

CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA



FINANCIAL STATEMENT AUDIT
ISSUED APRIL 15, 2009

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

February 4, 2009

Independent Auditor's Report
on the Financial Statements

CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
New Orleans, Louisiana

We have audited the accompanying special purpose (legal basis) financial statements of the Crescent City Connection Division, a division of the Louisiana Department of Transportation and Development, as of and for the year ended June 30, 2008, as listed in the foregoing table of contents. These special purpose financial statements are the responsibility of the Crescent City Connection Division's management. Our responsibility is to express an opinion on these special purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1-A to the special purpose financial statements, the accompanying special purpose financial statements do not include all of the activity of the Crescent City Connection Division, which should be included to conform with accounting principles generally accepted in the United States of America. Activities relating to such items as movable property, compensated absences, pensions and other postemployment benefits, and certain federally funded capital outlay expenditures are reported separately with the Department of Transportation and Development, State of Louisiana. These special purpose financial statements include only those activities as outlined in the notes to the financial statements. Furthermore, the special purpose financial statements have been prepared on a legal basis of accounting prescribed by the Division of Administration. These procedures differ from accounting principles generally accepted in the United States of America as described in the notes to the financial statements.

The effects on the financial statements of the variances between these accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Crescent City Connection Division as of June 30, 2008, or changes in financial position for the year then ended.

In our opinion, the accompanying special purpose financial statements present fairly, in all material respects, the financial position of the Crescent City Connection Division as of June 30, 2008, and the results of its operations for the year ended June 30, 2008, on the basis of accounting described in notes 1-A and 1-D.

As discussed in note 1-L to the basic financial statements, the Crescent City Connection Division implemented Government Accounting Standards Board (GASB) Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, for the year ended June 30, 2008.

During August and September of 2005, the State of Louisiana suffered considerable damage from two major hurricanes, Katrina and Rita, resulting in the President of the United States declaring Louisiana a major disaster area. Because of the severity of these two separate events and the resulting losses sustained, it is unknown exactly what economic impact recovery will have on state and local governmental operations in Louisiana. The Crescent City Connection Division incurred damage to infrastructure and lost toll revenues as a result of hurricanes Katrina and Rita. However, the long-term effects of these events directly on the Crescent City Connection Division cannot be determined at this time.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 4, 2009, on our consideration of the Crescent City Connection Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the accompanying special purpose financial statements of the Crescent City Connection Division taken as a whole. The accompanying supplemental information schedules are presented for the purpose of additional analysis and are not a required part of the special purpose financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the special purpose financial statements and, in our opinion, based on our audit, is fairly stated in all material respects in relation to the special purpose financial statements taken as a whole.

This report is intended solely for the information and use of management of the Crescent City Connection Division, the Department of Transportation and Development and its trustee bank, others within the entity, and the Louisiana Legislature and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

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**CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
GOVERNMENTAL FUND TYPES**

Combined Balance Sheet (Legal Basis), June 30, 2008

	GOVERNMENTAL FUND TYPES				TOTAL (MEMORANDUM ONLY)
	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUND	
ASSETS					
Cash and cash equivalents (note 2)	\$4,700	\$272,760			\$277,460
Investments (note 3)		2,658,286	\$11,656,084	\$24,418,530	38,732,900
Accounts receivable		1,975			1,975
Accrued interest receivable (note 4)		3,318	14,438	31,044	48,800
Due from state treasury			5,330,222		5,330,222
Due from other funds (note 9)	5,330,222	2,114,288		5,988,225	13,432,735
TOTAL ASSETS	\$5,334,922	\$5,050,627	\$17,000,744	\$30,437,799	\$57,824,092
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$2,345,332			\$1,282,928	\$3,628,260
Tag deposits		\$1,931,570			1,931,570
Due to other funds (note 9)		283,579	\$11,034,868	2,114,288	13,432,735
Deferred revenue (note 1-K)		2,835,478			2,835,478
Total Liabilities	2,345,332	5,050,627	11,034,868	3,397,216	21,828,043
Fund Balances:					
Reserved for operations (note 7)	2,989,590				2,989,590
Reserved for projects (note 7)				27,040,583	27,040,583
Reserved for debt service (note 7)			5,965,876		5,965,876
Total Fund Balances	2,989,590	NONE	5,965,876	27,040,583	35,996,049
TOTAL LIABILITIES AND FUND BALANCES	\$5,334,922	\$5,050,627	\$17,000,744	\$30,437,799	\$57,824,092

The accompanying notes are an integral part of this statement.

