>	<u>46,093,279</u>	<u>922,746</u>	<u>43,958,968</u>	<u>44,881,714</u>
Total Assets	<u>\$24,018,490</u>	<u>\$73,364,462</u>	<u>\$97,382,952</u>	<u>\$22,839,708</u>	<u>\$72,360,739</u>	<u>\$95,200,477</u>
Long-term liabilities	\$ 339,566	\$ 343,326	\$ 682,892	\$ 157,682	\$ 637,235	\$ 794,917
Other liabilities	<u>153,785</u>	<u>-</u>	<u>153,785</u>	<u>166,303</u>	<u>-</u>	<u>166,303</u>
Total Liabilities	<u>\$ 493,351</u>	<u>\$ 343,326</u>	<u>\$ 836,677</u>	<u>\$ 323,985</u>	<u>\$ 637,235</u>	<u>\$ 961,220</u>
Net Assets:						
Invested in capital assets	\$ 989,948	\$45,103,331	\$46,093,279	\$ 922,746	\$43,958,968	\$44,881,714
Restricted	404,261	25,620,113	26,024,374	277,248	21,107,859	21,385,107
Unrestricted-						
Designated	1,324,880	-	1,324,880	1,366,368	-	1,366,368
Undesignated	<u>20,806,050</u>	<u>2,297,692</u>	<u>23,103,742</u>	<u>19,949,361</u>	<u>6,656,677</u>	<u>26,606,038</u>
Total Net Assets	<u>\$23,525,139</u>	<u>\$73,021,136</u>	<u>\$96,546,275</u>	<u>\$22,515,723</u>	<u>\$71,723,504</u>	<u>\$94,239,227</u>

The remaining balance of the Commission's net assets (52%) represents resources that are used to maintain the capital assets and for administrative expenses.

The following table provides a summary of the Commission's operations for years ended December 31, 2004 and December 31, 2005. For both years, the Commission was able to report positive balances in each category of net assets.

Red River Waterway Commission's Net Assets

	<u>As of December 31, 2004</u>			<u>As of December 31, 2005</u>		
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Revenues:						
Program revenues-						
Charges for services	\$ 33,600	\$ 143,432	\$ 177,032	\$ 42,700	\$ 98,302	\$ 141,002
Capital grants & contributions	-	278,953	278,953	-	57,925	57,925
General revenues-						
Property taxes	1,358,028	4,074,084	5,432,112	1,437,897	4,313,689	5,751,586
State revenue sharing	93,015	279,047	372,062	92,769	278,307	371,076
Interest & investment earnings	359,743	265,769	625,512	600,596	514,000	1,114,596
Miscellaneous	<u>2,972</u>	<u>200</u>	<u>3,172</u>	<u>6,784</u>	<u>2,105</u>	<u>8,889</u>
Total Revenues	<u>\$ 1,847,358</u>	<u>\$ 5,041,485</u>	<u>\$ 6,888,843</u>	<u>\$ 2,180,746</u>	<u>\$ 5,264,328</u>	<u>\$ 7,445,074</u>
Expenses:						
Public works	\$ 2,984,747	\$ 926,402	\$ 3,911,149	\$ 2,647,567	\$ 417,331	\$ 3,064,898
Recreation & parks	469,319	1,160,890	1,630,209	379,296	2,827,228	3,206,524
Port development						
Operation & maint.	218,974	1,193,571	1,412,545	127,013	3,177,551	3,304,564
Statutory charges	<u>44,418</u>	<u>133,253</u>	<u>177,671</u>	<u>46,617</u>	<u>139,851</u>	<u>186,468</u>
Total expenses	<u>\$ 3,717,458</u>	<u>\$ 3,414,116</u>	<u>\$ 7,131,574</u>	<u>\$ 3,200,493</u>	<u>\$ 6,561,961</u>	<u>\$ 9,762,454</u>
Excess of Revenues over (under) Expenditures	\$ (1,870,100)	\$ 1,627,369	\$ (242,731)	\$ (1,019,747)	\$ (1,297,633)	\$ (2,317,380)
Other Financing Sources:						
Proceeds of general fixed asset dispositions	-	-	-	<u>10,332</u>	-	<u>10,332</u>
Net Change in Fund Balances	\$ (1,870,100)	\$ 1,627,369	\$ (242,731)	\$ (1,009,415)	\$ (1,297,633)	\$ (2,307,048)
Net assets, January 1	<u>25,395,238</u>	<u>71,393,768</u>	<u>96,789,006</u>	<u>23,525,138</u>	<u>73,021,137</u>	<u>96,546,275</u>
Net assets, December 31	<u>\$23,525,138</u>	<u>\$73,021,137</u>	<u>\$96,546,275</u>	<u>\$22,515,723</u>	<u>\$71,723,504</u>	<u>\$94,239,227</u>

