

Red River Waterway Commission

Natchitoches, Louisiana

December 31, 2018

**Red River Waterway Commission
December 31, 2018**

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December 31, 2018**

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PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1946

Independent Auditor's Report

To the Red River Waterway Commission
Natchitoches, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Red River Waterway Commission, Natchitoches, Louisiana, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Red River Waterway Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Rebecca B. Morris, C.P.A.
Michael A. Juneau, C.P.A.
Cindy L. Humphries, C.P.A.
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PAYNE, MOORE & HERRINGTON, LLP

To the Red River Waterway Commission
Natchitoches, Louisiana

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Red River Waterway Commission, as of December 31, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of employer's share of net pension liability, schedule of employer contributions, and notes to required supplemental information labeled "Required Supplemental Information" in the table of contents (Part I and Part II) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 schedule of per diem paid to Commission members and the schedule of compensation, benefits, and other payments to the agency head are presented for purposes of additional analysis and are not a required part of the basic financial statements.



PAYNE, MOORE & HERRINGTON, LLP

To the Red River Waterway Commission
Natchitoches, Louisiana

The schedule of per diem paid to Commission members and the schedule of compensation, benefits, and other payments to the agency head are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of per diem paid to Commission members and the schedule of compensation, benefits, and other payments to the agency head are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2019, on our consideration of the Red River Waterway Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Red River Waterway Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Red River Waterway Commission's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Payne, Moore & Herrington, LLP".

Certified Public Accountants
Alexandria, Louisiana

May 20, 2019

Required Supplemental Information – Part I

Management's Discussion and Analysis

**Red River Waterway Commission
Management's Discussion and Analysis
December 31, 2018**

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, 2018. 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 and deferred outflows of resources of the Red River Waterway Commission exceeded its liabilities and deferred inflows of resources by \$102,171,229 (net position) as of December 31, 2018. This is a decrease of \$544,346 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 \$61,675,749. This is an increase of \$1,184,123 from prior year. Forty (40%) percent of this total amount, or \$24,916,956, is unassigned and available for use within the Commission's designation and policies. This is a decrease of \$370,099 from the prior year. The total general fund expenditures for the current year are 16% of the unassigned fund balance.

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 basic 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 Position presents information on all of the Commission's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the sum of the assets and deferred inflows of resources and the sum of the liabilities and deferred inflows of resources reported as net position. Over time, increases or decreases in net position 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 position changed during the fiscal year. All changes in net position 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 public works, recreation and parks, and port development. The government-wide financial statements can be found on pages 13 - 14 of this report.

**Red River Waterway Commission
Management's Discussion and Analysis
December 31, 2018**

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 20 through 37.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Red River Waterway Commission, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$102,171,229 as of December 31, 2018.

A large portion of the Commission's net position (40%) 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. The remaining balance of the Commission's net position represents resources that are used to maintain the capital assets and administrative expenses.

**Red River Waterway Commission
Management's Discussion and Analysis
December 31, 2018**

Summary Statement of Net Position

December 31,	2018	2017
Assets		
Current and other assets	\$ 62,610,752	\$ 66,429,148
Capital assets	<u>40,599,830</u>	<u>39,674,101</u>
Total assets	103,210,582	106,103,249
 Deferred outflows of resources	 366,532	 694,125
Liabilities		
Long-term liabilities	223,922	770,720
Other liabilities	<u>669,282</u>	<u>2,024,997</u>
Total liabilities	893,204	2,795,717
 Deferred inflows of resources	 512,681	 106,193
Net Position		
Invested in capital assets	40,599,830	39,674,101
Restricted	35,353,027	10,854,052
Unrestricted	<u>26,218,372</u>	<u>53,367,311</u>
Total net position	<u>\$ 102,171,229</u>	<u>\$ 103,895,464</u>

For both years, the Commission was able to report positive balances in each category of net position. The following table provides a summary of the Commission's operations for years ended December 31, 2018 and 2017.

Summary of Statement of Activities

December 31,	2018	2017
Revenues		
Program revenues		
Charges for services	\$ 220,878	\$ 236,763
Capital grants and contributions	678,368	2,673,906
General Revenues		
Property taxes	10,217,442	9,966,160
State revenue sharing	317,488	365,699
Intergovernmental revenue	447,647	1,352,661
Leases and royalties	271,920	-
Investment earnings	486,802	197,234
Miscellaneous	<u>16,406</u>	<u>126,783</u>
Total revenues	12,656,951	14,919,206
Expenses		
Public works, recreation and parks, and port development	<u>13,201,297</u>	<u>8,844,830</u>
Change in net position	\$ (544,346)	\$ 6,074,376

**Red River Waterway Commission
Management's Discussion and Analysis
December 31, 2018**

Financial Analysis of the Government's Funds

Governmental Fund

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, unassigned 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 \$61,675,749. Approximately 40% of this total amount constitutes unassigned fund balance. The remainder of the fund balance is restricted, committed, or assigned to indicate that it is not available for new spending, because it has already been restricted, committed, or assigned to pay for capital assets, port infrastructure, or insurance.

Capital Assets

The Red River Waterway Commission's investment in capital assets (net of accumulated depreciation) for its governmental activities as of December 31, 2018, is \$40,599,830.

This investment in capital assets includes land, construction in progress, infrastructure, land improvements, buildings and improvements, furniture and equipment, and boat ramps.

December 31,	2018	2017
Land	\$ 16,984,052	\$ 16,984,052
Construction in progress	4,317,783	2,353,589
Infrastructure	7,063,295	7,063,295
Land improvements	19,592,105	19,322,789
Buildings and improvements	5,054,227	5,011,804
Furniture and equipment	1,877,852	1,836,696
Boat ramps	<u>8,387,904</u>	<u>8,387,904</u>
Total capital assets	63,277,218	60,960,129
Less accumulated depreciation	<u>(22,677,388)</u>	<u>(21,286,028)</u>
Net capital assets	\$ 40,599,830	\$ 39,674,101

Additional information on the Red River Waterway Commission's capital assets can be found in Note 6 Capital Assets in this report.

Economic Factors and Next Year's Budgets and Rates

The Commission considered all known and projected costs when preparing the budget for 2018. Total revenues for both funds is expected to decrease approximately \$4,718,000 from 2018 to 2019. 2018 total revenue included cost share funding from the Corps of Engineers and reimbursements from FEMA that will not reoccur in 2019. Expenditures for the capital projects fund are expected to increase approximately \$2,000,000 in 2019. Expenditures in the general fund are expected to increase approximately \$230,000 in 2019.