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**CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
GOVERNMENTAL FUND TYPES**

**Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances (Legal Basis)
For the Year Ended June 30, 2008**

	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUND	TOTAL (MEMORANDUM ONLY)
REVENUES					
Interest on investments		\$85,068	\$298,817	\$911,842	\$1,295,727
Toll revenue		21,866,920			21,866,920
Tag revenue		509,088			509,088
Scrip revenue - bridge and ferry		51,198			51,198
Ferry revenue		261,647			261,647
Highway Fund No. 2			5,330,222		5,330,222
Rental income and other income		474,396			474,396
Federal grants	\$860,000				860,000
Total revenues	<u>860,000</u>	<u>23,248,317</u>	<u>5,629,039</u>	<u>911,842</u>	<u>30,649,198</u>
EXPENDITURES					
Operational expenditures	25,681,674				25,681,674
Capital outlay expenditures				10,524,800	10,524,800
Interest expense			499,556		499,556
Bonds redeemed			1,900,000		1,900,000
Bank charges		235,031			235,031
Total expenditures	<u>25,681,674</u>	<u>235,031</u>	<u>2,399,556</u>	<u>10,524,800</u>	<u>38,841,061</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES					
	<u>(24,821,674)</u>	<u>23,013,286</u>	<u>3,229,483</u>	<u>(9,612,958)</u>	<u>(8,191,863)</u>
OTHER FINANCING SOURCES (Uses)					
Operating transfers in (note 10)	30,275,845	2,071,982	8,074,473	30,629,843	71,052,143
Operating transfers out (note 10)	(5,573,030)	(27,318,228)	(11,100,974)	(27,059,911)	(71,052,143)
Insurance recoveries		2,232,960			2,232,960
Total financing sources (uses)	<u>24,702,815</u>	<u>(23,013,286)</u>	<u>(3,026,501)</u>	<u>3,569,932</u>	<u>2,232,960</u>
NET CHANGES IN FUND BALANCES					
	<u>(118,859)</u>	<u>NONE</u>	<u>202,982</u>	<u>(6,043,026)</u>	<u>(5,958,903)</u>
FUND BALANCES AT BEGINNING OF YEAR					
	<u>3,108,449</u>	<u>NONE</u>	<u>5,762,894</u>	<u>33,083,609</u>	<u>41,954,952</u>
FUND BALANCES AT END OF YEAR					
	<u>\$2,989,590</u>	<u>NONE</u>	<u>\$5,965,876</u>	<u>\$27,040,583</u>	<u>\$35,996,049</u>

The accompanying notes are an integral part of this statement.

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INTRODUCTION

The Crescent City Connection Division (the division) is a body politic and corporate of the State of Louisiana, incorporated under the authority of Act No. 7 of 1952, with power to acquire by purchase, lease, or otherwise, and to construct, improve, maintain, repair, and operate bridges and ferries across the Mississippi River in the City of New Orleans. Pursuant to the terms of the Reorganization Act of 1976, as amended, the Louisiana Department of Transportation and Development (DOTD), on July 1, 1977, assumed control of the operations of the then Mississippi River Bridge Authority. All of the functions of the authority's General Fund, including maintaining accounting records, issuance of all checks for payroll, operations, routine maintenance expenses and contractual obligations were transferred to DOTD on that date. In July 1988, the payment of the operating expenses of the then Mississippi River Bridge Authority again became the responsibility of the authority. However, except for collecting and depositing toll revenues, the accounting records are maintained by DOTD. In April 1992, the division issued \$30,860,000 of bonds under a Second Supplemental Agreement to the 1954 Indenture and Deed of Trust to construct additional Mississippi River crossings and to make additions or improvements to the bridge and its approaches. In November 2002, the division issued \$19,900,000 of bonds under an Amended and Restated Indenture and Deed of Trust to provide funds to refund all of the 1992 Bonds and to pay the costs of issuance. The division, domiciled in New Orleans, employed 201 people as of June 30, 2008.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) promulgates generally accepted accounting principles and reporting standards for state and local governments. These principles are found in the Codification of Governmental Accounting and Financial Reporting Standards, published by the GASB. However, the accompanying special purpose financial statements have been prepared on a legal basis prescribed by the Division of Administration, Office of Statewide Reporting and Accounting Policy, which differs from accounting principles generally accepted in the United States of America as described in the following notes.