Financial Analysis of the Government's Funds

Governmental Funds – The focus of the Red River Waterway Commission's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Commission's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Red River Waterway Commission's governmental funds reported combined ending fund balances of \$40,980,533. Approximately 65% of this total amount constitutes unreserved and undesignated fund balance. The remainder of the fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed to pay for capital assets and port infrastructure.

Capital Assets

The Red River Waterway Commission's investment in capital assets (net of accumulated depreciation) for its governmental activities as of December 31, 2005 is \$44,881,714. This investment in capital assets includes land, buildings, equipment, infrastructure and construction in progress.

Capital Assets Net of Accumulated Depreciation

	<u>As of December 31, 2004</u>			<u>As of December 31, 2005</u>		
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Land	\$ -	\$17,416,828	\$17,416,828	\$ -	\$16,835,635	\$16,835,635
Construction in progress	-	167,560	167,560	-	756,167	756,167
Buildings	688,541	2,374,254	3,062,795	667,143	2,299,502	2,966,645
Furniture, fixtures & equip.	57,492	-	57,492	43,733	-	43,733
Machinery & equipment	134,662	-	134,662	149,136	-	149,136
Vehicles	109,253	-	109,253	62,734	-	62,734
Land improvements-						
Groundwork	-	3,343,063	3,343,063	-	3,295,393	3,295,393
Structure	-	8,082,444	8,082,444	-	7,579,622	7,579,622
Boat ramps	-	6,555,260	6,555,260	-	6,400,381	6,400,381
Outdoor equipment	-	276,423	276,423	-	242,061	242,061
Infrastructure	-	6,887,499	6,887,499	-	6,550,207	6,550,207
Total	<u>\$989,948</u>	<u>\$45,103,331</u>	<u>\$46,093,279</u>	<u>\$922,746</u>	<u>\$43,958,968</u>	<u>\$44,881,714</u>

Additional information on the Red River Waterway Commission's capital assets can be found on pages 11 through 18 of this report.

Economic Factors and Next Year's Budgets and Rates

The Commission considered all known and projected costs when preparing the budget for 2006. Revenues are expected to remain consistent with those received in 2005.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Commission's finances. If you have questions about this report or need any additional information, contact the Executive Director, at P. O. Box 776, Natchitoches, Louisiana, 71458, call (318) 352-7446, or e-mail at kguidryrrwc@cp-tel.net.

Government-Wide Financial Statements

**RED RIVER WATERWAY COMMISSION
State of Louisiana**

**Statement of Net Assets
December 31, 2005**

Assets		
Cash and cash equivalents		\$ 34,549,816
Receivables		5,859,266
Restricted assets		9,909,851
Capital assets, net of accumulated depreciation		<u>44,881,714</u>
Total Assets		<u>95,200,447</u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable		540,411
Accrued expenses		254,506
Long-term liabilities		
Accrued compensated absences		<u>186,303</u>
Total Liabilities		<u>961,220</u>
Net Assets		
Invested in capital assets		44,881,714
Restricted		21,385,107
Unrestricted		
Designated		1,366,368
Undesignated		<u>26,606,038</u>
Total Net Assets		<u>\$ 94,239,227</u>

The accompanying notes are integral part of the financial statements

RED RIVER WATERWAY COMMISSION
State of Louisiana

Statement of Activities
for the Year ended December 31, 2005

	Program Revenues		
Expenses	Leasing and fees for services	Capital grants and contributions	Net (expense) revenue and changes in net assets
Functions/programs			
Governmental activities			
Public works and recreation	\$ 9,762,454	\$ 141,002	\$ 57,925
			\$ (9,563,527)
Total governmental activities	\$ 9,762,454	\$ 141,002	\$ 57,925
			\$ (9,563,527)
General Revenues			
Taxes -			
Property taxes			5,751,586
State revenue sharing			371,076
Interest and investment earnings			1,114,598
Miscellaneous			19,221
Total general revenues			7,256,479
Changes in net assets			(2,307,048)
Net assets, January 1, 2005			96,546,275
Net assets, December 31, 2005			\$ 94,239,227