**Red River Waterway Commission
Management's Discussion and Analysis
December 31, 2018**

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 colinbrown@redriverwaterway.com.

Basic Financial Statements

Government-Wide Financial Statements (GWFS)

**Red River Waterway Commission
Statement of Net Position
Governmental Activities
December 31, 2018**

Exhibit A

Assets		
Cash and cash equivalents		\$ 2,311,641
Certificates of deposit and investments		48,018,068
Receivables		10,452,368
Net pension asset		169,002
Restricted certificates of deposit		1,562,954
Restricted receivables		96,719
Capital assets		
Nondepreciable		
Land	16,984,052	
Construction in progress	4,317,783	
Depreciable		
Infrastructure	7,063,295	
Land improvements	19,592,105	
Buildings and improvements	5,054,227	
Furniture and equipment	1,877,852	
Boat ramps	8,387,904	
Less - accumulated depreciation	<u>(22,677,388)</u>	
Net Capital Assets		<u>40,599,830</u>
Total Assets		<u>103,210,582</u>
Deferred Outflows of Resources		
Deferred outflow of pension resources		366,532
Liabilities		
Accounts payable		287,826
Salaries and employee benefits payable		381,456
Long-term liabilities		
Due within one year		
Compensated absences		204,545
Due in more than one year		
Compensated absences		<u>19,377</u>
Total Liabilities		<u>893,204</u>
Deferred Inflows of Resources		
Deferred inflow of pension resources		512,681
Net Position		
Net investment in capital assets		40,599,830
Restricted for		
Capital projects		35,353,027
Unrestricted		<u>26,218,372</u>
Total Net Position		<u><u>\$ 102,171,229</u></u>

The accompanying notes are an integral part of the financial statements.

**Red River Waterway Commission
Statement of Activities
Governmental Activities
For the Year Ended December 31, 2018**

Exhibit B

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Governmental Activities	Expenses	Charges for Services	Capital Grants and Contributions	Position
Public works	\$ 4,894,209	\$ -	\$ -	\$ (4,894,209)
Recreation and parks	936,017	220,878	678,368	(36,771)
Port development	7,371,071	-	-	(7,371,071)
Total Governmental Activities	\$13,201,297	\$ 220,878	\$ 678,368	(12,302,051)
 General Revenues				
Taxes				
Ad valorem taxes				10,217,442
State revenue sharing				317,488
Intergovernmental revenue				447,647
Leases and royalties				271,920
Investment earnings				486,802
Miscellaneous				16,406
Total General Revenues				11,757,705
 Change in Net Position				 (544,346)
 Net Position, Beginning of Year, as Restated				 102,715,575
 Net Position, End of Year				 \$ 102,171,229

The accompanying notes are an integral part of the financial statements.

Fund Financial Statements

**Red River Waterway Commission
Balance Sheet
Governmental Funds
December 31, 2018**

Exhibit C

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 1,394,696	\$ 916,945	\$ 2,311,641
Certificates of deposit and investments	20,792,645	27,225,423	48,018,068
Receivables	3,501,858	6,950,510	10,452,368
Due from other funds	-	502,684	502,684
Restricted certificates of deposit	1,562,954	-	1,562,954
Total Assets	\$ 27,252,153	\$ 35,595,562	\$ 62,847,715
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 57,061	\$ 230,765	\$ 287,826
Due to other funds	502,684	-	502,684
Salaries and employee benefits payable	172,498	208,958	381,456
Total Liabilities	732,243	439,723	1,171,966
Fund Balances			
Restricted			
Capital projects	-	35,155,839	35,155,839
Committed			
Insurance supplement	1,562,954	-	1,562,954
Port development	40,000	-	40,000
Unassigned	24,916,956	-	24,916,956
Total Fund Balances	26,519,910	35,155,839	61,675,749
Total Liabilities and Fund Balances	\$ 27,252,153	\$ 35,595,562	\$ 62,847,715

The accompanying notes are an integral part of the financial statements.

**Red River Waterway Commission
Reconciliation of Governmental Funds
Balance Sheet to the Statement of Net Position
December 31, 2018**

Exhibit D

Total Fund Balances - Governmental Funds **\$ 61,675,749**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Restricted receivables consist of accrued amounts for capital projects not considered current financial resources. 96,719

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the fund financial statements.

Cost of capital assets	63,277,218	
Less - accumulated depreciation	<u>(22,677,388)</u>	40,599,830

Deferred outflow of pension resources are not current assets or financial resources and, therefore, are not reported in the fund financial statements. 366,532

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund financial statements.

Compensated absences payable	(223,922)	
Net pension asset (liability)	<u>169,002</u>	(54,920)

Deferred inflow of pension resources are not due and payable in the current year and, therefore, are not reported in the fund financial statements. (512,681)

Net Position **\$ 102,171,229**

The accompanying notes are an integral part of the financial statements.

Red River Waterway Commission
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

Exhibit E

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues			
Local sources			
Ad valorem taxes	\$ 3,622,419	\$ 6,819,815	\$ 10,442,234
State sources			
State revenue sharing	142,441	175,047	317,488
Federal sources	8,340	4,708,689	4,717,029
Investment earnings	203,990	282,812	486,802
Leases and royalties	271,920	-	271,920
Charges for services	220,878	-	220,878
Miscellaneous revenues	26,325	103,309	129,634
Total Revenues	4,496,313	12,089,672	16,585,985
Expenditures			
Current			
Public works	3,012,586	429,643	3,442,229
Recreation and parks	936,017	-	936,017
Port development	80,000	7,291,071	7,371,071
Capital outlay	57,611	3,594,934	3,652,545
Total Expenditures	4,086,214	11,315,648	15,401,862
Net Change in Fund Balances	410,099	774,024	1,184,123
Fund Balances, Beginning of Year	26,109,811	34,381,815	60,491,626
Fund Balances, End of Year	\$ 26,519,910	\$ 35,155,839	\$ 61,675,749

The accompanying notes are an integral part of the financial statements.

Red River Waterway Commission
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2018

Exhibit F

Net Change in Fund Balances - Governmental Funds **\$ 1,184,123**

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in Governmental Funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.

Capital outlays	3,554,693	
Less - depreciation expense	<u>(1,422,229)</u>	2,132,464

In the Statement of Activities, the gain or loss from the sale of capital assets is reported, whereas in the governmental funds, only proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balances by the cost of capital assets sold less the related accumulated depreciation. (26,845)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. (3,815,806)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds. (734,082)

In the Statement of Activities, certain operating expenses are measured by the amounts consumed during the year. In the governmental funds, however, these expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid).