The accompanying notes are an integral part of the financial statements

Fund Financial Statements

RED RIVER WATERWAY COMMISSION
State of Louisiana

Balance Sheet - Governmental Funds
December 31, 2005

<u>Assets</u>	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
Cash	\$ 19,085,778	\$ 15,464,038	\$ 34,549,816
Receivables, net of allowance for uncollectibles			
Taxes	1,393,992	4,181,977	5,575,969
State revenue sharing	70,824	212,473	283,297
Restricted assets			
Cash	1,366,368	-	1,366,368
Total assets	<u>\$ 21,916,962</u>	<u>\$ 19,858,488</u>	<u>\$ 41,775,450</u>
 <u>Liabilities and Fund Balances</u> 			
Current liabilities			
Accounts payable	\$ 40,980	\$ 499,431	\$ 540,411
Accrued expenses	116,702	137,804	254,506
Total liabilities	<u>157,682</u>	<u>637,235</u>	<u>794,917</u>
Fund balances			
Reserved	277,248	12,564,576	12,841,824
Unreserved			
Designated	1,366,368	-	1,366,368
Undesignated	<u>20,115,664</u>	<u>6,656,677</u>	<u>26,772,341</u>
Total fund balances	<u>21,759,280</u>	<u>19,221,253</u>	<u>40,980,533</u>
Total liabilities and fund balances	<u>\$ 21,916,962</u>	<u>\$ 19,858,488</u>	<u>\$ 41,775,450</u>

The accompanying notes are an integral part of the financial statements

RED RIVER WATERWAY COMMISSION
State of Louisiana

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets
December 31, 2005

Total fund balances - Governmental Funds		\$ 40,980,533
 Capital Assets used in governmental activities are not financial resources and therefore, are not reported in the funds. Those assets consist of:		
Cost of capital assets at December 31, 2005	\$ 53,821,035	
Less accumulated depreciation	<u>(8,939,321)</u>	44,881,714
 Long-term assets at December 31, 2005		
Accounts receivable	\$ 742,372	
Deferred charges-work in kind	<u>7,800,911</u>	8,543,283
 Long-term liabilities at December 31, 2005		
Compensated absences payable		<u>(166,303)</u>
 Total net assets - government-wide activities		
		<u>\$ 94,239,227</u>

The accompanying notes are an integral part of the financial statements

RED RIVER WATERWAY COMMISSION
State of Louisiana

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2005

	General Fund	Capital Projects Fund	Totals
Revenues			
Ad valorem taxes, including penalties and interest	\$ 1,437,897	\$ 4,313,689	\$ 5,751,586
Intergovernmental revenues			
Capital grants	-	57,925	57,925
State revenue sharing	92,769	278,307	371,076
Leasing and fees for services			
Leasing	-	98,302	98,302
Park fees	42,700	-	42,700
Interest revenues	600,596	514,000	1,114,596
Other	6,784	2,105	8,889
	<u>2,180,746</u>	<u>5,264,328</u>	<u>7,445,074</u>
Total revenues			
Expenditures			
Current			
Public works	2,526,101	417,331	2,943,432
Recreation and parks	379,296	1,012,583	1,391,879
Port development, operations and maintenance	127,013	3,177,551	3,304,584
Capital outlay	41,747	670,281	712,028
Statutory charges			
Assessors' compensation	1,180	3,569	4,759
Retirement system	45,427	136,282	181,709
	<u>3,120,774</u>	<u>5,417,597</u>	<u>8,538,371</u>
Total expenditures			
Excess of revenues over (under) expenditures	(940,028)	(153,269)	(1,093,297)
Other financing resources			
Proceeds of general fixed asset dispositions	10,332	-	10,332
	<u>10,332</u>	<u>-</u>	<u>10,332</u>
Net change in fund balances	(929,696)	(153,269)	(1,082,965)
Fund balance, beginning of year, as restated	22,688,976	19,374,522	42,063,498
	<u>22,688,976</u>	<u>19,374,522</u>	<u>42,063,498</u>
Fund balance, end of year	\$ 21,759,280	\$ 19,221,253	\$ 40,980,533
	<u>\$ 21,759,280</u>	<u>\$ 19,221,253</u>	<u>\$ 40,980,533</u>