(Increase) decrease in compensated absences accrued	9,674	
(Increase) decrease in net pension liability/asset accrued	<u>706,126</u>	

Change in Net Position of Governmental Activities **\$ (544,346)**

The accompanying notes are an integral part of the financial statements.

Notes to Basic Financial Statements

**Red River Waterway Commission
December 31, 2018**

Notes to Basic Financial Statements

1. Reporting Entity and Significant Accounting Policies

Reporting Entity

The Red River Waterway Commission (Commission) was created by Act No. 17 of the Louisiana Legislature in 1965 as a political body and corporation of the State of Louisiana, and the powers of the Commission are enumerated in LA Revised Statute (LSA-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. It 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, Levy Boards, and Red River Valley Association. The Secretary of the Louisiana Department of Transportation and Development (DOTD) serves as ex-officio chairman of the Red River Waterway Commission.

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

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

Basis of Presentation

The financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

The Commission's Basic Financial Statements consist of Government-Wide Financial Statements, including a Statement of Net Position and a Statement of Activities, and Fund Financial Statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements – The Government-Wide Financial Statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the Commission as a whole.

**Red River Waterway Commission
December 31, 2018**

Notes to Basic Financial Statements

Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and general revenues, from business-type activities (if any), generally financed in whole or in part with fees charged to external customers. The activity of internal service funds (if any), is eliminated to avoid duplicating revenues and expenses. The Commission does not have any business-type activities or internal service funds.

The Statement of Net Position presents the financial position of the governmental activities at year-end.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a function and therefore clearly identifiable to that particular function. The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) leasing, royalties, and charges paid by the recipients of services offered by the Commission and (2) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. For identifying to which function program revenue pertains, the determining factor for charges for services is which function generates the revenue. For grants and contributions, the determining factor is to which functions the revenues are restricted. Revenues that are not classified as program revenues, including property taxes, are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the Commission.

Fund Financial Statements – The accounting system is organized on the basis of funds. The financial transactions of the Commission are recorded in individual funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that include its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The various funds are grouped, in the financial statements in this report, into two major governmental funds as follows:

- General Fund - The general operating fund of the Commission accounts for all financial resources, except those required to be accounted for in other funds.
- Capital Projects Fund - This fund accounts for financial resources to be used for the acquisition and construction of major capital facilities.

Basis of Accounting/Measurement Focus

Government-Wide Financial Statements (GWFS)

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The primary effect of internal activity has been eliminated from the government-wide financial statements.

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Notes to Basic Financial Statements

Fund Financial Statements

Separate financial statements are provided for all governmental funds which are reported as separate columns.

Fund financial statements report detailed information about the Commission. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds (if any) are aggregated and presented in a single column.

Governmental Funds

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The modified accrual basis of accounting is used by all governmental funds. 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 the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Commission considers all revenues, except ad valorem taxes and state revenue sharing, available if they are collected within sixty (60) days after 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. Budgets are prepared and adopted using the same basis of accounting. The governmental funds use the following practices in recording revenues, expenditures, and other financing sources (uses):

Revenues

Ad valorem taxes and state revenue sharing are recorded in the year the taxes are due and payable. Ad valorem taxes are assessed on a calendar year basis and attach as an enforceable lien and become due and payable on the date the tax rolls are filed with the recorder of mortgages. Louisiana Revised Statute 47:1993 requires that the tax roll be filed on or before November 15 of each year. Property taxes become delinquent if not paid by December 31. The taxes are normally collected in December, January, and February of the current fiscal year. Revenue sharing is generally collected in three (3) equal installments in December, March, and May.

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

Interest income on time deposits is recorded when the time deposits have matured and the interest is available.

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 has been incurred.

**Red River Waterway Commission
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Notes to Basic Financial Statements

Other Financing Sources (Uses)

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

Budget and Budgetary Accounting

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 presents comparisons of legally adopted budgets with actual data on a budgetary basis in conformity with accounting principles generally accepted in the United States of America.
- c. Unused appropriations for annually adopted budgeted funds lapse at the end of the year.
- d. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, interest-bearing demand deposits, and time deposits, if any, with an original maturity of three months or less from the date of acquisition. Cash and cash equivalents are stated at cost, which approximates fair value.

Certificates of Deposit and Investments

The Commission's investments consist of direct U.S. Agency and Treasury obligations and certificates of deposit that have a maturity of more than three months when purchased. The U.S. Agency and Treasury obligations are stated at fair market value as of December 31, 2018. The certificates of deposit are stated at cost which approximates fair value.

The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Commission may invest in United States bonds, treasury notes, or time certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana, investments as stipulated in Louisiana Revised Statute (RS) 33:2955, or any other federally insured investment.

Receivables

Receivables are shown net of an allowance for uncollectible accounts, since ad valorem taxes are not considered fully collectible.

Capital Assets

In the government-wide financial statements, capital assets are capitalized and depreciated on a straight line method over their estimated useful lives. The Commission has adopted a capitalization threshold of \$500 for reporting purposes. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital

Red River Waterway Commission
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Notes to Basic Financial Statements

assets, if any, are valued at their estimated fair market value on the date received. 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.

The Commission's capital assets are depreciated over the following useful lives:

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

Expenditures that extend the useful lives of capital assets beyond their initial estimated useful lives or improve their efficiency or capacity are capitalized, whereas expenditures for repairs and maintenance are expensed.

In the fund financial statements, capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds.

No provision is made for depreciation on capital assets in the fund financial statements since the full cost is expensed at the time of purchase or construction.

Interfund Receivables/Payables

In the governmental funds, transactions occur between individual funds that may result in amounts owed between funds. Interfund receivables and payables between funds within governmental activities are eliminated in the government-wide financial statements.

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. In addition, employees are due unused comp time in accordance with Commission policy.

Vested or accumulated sick or vacation leave that is expected to be liquidated with expendable available financial resources is recognized as a governmental fund liability and expenditure of the governmental functions/programs that will pay it. This includes payments that come due before the end of the reporting period upon the occurrence of employee resignation, retirement, or death that will be paid during the first month of the following year. Compensated absences are reported in the governmental funds only if they have matured. The full liability and related costs are reported in the government-wide financial statements.