The accompanying notes are an integral part of the financial statements

RED RIVER WATERWAY COMMISSION
State of Louisiana

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds to the Statement of Activities
for the Year ended December 31, 2005**

Net change in fund balances		\$ (1,082,965)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense:</p>		
Capital outlay which is considered expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 712,028	
Work in process transfer to capital assets	\$ 81,674	
Disposal of capital assets	(667,985)	
Less depreciation expense recorded for the year ended December 31, 2005	<u>(1,337,282)</u>	(1,211,565)
Long-term assets not representing current resources		
Accounts receivable increase in current year		-
Deferred charges increase in current year		-
Compensated absences increase in current year		<u>(12,518)</u>
Change in net assets government-wide activities		<u>\$ (2,307,048)</u>

The accompanying notes are an integral part of the financial statements

**RED RIVER WATERWAY COMMISSION
STATE OF LOUISIANA**

Notes to Financial Statements
December 31, 2005

Introduction

The Red River Waterway Commission (the Commission) 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 Commission are enumerated in La. R.S. 34:2301-2317. The Commission 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 Commission is composed of all territories located within the parishes of Avoyelles, Rapides, Natchitoches, Red River, Grant, Bossier and Caddo. The Commission 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 Commission 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 Commission.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity - The Red River Waterway Commission, for financial purposes, includes all of the governmental funds relevant to the operations of the Red River Waterway Commission. 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 Commission.

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

Basis of presentation – The accompanying basic financial statements of the Commission have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments, issued in June 1999. As a result, an entirely new financial presentation format has been implemented.

The Statement of Activities presents a comparison between direct expenses and program revenues for the functions of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular program or function. Program revenues include (a) leasing and charges paid by the recipients of services offered by the Commission and (b) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program services, including property taxes, are presented as general revenues.

Fund Financial Statements - The accounts of the Red River Waterway Commission are organized on the basis of funds, 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 governmental funds as follows:

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

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

Measurement focus/basis of accounting

The governmental financial statements were prepared using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of the Commission's operations.

The amounts reflected in the governmental fund financial statements use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The commission considers revenues available if they are collected within sixty (60) days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The government-wide financial statements are accounted for using an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets and financial position. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. The government-wide financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or an economic asset used.

The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Ad valorem taxes and state revenue sharing are recorded in the year they become due and payable. Ad valorem taxes are assessed for the calendar year, become due on December 30 of each year, and become delinquent on December 31. The taxes are generally collected in December, January or February. The lien date is January 1, when interest begins accumulating at one-percent monthly. Revenue sharing is generally collected in three (3) equal installments in December, March and May.

Intergovernmental revenues, leasing and charges for services are recorded when the Commission is entitled to the funds.

Interest income on time deposits is recorded as earned.

Substantially all other revenues are recorded when received.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Other Financing Sources (Uses)

Proceeds from the sale of surplus capital assets are accounted for as other financing sources (uses).

Deferred Revenues

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.

Budgetary Accounting - The Commission follows these procedures in establishing the budgetary data reflected in the financial statements:

The Commission is excluded from the provisions of Act 504 of 1980 (Budget Act) by Attorney General Opinion 80-1561. The Commission 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

- a. Based on improved data, the budget is periodically amended and approved by the Board of Commissioners.
- b. The budgetary comparison schedule, a required supplemental schedule, 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 accounting principles generally accepted in the United States of America.
- 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.

Cash and interest-bearing deposits – Cash and interest bearing deposits include amounts in demand deposits, interest-bearing demand deposits and time deposits.

Capital assets – Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

Capital assets are recorded in the Statement of Net Assets. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. All capital assets, other than land, are depreciated using the straight-line method over the useful lives as follows:

Asset Group	Years
Furniture , fixtures and equipment	5 to 10
Vehicles	5
Buildings	40
Land improvements and infrastructure	20 to 30
Boat ramps	50
Outdoor equipment	20

Compensated 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, 2005 computed in accordance with the Codification of Governmental Accounting and Financial Reporting Standards Section C60.105, is estimated to be \$166,303. This amount is Considered all long-term and is recorded in government-wide financial statements .

Investments - The Red River Waterway Commission 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.

At December 31, 2005 the Commission did not have any investments.

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.

Claims and Judgments – Claims and judgments are recorded in governmental funds for the amount that will be liquidated with current available financial resources. The remainder of any liability is recorded in the government-wide financial statements.

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, 2005 is as follows:

General Fund	\$ 14,638
Capital Projects Fund	<u>43,915</u>
	<u>\$ 58,553</u>

Net Asset Classifications – In the government-wide financial statements, net assets are classified and displayed in three components:

Invested in capital assets – Consists of capital assets, net of accumulated depreciation.

Restricted net assets – Consists of net assets with constraints placed on the use either by (1) the Board of Commissioners or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets”.

In the fund financial statements, governmental fund net assets are classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated, as applicable.

Note 2 – Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and time certificates of deposit which approximate fair value. Under state law, the Red River Waterway Commission may deposit funds only within a fiscal agent bank organized under the laws of the State of Louisiana. Furthermore, the Commission 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 Commission has cash and cash equivalent and restricted cash (book balance) totaling \$34,549,816 and \$1,366,368 respectively at December 31, 2005. 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 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, 2005 with the related federal deposit insurance and pledged securities:

	<u>Deposits</u>	<u>Value of securities</u>	<u>Federal insurance</u>	<u>Over secured</u>	<u>Under secured</u>
Cash	\$ 34,642,755	\$ 40,722,848	\$ 700,000	\$ 6,780,093	\$ -
Restricted cash	<u>1,366,368</u>	<u>1,445,949</u>	<u>-</u>	<u>79,581</u>	<u>-</u>
	<u>\$ 36,009,123</u>	<u>\$ 42,168,797</u>	<u>\$ 700,000</u>	<u>\$ 6,859,674</u>	<u>\$ -</u>

All of the Commission's deposits were properly secured at December 31, 2005.

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 Commission or by its agent in the Commission'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 Commission's name.

Category 3 - Deposits which are not collateralized or insured.

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

Note 3 – Receivables

Receivables at December 31, 2005 are as follows:

	General Fund	Capital Projects Fund	Total
Ad valorem taxes – net	\$ 1,393,992	\$ 4,181,977	\$ 5,575,969
Intergovernmental revenue			
State revenue sharing	70,824	2,124,723	283,297
	<u>\$ 1,464,816</u>	<u>\$ 4,394,450</u>	<u>\$ 5,859,266</u>

Note 4 – Capital Assets

The following is a summary of changes in capital assets used in governmental activities:

	Balance January 1, 2005	Additions	Deductions	Balance December 31, 2005
General Fund				
Buildings	\$ 855,893	\$ -	\$ -	\$ 855,893
Furniture and equipment	840,155	41,747	105,447	776,455
	<u>1,696,048</u>	<u>41,747</u>	<u>105,447</u>	<u>1,632,348</u>
Less: Accumulated depreciation	706,100	103,831	100,329	709,602
Total	<u>989,948</u>	<u>(62,084)</u>	<u>5,118</u>	<u>922,746</u>
Capital Projects Fund				
Land	17,416,828	-	581,193	16,835,635
Work in progress	167,560	670,281	81,674	756,167
Buildings	2,990,068	-	-	2,990,068
Land improvements-Groundwork	3,819,081	81,674	-	3,900,755
Land improvements-Structure	10,842,556	-	-	10,842,556
Boat ramps	7,743,973	-	-	7,743,973
Outdoor equipment	687,249	-	-	687,249
Infrastructure	8,432,282	-	-	8,432,282
Total	<u>52,099,597</u>	<u>751,955</u>	<u>662,867</u>	<u>52,188,685</u>
Less: Accumulated depreciation	6,996,266	1,233,451	-	8,229,717
	<u>45,103,331</u>	<u>(481,496)</u>	<u>662,867</u>	<u>43,958,968</u>
Net capital assets	<u>\$ 46,093,279</u>	<u>\$(543,580)</u>	<u>\$ 667,985</u>	<u>\$ 44,881,714</u>

Capital assets, when declared as surplus by the Commission, no longer have any service utility and are reported as an impairment loss in the Statement of Activity. During 2005, impaired capital assets with a carrying amount of \$105,447 were declared as surplus with a net carrying amount of \$5,118 being reported as an impairment loss. At December 31, 2005, the carrying amount of idle impaired capital assets amounted to \$111,922.

Note 5 - Pension Plan

Substantially all employees of the Red River Waterway Commission 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 Commission are members of Plan A.