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December 31, 2018**

Notes to Basic Financial Statements

Long-Term Liabilities

Long-term liabilities expected to be financed from governmental funds are not reported in the Balance Sheet for the fund financial statements. All liabilities are included on the face of the Statement of Net Position in the government-wide financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently the Commission has only one that qualifies for reporting in this category: deferred outflow of pension resources.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenues) until that time. Currently the Commission has only one that qualifies for reporting in this category: deferred inflow of pension resources.

Net Position

The net position is reported as restricted when constraints placed on the net position's use is either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

In cases where restricted and unrestricted monies are received by the Commission for the same function or purpose, the restricted monies are used first.

Fund Balances

Nonspendable fund balances include amounts that cannot be spent because they are either not in a spendable form or legally or contractually required to be maintained intact. Restricted fund balances represent those portions of fund balance that are restricted to specific purposes by external parties, such as creditors, grantors, contributors, or laws or regulations of other governments or by law through constitutional provisions or enabling legislation. Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, which is the Board of Commissioners. Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as assigned fund balances. In cases where restricted and unrestricted monies are received by the Commission for the same function or purpose, the restricted monies are used first. Unrestricted monies are then spent in the following order: committed, assigned, and unassigned.

In the prior years' financial statements, the Commission classified the capital projects fund balance as committed and assigned. Since the majority of the revenue in the capital projects fund is restricted by an external party, these funds are considered restricted. Therefore, the entire capital projects fund balance has been classified as restricted on the governmental fund balance sheet as of December 31, 2018.

Red River Waterway Commission
December 31, 2018

Notes to Basic Financial Statements

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Under state law, the Commission may deposit funds in demand deposits, interest bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States. At December 31, 2018, the Commission had cash and cash equivalents of \$2,311,641.

Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

3. Certificates of Deposit and Investments

At year-end, the Commission had time deposits with a maturity over ninety days at the time of purchase. Investments consisted of bonds or notes issued or guaranteed by U.S. government instrumentalities with a Moody rating of AAA and held by the Red River Waterway Commission's agent in the Red River Waterway Commission's name. Certificates of deposit and investments are reported as follows:

Certificates of deposit	\$ 34,022,440
Restricted certificates of deposit	1,562,954
Investments	<u>13,995,628</u>
	\$ 49,581,022

The Red River Waterway Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All investment types are valued using Level 1 inputs.

Custodial Credit Risk: For cash, cash equivalents, certificates of deposit, and investments, custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. As of December 31, 2018, the Commission's certificates of deposit balance of \$35,585,394 was not covered by depository insurance or collateral held by fiscal agent banks for the Red River Waterway Commission in the amount of \$3,424.

**Red River Waterway Commission
December 31, 2018**

Notes to Basic Financial Statements

4. Receivables

Ad valorem taxes receivable	\$ 9,854,408
Revenue sharing receivables	252,626
Other receivables	<u>447,964</u>
Total receivables – governmental funds	10,554,998
Less: Allowance for uncollectible accounts	<u>(102,630)</u>
Total net receivables – governmental funds	10,452,368
Restricted receivables	<u>96,719</u>
Total net receivables – government-wide	\$ 10,549,087

Description	Ad valorem Taxes	Revenue Sharing	Other	Total
General Fund	\$ 3,413,122	\$ 88,419	\$ 317	\$ 3,501,858
Capital Projects Fund	<u>6,338,656</u>	<u>164,207</u>	<u>447,647</u>	<u>6,950,510</u>
Total receivables – governmental funds	\$ 9,751,778	\$ 252,626	\$ 447,964	\$ 10,452,368

5. Interfund Assets/Liabilities

Due from/to other funds:

Individual balances due from/to other funds at December 31, 2018, are as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects Fund	General Fund	\$ 502,684

Balances at December 31, 2018, resulted from the routine lag between the dates that interfund goods or services are provided and reimbursable expenditures occur. Transactions are recorded in the accounting system, and payments between funds are made to satisfy the balances.

6. Capital Assets

Capital assets activity for the year ended December 31, 2018, is as follows:

	Balance at January 1, 2018	Increases	Decreases	Balance at December 31, 2018
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 16,984,052	\$ -	\$ -	\$ 16,984,052
Construction in progress	<u>1,070,392</u>	<u>3,594,934</u>	<u>347,543</u>	<u>4,317,783</u>
Total Capital Assets Not Being Depreciated	18,054,444	3,594,934	347,543	21,301,835
Other Capital Assets				
Infrastructure	7,063,295	-	-	7,063,295

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Notes to Basic Financial Statements

	Balance at January 1, 2018	Increases	Decreases	Balance at December 31, 2018
Land improvements	19,322,789	269,316	-	19,592,105
Buildings and improvements	5,011,804	78,227	35,804	5,054,227
Furniture and equipment	1,836,696	63,066	21,910	1,877,852
Boat ramps	<u>8,387,904</u>	-	-	<u>8,387,904</u>
Total Other Capital Assets	41,622,488	410,609	57,714	41,975,383
Less				
Accumulated depreciation				
Land improvements	9,091,616	804,010	-	9,895,626
Buildings and improvements	2,546,480	126,355	10,741	2,662,094
Infrastructure	5,085,125	219,014	-	5,304,139
Furniture and equipment	1,294,043	105,092	20,128	1,379,007
Boat ramps	<u>3,268,764</u>	<u>167,758</u>	-	<u>3,436,522</u>
Total Accumulated Depreciation	<u>21,286,028</u>	<u>1,422,229</u>	<u>30,869</u>	<u>22,677,388</u>
Other Capital Assets, Net	<u>20,336,460</u>	<u>(1,011,620)</u>	<u>26,845</u>	<u>19,297,995</u>
Governmental Activities Capital Assets, Net	\$ 38,390,904	\$ 2,583,314	\$ 374,388	\$ 40,599,830

Current year depreciation expense in the amount of \$1,422,229 was charged to public works expenditures.

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 2018, impaired capital assets with a gross carrying amount of \$57,714 were declared as surplus with a net carrying amount of \$28,471 being reported as an impairment loss. At December 31, 2018, the carrying amount of idle impaired capital assets amounted to \$56,963.