All permanent employees working at least 28 hours per week who are paid wholly or in part from Commission 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 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, 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 Commission is required to contribute at an actuarially determined rate. The current rate is 12.75 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 Commission 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 Commission's contributions to the System under Plan A for the years ending December 31, 2005, 2004 and 2003, were \$148,241, \$132,099, and \$84,814 respectively, equal to the required contributions for each year.

Note 6 – Long-Term Assets

The long-term assets of the Commission, which are due from governmental activities, consist of amounts due from the Corps of Engineers relative to cost share agreements for Pools 1 and 2 and Pools 3, 4 and 5 as follows:

Accounts receivable – 50% cost share in Pools 1 and 2.
 Deferred charges – 50% work-in-kind credit in Pools 3, 4 and 5.

Note 7 – Long-Term Liabilities

The long-term liabilities of the commission, which are due to governmental activities, consist of liabilities for accrued compensated absences.

The annual changes to general long-term debt compensated absences as of December 31, 2005, are as follows:

January 1, 2005	Increase(Decrease)	December 31, 2005
\$ 153,785	12,518	\$ 166,303

Note 8 - 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 Commission, a multi-parish Commission:

<u>Red River Waterway Commission Taxes</u>	<u>Authorized Millage</u>	<u>Levied Millage</u>
Capital outlay	1.87	1.87
Maintenance	.62	.62

Note 9 - Reserves and Designations

The Commission has the following reserves and designation of fund balance at December 31, 2005:

	<u>General Fund</u>	<u>Capital Projects Fund</u>
Reserves for:		
Escrow deposits	\$ -	\$ -
Long-term receivables	-	742,372
Deferred charges	-	7,800,911
Capital outlays	-	3,017,975
Port commitments	277,248	9,546,601
Totals	\$ 277,248	\$ 21,107,859
Designated for:		
Supplemental insurance	\$ 1,366,368	\$ -

Note 10 - Restricted Assets

The Commission has the following restricted assets used in governmental activities:

General Fund	
Supplemental insurance	<u>1,366,368</u>
Capital Project Funds	
Escrow deposits	-
Long-term receivables	742,372
Deferred charges	<u>7,800,911</u>
	<u>8,543,283</u>
Total restricted assets	<u>9,909,651</u>

The Commission 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.

The escrow deposits are in accordance with the Water Resources Development Act of 1976 (Public Law 94-587), whereby the Commission is required to contribute 25 percent 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 Commission expenditure upon such disbursement. The balance of cash in escrow on deposit at December 31, 2004 is reported as a reserve of fund balance to indicate that this account does not represent current available resources. At December 31, 2005 \$-0- were on deposit.

The long-term receivable is due from the Corps of Engineers' pursuant to the cost sharing contract dated July 23, 1985 for development of recreation areas in Pools 1 and 2 of the Red River Waterway.

At December 31, 2005 the long-term receivables were as follows:

Department of Defense - Corps of Engineers	\$ <u>742,372</u>
--------------------------------------------	-------------------

On April 19, 2000, the Red River Waterway Commission 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 Commission is required under the agreement to make payment to the COE for its 50% cost share. Payments to COE by the Commission for its 50% share are being accomplished by cash contributions and work-in-kind expenditures. The excess of the work-in-kind expenditures over the Commission's 50% share is being deferred and will be absorbed against 50% of future COE expenditures. At December 31, 2005, total work-in-kind expenditures amount to \$15,601,821 of which \$7,800,911 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 11 - Litigation and Claims

The Red River Waterway Commission is continually faced with lawsuits and claims as a result of expropriation 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 Commission relative to these litigations and claims has been anticipated in developing the annual budget and would not be considered a contingency. At December 31, 2005 claims have been estimated in the aggregate amount of approximately \$1,000,000.

Note 12 - Commitments

The Red River Waterway Commission has agreed to match funds with any port in the Commission's jurisdiction, which meets the guidelines set forth by the Commission for obtaining matching funds up to \$40,000 per year. An extension of an additional three years was approved in 1999 by the Commission in accordance with the guidelines. In 2002, an additional extension of two years was extended to two of the ports. Beginning in 2005, additional funds were approved within the annual budget.

At December 31, 2005 commitments and the amounts expended to date are as follows:

Port	Commitments	Expended	Remaining Balance
Caddo-Bossier	\$ 40,000	\$ 40,000	\$ -
Alexandria	40,000	40,000	-
Natchitoches	120,000	120,000	-
Red River	390,000	112,752	277,248
	<u>\$ 590,000</u>	<u>\$ 312,752</u>	<u>\$ 277,248</u>

The Red River Waterway Commission has entered into or agreed to enter into certain intergovernmental cooperative agreements for the development of ports. At December 31, 2005 the total commitments and the amounts expended to date are as follows:

Port	Commitments	Expended	Remaining Balance
Caddo-Bossier	\$ 19,901,177	\$ 13,833,775	\$ 6,067,402
Natchitoches	8,679,346	8,555,996	123,350
Alexandria	5,582,926	5,582,926	-
Red River	4,227,893	872,044	3,355,849
	<u>\$ 38,391,342</u>	<u>\$ 28,844,741</u>	<u>\$ 9,546,601</u>

Pursuant to design and construction contracts awarded in the development of recreation areas, levee structures, access roads and relocation projects, the Red River Waterway Commission has commitments at December 31, 2005 for the unexpended portion of these contracts in the amount of \$ 3,017,975. This amount is included in the reserve amount as shown in Note 9.

Note 13 – Federal Financial Assistance and Accrued or Deferred Revenue

Grant revenues from Federal financial assistance programs are considered measurable 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 are recorded as accounts receivable. The Red River Waterway Commission has one program that receives 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 and 2. At December 31, 2005 total expenditures amounted to \$1,484,744 of which \$742,372 has been accrued as a receivable under the 50% cost share agreement as detailed in the supplemental schedule.

Required Supplementary Information

**RED RIVER WATERWAY COMMISSION
STATE OF LOUISIANA**

**General Fund Budgetary Comparison Schedule
Year Ended December 31, 2005**

	General Fund (GAAP)				Capital Projects Fund (GAAP)			
	Budget		Actual	Variance- Favorable (Unfavorable)	Budget		Actual	Variance- Favorable (Unfavorable)
	Original	Final			Original	Final		
Revenues:								
Ad valorem taxes, including penalties and interest	\$ -	\$ -	\$ 1,437,897	\$ -	\$ -	\$ -	\$ 4,319,889	\$ -
Intergovernmental	-	-	92,789	-	-	-	336,232	-
Interest revenues	-	-	600,598	-	-	-	514,000	-
Other	-	-	48,484	-	-	-	100,407	-
Total revenues	4,188,206	4,188,206	2,180,768	(2,007,460)	11,803,815	11,803,815	5,264,328	(6,539,487)
Expenditures:								
Current:								
Public works	3,112,106	3,112,106	2,526,101	586,005	957,483	957,463	417,331	540,132
Recreation and parks	573,600	573,600	379,296	194,304	1,015,000	1,015,000	1,012,583	2,417
Port development, operations and maintenance	410,000	410,000	127,013	282,987	8,753,444	8,763,444	3,177,551	5,575,893
Capital outlay	52,500	52,500	41,747	10,753	967,908	967,908	670,281	297,627
Statutory charges:								
Assessors' compensation	-	-	1,190	(1,190)	-	-	3,569	(3,569)
Retirement system	40,000	40,000	45,427	(5,427)	110,000	110,000	136,282	(26,282)
Total expenditures	4,188,206	4,188,206	3,120,774	1,067,432	11,803,815	11,803,815	5,417,597	6,386,218
Excess of revenues over (under) expenditures	-	-	(940,028)	(940,028)	-	-	(153,269)	(153,269)
Other financing resources:								
Proceeds of general fixed asset dispositions	-	-	10,332	10,332	-	-	-	-
Excess of revenues and other sources over (under) expenditures	\$ -	\$ -	\$ (929,696)	\$ (929,696)	\$ -	\$ -	\$ (153,269)	\$ (153,269)
Fund balance, beginning of year, as restated			<u>22,686,576</u>				<u>19,374,522</u>	
Fund balance, end of year			<u>\$ 21,759,280</u>				<u>\$ 19,221,253</u>	

Supplemental Information

RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA

SCHEDULE OF PER DIEM PAID TO COMMISSION MEMBERS

FOR THE YEAR ENDED DECEMBER 31, 2005

<u>Name</u>	<u>Number of Meetings</u>	<u>Amount</u>
Harmon Belgard	31	\$ 2,325
Wayne T. Davis	21	1,575
Marc Dupuy	25	1,875
Paul Fleming	31	2,325
Randell Fletcher	20	1,500
James F. Maxey	32	2,400
Michael Simpson	27	2,025
Alvin Owens	34	2,550
Jackie Ducote	18	1,350
Lindy Broderick	12	<u>900</u>
		\$ <u>18,825</u>