7. Long-term Liabilities (Assets)

The following is a summary of the long-term liabilities (assets) for the year ended December 31, 2018:

	Net Pension Liability (Asset)	Compensated Absences	Total
Balance at January 1, 2018	\$ 537,124	\$ 233,596	\$ 770,720
Additions	-	194,871	194,871
Deductions	<u>(706,126)</u>	<u>(204,545)</u>	<u>(910,671)</u>
Balance at December 31, 2018	\$ (169,002)	\$ 223,922	\$ 54,920
	Balance 12/31/18	Due within one year	Due in more than one year
Net pension liability (asset)	\$ (169,002)	\$ -	\$ (169,002)
Compensated absences	223,922	204,545	19,377

**Red River Waterway Commission
December 31, 2018**

Notes to Basic Financial Statements

8. Ad Valorem Taxes

The Commission (a multi-parish Commission) authorized and levied ad valorem tax millage of 2.34 for the year ended December 31, 2018. The millage is allocated sixty-five percent (65%) to capital outlay and thirty-five percent (35%) to maintenance as follows:

	<u>Authorized</u>	<u>Levied</u>	<u>Expiration Date</u>
Capital outlay (Capital Projects Fund)	1.52	1.52	Indefinite
Maintenance (General Fund)	.82	.82	Indefinite

Ad valorem taxes are recorded as receivables and revenues in the year assessed, net of an estimated allowance for uncollectible accounts of \$102,630.

For the fiscal year ending December 31, 2018, the property tax calendar was approximately as follows:

Levy date	November 15, 2018
Due date	December 31, 2018
Delinquent date	January 1, 2019
Lien date	January 1, 2019

The Commission is subject to a number of tax abatement agreements entered into by other governments that reduce the ad valorem tax revenues of the Commission. These abatements are based on undepreciated values of various contracts as reported by Louisiana Economic Development and the tax assessors of all seven parishes. The estimated amount of ad valorem taxes abated through indirect agreements is \$816,231.

9. Leases

The Commission leases out land throughout all seven parishes. For the year ended December 31, 2018, the total amount received was \$240,773. The leases are either public bid leases or leasebacks and cover a period of five years. The lessee of a public bid lease has the option to lease the land for an additional five years with a maximum of ten years. The lessee of a leaseback has the option to lease the land for an additional five years with no maximum number of years. The leases are reported as revenue when the lease is billed to the lessee annually on the applicable renewal date.

10. Net Position and Fund Balances

Restricted Fund Balances/Net Position

In accordance with the provisions of the ad valorem tax propositions passed by the voters in all seven parishes, the Commission has a \$35,155,839 restriction on total fund balance and \$35,353,027 on total net position for capital projects of the Commission from enabling legislation. This restriction is in the capital projects fund and is a result from the wording of the ad valorem tax resolution approved by voters.

**Red River Waterway Commission
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Notes to Basic Financial Statements

The Commission has entered into certain intergovernmental cooperative agreements for the development of ports using the capital projects funds. Therefore, the Commission has designated and expended the following amounts to date:

<u>Port</u>	<u>Designations</u>	<u>Expended</u>	<u>Balance</u>
Central Louisiana Regional	\$ 1,421,750	\$ 950,342	\$ 471,408
Caddo-Bossier	11,286,614	7,325,102	3,961,512
Natchitoches	701,010	410,015	290,995
Red River	<u>2,895,000</u>	<u>337,502</u>	<u>2,557,498</u>
	<u>\$ 16,304,374</u>	<u>\$ 9,022,961</u>	<u>\$ 7,281,413</u>

Committed Fund Balances

The Commission has formally designated fund balances by recording them as committed fund balances on the fund financial statements. These amounts are included in unrestricted net position on the government-wide financial statements.

The Commission committed \$750,000 of its fund balance to supplement the high cost of liability insurance and be used primarily to offset the higher deductible used to obtain lower premiums on its primary liability coverage. The interest earned is to be considered additional committed funds for a total of \$1,562,954 at December 31, 2018.

The Commission also committed \$40,000 of its fund balance for port development.

11. Retirement Systems

Substantially all employees of the Commission are required by state law to belong to the retirement plan administered by the Parochial Employees' Retirement System of Louisiana (PERS), which is administered on a state-wide basis. PERS is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Commission are members of Plan A.

Plan Description

Qualifying employees of the Commission are provided with pensions through a cost-sharing multiple-employer defined benefit plan administered by the Parochial Employees' Retirement System of Louisiana (PERS). PERS was established and provided for by Sections 1901 through 2025 of Title 11 of the Louisiana Revised Statutes (LRS. 11:1901-2025). PERS provides retirement benefits to employees of taxing districts of a parish, or any branch or section of a parish, within the state which does not have their own retirement system and which elect to become members of PERS. Plan A was designated for employers out of Social Security. Plan B was designated for those employers that remained in Social Security on the revision date. The Commission only participates in Plan A. The information below applies only to Plan A.

The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information and plan documents for detail eligibility requirements.

PERS issues a publicly available financial report that is available for download at www.persla.org.

**Red River Waterway Commission
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Notes to Basic Financial Statements

Eligibility Requirements

All permanent parish government employees (except those employed by Orleans, Lafourche, and East Baton Rouge Parishes) who work at least 28 hours a week shall become members on the date of employment. New employees meeting the age and Social Security criteria have up to 90 days from the date of hire to elect to participate.

As of January 1997, elected officials, except coroners, justices of the peace, and parish presidents may no longer join the System.

Benefits Provided

The following is a description of the plan and its benefits and is provided for general information purposes only. PERS provides retirement, deferred retirement option (DROP), disability, and survivor's benefits. Participants should refer to the appropriate statutes for more complete information.

1. Retirement

Normal Retirement – Any member of Plan A can retire providing the member meets one of the following criteria. Members hired prior to January 1, 2007, may retire at the earliest of age 65 with a minimum of 7 years of creditable service, age 60 with a minimum of 10 years of creditable service, age 55 with 25 years of creditable service, or at any age with 30 years or more of creditable service. Members hired after January 1, 2007, may retire at the age of 67 with 7 years of service, age 62 with 10 years of service, or age 55 with 30 years of service.

Benefit Formula – Generally, the monthly amount of retirement allowance of any member of Plan A shall consist of an amount equal to three percent (3%) of the member's final average compensation multiplied by his/her years of creditable service. However, under certain conditions, as outlined in the statutes, the benefits are limited to specified amounts.

2. Survivor Benefits

Upon the death of any member of Plan A with five (5) or more years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children, as outlined in the statutes. Any member of Plan A, who is eligible for normal retirement at time of death, the surviving spouse shall receive an automatic Option 2 benefit, as outlined in the statutes.

3. Deferred Retirement Option Program (DROP)

In lieu of terminating employment and accepting a service retirement, any member of Plan A and who is eligible to retire may elect to participate in the Deferred Retirement Option Program (DROP) in which they are enrolled for three years and defer the receipt of benefits. During participation, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund.

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Notes to Basic Financial Statements

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance at that fund, or roll over the fund to an Individual Retirement Account.

Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date.

For individuals who become eligible to participate in the DROP on or after January 1, 2004, all amounts which remain credited to the individual's subaccount after termination in DROP will be placed in liquid asset money market investments at the discretion of the board of trustees. These subaccounts may be credited with interest based on money market rates of return or, at the option of the PERS, the funds may be credited to self-directed subaccounts. The participant in the self-directed portion of DROP must agree that the benefits payable to the participant are not the obligations of the state or the PERS, and that any returns and other rights of DROP are the sole liability and responsibility of the participant and the designated provider to which contributions have been made.

4. Disability Retirement Benefits

For Plan A, a member shall be eligible to retire and receive a disability benefit if they were hired prior to January 1, 2007, and has at least five years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to three percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or three percent multiplied by years of service assuming continued service to age sixty.

5. Cost-of-Living Adjustments

The Board of PERS is authorized to provide a cost-of-living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed two percent (2%) of the retiree's original benefit for each full calendar year since retirement may only be granted if sufficient funds are available from investment income in excess of normal requirements.

In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age 65 equal to two percent (2%) of the member's benefit paid on October 1, 1977, (or the member's retirement date, if later). Also, the Board may provide a cost of living increase up to two and a half percent (2.5%) for retirees 62 years (RS11:1937). Lastly, Act 270 of 2009 provided for further reduced actuarial payments to provide an annual two and a half percent (2.5%) cost of living adjustment commencing at age 55.

Employer Contributions

According to state statute, contributions for all employees are actuarially determined each year. For the plan year ended December 31, 2017, the actuarially determined contribution rate was 9.35% of member's compensation for Plan A. However, the actual rate for the fiscal year ending December 31, 2017 was 12.50%.

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Notes to Basic Financial Statements

According to state statute, the PERS also receives one-fourth (1/4) of one percent (1%) of ad valorem taxes collected within the respective parishes, except for Orleans and East Baton Rouge parishes. The PERS also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities.

Contributions to the pension plan from the Commission were \$153,225 for the year ended December 31, 2018.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2018, the Commission reported an asset of \$169,002 for its proportionate share of the Net Pension Liability (Asset). The Net Pension Liability (Asset) was measured as of December 31, 2017, and the total pension liability (asset) used to calculate the Net Pension Liability (Asset) was determined by an actuarial valuation as of that date. The Commission's proportion of the Net Pension Liability (Asset) was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. As of the valuation date December 31, 2017, the Commission's proportion was 0.22769%, which was a decrease of 0.03311% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the Commission recognized pension expense of \$211,798 less employer's amortization of change in proportionate share and difference between employer contributions and proportionate share of contributions, \$166,916.

At December 31, 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 109,399
Changes of assumptions	213,307	-
Net difference between projected and actual earnings on pension plan investments	-	390,444
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	12,838
Employer contributions subsequent to the measurement date	<u>153,225</u>	<u>-</u>
Total	\$ <u>366,532</u>	\$ <u>512,681</u>

**Red River Waterway Commission
December 31, 2018**

Notes to Basic Financial Statements

The \$153,225 reported as deferred outflows of resources related to pensions resulting from the Commission contributions subsequent to the measurement date will be recognized as an increase in the Net Pension Asset in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	
2019	\$ 20,199
2020	(29,763)
2021	(135,060)
2022	(154,750)

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2017 are as follows:

Valuation Date	December 31, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Expected Remaining Service Lives	4 years
Investment Rate of Return	6.75% net of investment expenses
Inflation Rate	2.5% per annum
Mortality	RP-2000 Employee Sex Distinct Table was selected for employees. RP-2000 Healthy Annuitant Sex Distinct Tables were selected for annuitants and beneficiaries. RP-2000 Disabled Lives Mortality Table was selected for disabled annuitants.
Salary Increases	5.25% (2.75% Merit/2.5% Inflation)
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living expenses. The present values do not include provisions for potential future increase not yet authorized by the Board of Trustees.

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the capital asset pricing model (CAPM) (top-down), a treasury yield curve approach (bottom-up) and an equity building-block method (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.62% for the plan year ended December 31, 2017.

**Red River Waterway Commission
December 31, 2018**

Notes to Basic Financial Statements

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	35%	1.24%
Equity	52%	3.57%
Alternatives	11%	0.69%
Real Assets	2%	<u>0.12%</u>
		5.62%
Inflation		<u>2.00%</u>
Expected Arithmetic Nominal Return		7.62%

Discount Rate

The discount rate used to measure the total pension liability was 6.75% for Plan A. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the PERS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the Employer's proportionate share of the Net Pension Liability (Asset) using the discount rate of 6.75%, as well as what the Employer's proportionate share of the Net Pension Liability (Asset) would be if it were calculated using a discount rate that is one percentage-point lower (5.75%) or one percentage-point higher (7.75%) than the current rate:

	<u>1.0% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1.0% Increase (7.75%)</u>
Employer's proportionate share of the net pension liability/(asset)	\$ 833,242	\$ (169,002)	\$ (1,061,434)

Support of Non-employer Contributing Entities

Contributions received by a pension plan from non-employer contributing entities that are not in a special funding situation are recorded as revenue by the respective pension plan. The Commission recognizes revenue in an amount equal to their proportionate share of the total contributions to the pension plan from these non-employer contributing entities. During the year ended December 31, 2018, the Commission recognized revenue as a result of support received from non-employer contributing entities of \$16,927 for its participation in PERS.

**Red River Waterway Commission
December 31, 2018**

Notes to Basic Financial Statements

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS 2017 Comprehensive Annual Financial Report at www.persla.org.

12. Restatement of Beginning Net Position

During the 2018 audit, it was determined that the Commission overstated construction in progress and net position as of December 31, 2017. The Shreveport Riverview project was completed and legally transferred to the City of Shreveport during 2017 but remained in construction in progress on the books and records of the Commission. Therefore, the Commission recorded a prior period adjustment in 2018 to restate net position and beginning construction in progress in the amount of \$1,179,889.

13. Litigation and Claims

The 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. While the litigation cannot be predicted with any certainty, in the opinion of management, based on advice of legal counsel, the final outcome of such litigation will not have a material adverse effect on the Commission's financial position.