See accompanying Independent Auditor's Report

**RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Matching Contribution</u>	<u>Accrued Revenue 01/01/2005</u>	<u>Receipts or revenue recognized</u>	<u>Federal Expenditures</u>	<u>Accrued Revenue 12/31/2005</u>
U.S. DEPARTMENT OF DEFENSE							
Department of the Army-Corps of Engineers:							
Direct Programs:							
Navigation Projects-Recreational Area Projects							
Red River Waterway Pools 1 & 2	12.107	N/A	50%				
Coushatta				\$ 205,054	\$ -	\$ -	\$ 205,054
Stoner				88,257	-	-	68,257
Lock & Dam #2				445,443	-	-	445,443
Stoner Handicapped Boat Ramp				10,699	-	-	10,699
Teague Handicapped Boat Ramp				12,919	-	-	12,919
Total Pools 1 & 2				<u>\$ 742,372</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 742,372</u>

See accompanying Independent Auditor's Report

**RED RIVER WATERWAY COMMISSION
STATE OF LOUISIANA**

**Notes To Schedule Of Expenditures of Federal Awards
For The Year Ended December 31, 2005**

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Red River Waterway Commission, 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 States, 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 basis financial statements.

**RED RIVER WATERWAY DISTRICT
STATE OF LOUISIANA**

**SCHEDULE OF DEFERRED CHARGES - WORK-IN-KIND
FOR THE YEAR ENDED DECEMBER 31, 2005**

PROJECTS	Deferred Charges <u>01/01/05</u>	Utilized by Corps of Engineers	2005 50% <u>Work-in-Kind</u>	Deferred Charges <u>12/31/05</u>
U.S. DEPARTMENT OF DEFENSE				
Department of the Army-Corps of Engineers:				
Recreational Area Projects				
Red River Waterway Pools 3, 4, & 5				
Teague Parkway	\$ 1,129,338	\$ -	-	\$ 1,129,338
Shreveport Riverview	623,460	-	-	623,460
Bishop's Point	615,048	-	-	615,048
Red Oak	1,129,127	-	-	1,129,127
Grand Ecore	1,875,847	-	-	1,875,847
Hampton's Lake	710,339	-	-	710,339
Colfax	1,717,752	-	-	1,717,752
Total Pools 3, 4, & 5	<u>\$ 7,800,911</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,800,911</u>
Total Deferred Charges - Work-in-Kind	<u>\$ 7,800,911</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,800,911</u>

See accompanying Independent Auditor's Report

Independent Auditor's Reports

ROBERTS, CHERRY & COMPANY
Certified Public Accountants, Consultants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Red River Waterway Commission, State of Louisiana, as of and for the year ended December 31, 2005, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Red River Waterway Commission, State of Louisiana's management. Our responsibility is to express opinions on these basic 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Red River Waterway Commission, State of Louisiana as of December 31, 2005, and the respective changes in financial position thereof 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 issued our report dated April 28, 2006, on our consideration of Red River Waterway Commission, State of Louisiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 1 through 4 and 19 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Red River Waterway Commission's basic financial statements. The accompanying schedules of per diem paid to commission members, expenditures of federal awards and schedule of work-in-kind on pages 20 through 23 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of per diem paid to commission members, expenditures of federal awards and schedule of work-in-kind have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


ROBERTS, CHERRY AND COMPANY

A Corporation of
Certified Public Accountants
Shreveport, Louisiana
April 28, 2006

ROBERTS, CHERRY & COMPANY
Certified Public Accountants, Consultants

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the financial statements of Red River Waterway Commission, State of Louisiana, as of and for the year ended December 31, 2005 and have issued our report thereon dated April 28, 2006. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Red River Waterway Commission, 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 financial statements and not to provide an opinion 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 reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether Red River Waterway Commission, State of Louisiana's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the revenue, banking and budget committee, management, federal awarding agencies, and the Legislative Auditor, State of Louisiana, and is not intended to be and should not be used by anyone other than these specific parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.


ROBERTS, CHERRY AND COMPANY

A Corporation of
Certified Public Accountants
Shreveport, Louisiana
April 28, 2006