Required Supplemental Information – Part II

Red River Waterway Commission
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual (with Variances)
General Fund
For the Year Ended December 31, 2018

Statement G

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u>
				<u>(Negative)</u>
Revenues				
Local sources				
Ad valorem	\$ -	\$ -	\$ 3,622,419	\$ 3,622,419
State sources				
State revenue sharing	-	-	142,441	142,441
Federal sources	-	-	8,340	8,340
Investment earnings	-	-	203,990	203,990
Leases and royalties	-	-	271,920	271,920
Charges for services	-	-	220,878	220,878
Miscellaneous revenues	-	-	26,325	26,325
Total Revenues	<u>4,277,929</u>	<u>4,450,929</u>	<u>4,496,313</u>	<u>45,384</u>
Expenditures				
Current				
Public works	3,221,429	3,241,429	3,012,586	228,843
Recreation and parks	968,500	1,121,500	936,017	185,483
Port development	80,000	80,000	80,000	-
Capital outlay	8,000	8,000	57,611	(49,611)
Total Expenditures	<u>4,277,929</u>	<u>4,450,929</u>	<u>4,086,214</u>	<u>364,715</u>
Net Change in Fund Balances	-	-	410,099	410,099
Fund Balances - Beginning of Year	<u>26,109,811</u>	<u>26,109,811</u>	<u>26,109,811</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 26,109,811</u>	<u>\$ 26,109,811</u>	<u>\$ 26,519,910</u>	<u>\$ 410,099</u>

GAAP serves as the budgetary basis of accounting.

See independent auditor's report.

Red River Waterway Commission
Schedule of Employer's Share of Net Pension Liability
Parochial Employees' Retirement System of Louisiana (PERS)

Statement H

	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>	<u>12/31/2017</u>	<u>12/31/2018</u>
Employer's Proportion of the Net Pension Liability (Asset)	0.243507%	0.251196%	0.271194%	0.260802%	0.227690%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 17,305	\$ 68,679	\$ 713,861	\$ 537,125	\$ (169,002)
Employer's Covered-Employee Payroll	\$ 1,285,206	\$ 1,097,038	\$ 1,554,917	\$ 1,546,700	\$ 1,401,472
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	1.35%	6.26%	45.91%	34.73%	-12.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	99.80%	99.15%	92.23%	94.15%	101.98%

The amounts presented have a measurement date of the previous fiscal year-end.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See independent auditor's report.

**Red River Waterway Commission
Schedule of Employer Contributions
Parochial Employees' Retirement System of Louisiana (PERS)**

Statement I

Year Ending	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
12/31/2018	\$ 153,225	\$ 153,225	\$ -	\$ 1,332,388	11.50%
12/31/2017	175,184	175,184	-	1,401,472	12.50%
12/31/2016	201,071	201,071	-	1,546,700	13.00%
12/31/2015	225,463	225,463	-	1,554,917	14.50%
12/31/2014	175,526	175,526	-	1,097,038	16.00%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See independent auditor's report.

**Red River Waterway Commission
Notes to Required Supplemental Information
Parochial Employees' Retirement System of Louisiana (PERS)
For the Year Ended December 31, 2018**

Statement J

Changes in Benefit Terms

There were no changes in benefit terms for the year ended December 31, 2018.

Changes of Assumptions

There were no changes in assumptions for the year ended December 31, 2018.

See independent auditor's report.

Supplemental Information

Red River Waterway Commission
Schedule of Per Diem Paid to Commission Members
For the Year Ended December 31, 2018

Schedule K

Roy Burrell	\$ 1,962
David Crutchfield, II	1,177
Michael Deville	779
Paul Fleming	1,524
Randall Fletcher	1,593
Charles Greer	1,568
David Jones	1,455
Ronald Lattier	1,728
James Maxey	1,316
Rogers Prestridge	1,108
Larry Sayes	1,455
Michael Simpson	1,066
	<hr/>
Total	<u>\$ 16,731</u>

See independent auditor's report.

**Red River Waterway Commission
Schedule of Compensation, Benefits, and Other
Payments to the Agency Head
For the Year Ended December 31, 2018**

Schedule L

Agency Head: Colin Brown, Executive Director

Purpose	Amount
Salary	\$ 137,124
Benefits - insurance	1,392
Benefits - retirement	15,769
Car allowance	3,600
Cell phone	1,125
Dues	465
Reimbursements	3,011
Travel	8,136
Total	\$ 170,622

See independent auditor's report.

**Other Reports Required by
*Government Auditing Standards***



PAYNE, MOORE & HERRINGTON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

**Independent Auditor's 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***

To the Red River Waterway Commission
Natchitoches, Louisiana

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of the Red River Waterway Commission (the Commission), Natchitoches, Louisiana, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated May 20, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness (Finding 2018-001).

Rebecca B. Morris, C.P.A.
Michael A. Juneau, C.P.A.
Cindy L. Humphries, C.P.A.
Deborah R. Dunn, C.P.A.

Rebecca G. Nation, C.P.A.
Evelyn T. Renfrow, C.P.A.
Kayla G. Holloway, C.P.A.





PAYNE, MOORE & HERRINGTON, LLP

To the Red River Waterway Commission
Natchitoches, Louisiana

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

Red River Waterway Commission's Response to Findings

The Commission's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Payne, Moore, & Herrington, LLP
Certified Public Accountants
Alexandria, Louisiana

May 20, 2019

Management's Corrective Action Plan



JOHN BEL EDWARDS
GOVERNOR

CHAIR
Shawn D. Wilson, Ph.D.

EXECUTIVE DIRECTOR
Colin S. Brown, P.E.

COMMISSIONERS

Larry K. Sayes
Avoyelles Parish

William David Jones
Bossier Parish

Ronald F. Lattier
Caddo Parish

Randell A. Fletcher
Grant Parish

A. Paul Fleming
Natchitoches Parish

David L. Crutchfield, II
Rapides Parish

Michael Simpson
Red River Parish

Charles R. Greer
At Large

Roy A. Burrell
At Large

James F. Maxey
At Large

Michael P. Deville
At Large

STATE OF LOUISIANA
RED RIVER



WATERWAY COMMISSION

Developing the Gift of River Living

**Management's Corrective Action Plan
For the Year Ended December 31, 2018**

The Red River Waterway Commission respectfully submits the following corrective action plan for the year ended December 31, 2018.

Independent Public Accounting Firm: Payne, Moore & Herrington, LLP
P.O. Box 13200
Alexandria, La 71315-3200

Audit Period: January 01, 2018 – December 31, 2018

Finding 2018-001: Financial Reporting Controls

Condition and Context: During our audit, it was noted that the Shreveport Riverview project was included in construction in progress on our books and records at December 31, 2018, although it was completed and ownership passed to the City of Shreveport in July of 2017.

Recommendation: It was recommended that controls be implemented to document and communicate all projects completed during the year to all parties involved in and responsible for the preparation of the annual financial statements.

Management's response: The Executive Director, and others involved in the administration of construction projects, will review the current projects list prior to the end of the fiscal year and inform all parties involved in, and responsible for, the preparation of the annual financial statements of any projects that have been completed during that fiscal year.

Respectfully submitted,

Colin Brown
Executive Director

Management's Summary Schedule of Prior Audit Findings



STATE OF LOUISIANA
RED RIVER



WATERWAY COMMISSION

Developing the Gift of River Living

JOHN BEL EDWARDS
GOVERNOR

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Natchitoches Parish

David L. Crutchfield, II
Rapides Parish

Michael Simpson
Red River Parish

Charles R. Greer
At Large

Roy A. Burrell
At Large

James F. Maxey
At Large

Michael P. Deville
At Large

**Management's Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2018**

Finding 2017-001: Payroll Fraud Incident

Condition and Context: A former employee of the Commission was paid for work performed by another individual. The individual was formerly employed as a park attendant in the Operations and Maintenance Department. The individual received payroll checks totaling \$1,177 for 136 hours of work claimed between October 24, 2017 and December 15, 2017 that was not personally performed. The fraud was not reported to any law enforcement agencies, and no charges have been filed. No restitution has been paid as of the date of the auditors' report. The Commission did not file an insurance claim or notify the Louisiana Legislative Auditor and District Attorney of the incident in writing. The incident was detected by the Department Head in a timely manner.

Status: Resolved.

Red River Waterway Commission

Statewide Agreed-Upon Procedures Report

Natchitoches, Louisiana

December 31, 2018



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Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Red River Waterway Commission
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Red River Waterway Commission (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated results are as follows:

Written Policies and Procedures

1. **Procedure:** Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) **Disbursements**, including processing, reviewing, and approving.

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1



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To the Red River Waterway Commission
and the Louisiana Legislative Auditor

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Results: No exceptions noted.

Board or Finance Committee

- 2. **Procedure:** Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.



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To the Red River Waterway Commission
and the Louisiana Legislative Auditor

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Results: Not applicable – no prior year exceptions noted.

Bank Reconciliations

- 3. **Procedure:** Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select four (4) additional accounts [or all accounts if less than five (5)]. Randomly select one (1) month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within two (2) months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than twelve (12) months from the statement closing date, if applicable.

Results: No exceptions noted.



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To the Red River Waterway Commission
and the Louisiana Legislative Auditor

Collections

4. **Procedure:** Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select five (5) deposit sites [or all deposit sites if less than five (5)].

Results: No exceptions noted.

5. **Procedure:** For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one (1) collection location for each deposit site [i.e. five (5) collection locations for five (5) deposit sites], obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.
- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Results: We noted employees that are responsible for cash collections share cash drawers/registers.

Management's Response: Due to the type of operation, employees and operators at RRWC RV Parks must share cash registers and cash drawers. However, employees and operators must balance at the beginning and end of each shift. All cash is counted and recorded on a daily collections report form. Each shift has a beginning and ending balance on cash that is then verified by each work shift.

6. **Procedure:** Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Results: No exceptions noted.



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To the Red River Waterway Commission
and the Louisiana Legislative Auditor

7. **Procedure:** Randomly select two (2) deposit dates for each of the five (5) bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the ten (10) deposits and:
- a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe that the deposit was made within one (1) business day of receipt at the collection location [within one (1) week if the depository is more than ten (10) miles from the collection location or the deposit is less than \$100].
 - e) Trace the actual deposit per the bank statement to the general ledger.

Results: In our test of ten (10) deposits, we noted six (6) instances in which the deposit was not made within one (1) business day of receipt.

Management's Response: It is the RRWC's policy to make deposits and as practical and feasible. However, where possible, deposits shall be made at least weekly.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. **Procedure:** Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select five (5) locations [or all locations if less than five (5)].

Results: No exceptions noted.

9. **Procedure:** For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:



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To the Red River Waterway Commission
and the Louisiana Legislative Auditor

- a) At least two (2) employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
- b) At least two (2) employees are involved in processing and approving payments to vendors.
- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Results: No exceptions noted.

10. **Procedure:** For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select five (5) disbursements for each location, obtain supporting documentation for each transaction and:
- a) Observe that the disbursement matched the related original invoice/billing statement.
 - b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Results: No exceptions noted.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

11. **Procedure:** Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Results: No exceptions noted.

12. **Procedure:** Using the listing prepared by management, randomly select five (5) cards [or all cards if less than five (5)] that were used during the fiscal period. Randomly select one (1) monthly statement or combined statement for each card [for a debit card, randomly select one (1) monthly bank statement], obtain supporting documentation, and:



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- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
- b) Observe that finance charges and late fees were not assessed on the selected statements.

Results: No exceptions noted.

13. **Procedure:** Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select ten (10) transactions [or all transactions if less than ten (10)] from each statement, and obtain supporting documentation for the transactions [i.e. each card should have ten (10) transactions subject to testing]. For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

Results: No exceptions noted.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. **Procedure:** Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select five (5) reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the five (5) reimbursements selected:
 - a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).



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- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: No exceptions noted.

Contracts

15. Procedure: Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select five (5) contracts [or all contracts if less than five (5)] from the listing, excluding the practitioner's contract, and:

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
- d) Randomly select one (1) payment from the fiscal period for each of the five (5) contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Results: Not applicable – no prior year exceptions noted.

Payroll and Personnel

16. Procedure: Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select five (5) employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Results: Not applicable – no prior year exceptions noted.



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17. Procedure: Randomly select one (1) pay period during the fiscal period. For the five (5) employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Results: Not applicable – no prior year exceptions noted.

18. Procedure: Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two (2) employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Results: Not applicable – no prior year exceptions noted.

19. Procedure: Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Results: Not applicable – no prior year exceptions noted.

Ethics

20. Procedure: Using the five (5) randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above obtain ethics documentation from management, and:

- a) Observe that the documentation demonstrates each employee/official completed one (1) hour of ethics training during the fiscal period.



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- b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Results: No exceptions noted.

Debt Service

21. **Procedure:** Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Results: Not applicable – no debt issued or outstanding.

22. **Procedure:** Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one (1) bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Results: Not applicable – no debt issued or outstanding.

Other

23. **Procedure:** Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Results: No exceptions noted.

24. **Procedure:** Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results: No exceptions noted.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.



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The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Payne, Moore, & Herrington, LLP

Certified Public Accountants
Alexandria, Louisiana

May 20, 2019