Furthermore, the financial statements do not reflect the total activities of the division. Many of the activities of the division such as movable property, compensated absences, and postemployment benefits are reported with DOTD, State of Louisiana, and are not readily separable from the records and accounts of DOTD. The division's financial statements reflect only the following activities:

- Debt service funds for the purpose of refunding all 1992 Bonds and paying the cost of issuance, administered by the Trustee, Bank of New York (formerly JP Morgan Chase & Co.), in accordance with the Amended and Restated Indenture and Deed of Trust dated as of November 1, 1954, as subsequently amended June 23, 1989; April 1, 1992; and November 1, 2002

- Collection of all tolls, Highway Fund No. 2 monies, and miscellaneous income
- Direct and allocated operating expenses incurred
- Capital projects funds and operating and maintenance expenditures reimbursed by Federal Transit Authority (FTA) grants
- Changes in fixed assets as they relate to the majority of the approaches to Bridge No. 2, ferries, and capital projects of the division
- Changes in the long-term debt as they relate to payments on bonds issued for the purpose of refunding all of the 1992 Bonds and paying the cost of issuance

The fixed assets and long-term obligations of the division are not recognized in the accompanying financial statements. Amounts have been disclosed in the footnotes to the financial statements for use by the Division of Administration, Office of Statewide Accounting and Reporting Policy (OSRAP), in preparing the Comprehensive Annual Financial Report (CAFR) for the State of Louisiana. In addition, the funds do not include pension and other postemployment benefit obligations. These obligations are reflected in the State of Louisiana's basic financial statements.

B. REPORTING ENTITY

The State of Louisiana has been determined to be the reporting entity under accounting principles generally accepted in the United States of America. The accompanying financial statements present the activity of a division within a department of state government and, therefore, are a part of the funds of the State of Louisiana and its basic financial statements. Annually, the State of Louisiana issues a CAFR, which includes the activity contained in the accompanying financial statements. The CAFR is audited by the Office of Legislative Auditor.

C. FUND ACCOUNTING

The division uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

Funds of the division are classified as governmental funds. Governmental funds account for the division's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of fixed assets, and the servicing of long-term debt. Governmental funds of the division include the following:

1. The General Fund is used for the purpose of accounting for the operating expenses of the bridge and ferries and the administrative expenses of the

division. Transfers from special revenue funds provide the funds for these expenses.

2. Special revenue funds are used to account for the proceeds of specific revenue sources which by law are designated to finance particular functions or activities of the division.
3. Debt service funds account for the accumulation of resources for, and transactions relating to the payment of long-term debt, principal, interest, and related costs.
4. The Capital Projects Fund accounts for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental funds.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The 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 and decreases in net current assets. The modified accrual basis of accounting is used by the governmental funds. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Tolls paid at the toll booth and all scrip revenue are recorded when received. Prepaid tolls used in conjunction with a toll tag are recorded when measurable and available. Federal grants are recorded when the division is entitled to the funds. Highway Fund No. 2 revenues are recorded when due. Interest earnings are recorded when the income is earned. Other revenues are recognized when they become measurable and available.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for accumulated annual and sick leave, which are recognized when paid, and principal and interest on long-term debt, which are not recognized until due.

Other Financing Sources (Uses)

Other financing sources (uses), representing transfers between funds, that are not expected to be repaid are recognized when they become measurable and available.

E. BUDGET PRACTICES

Budgets are prepared for all FTA projects (Capital Projects Fund) based on estimated costs and are included in DOTD's budget for capital outlays. The budget for the General Fund is included within the budget of DOTD. Debt service funds are not subject to budget because all amounts are paid according to the trust agreement. Special revenue funds are also not subject to budget because most revenues are transferred to other funds. Therefore, budgetary comparison information is not included in these financial statements.

F. CASH AND INVESTMENTS

Cash includes cash on hand and cash with the paying agent. Under state law, the division may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States.

The Amended and Restated Indenture and Deed of Trust dated November 1, 2002, authorizes the division to invest in direct U.S. obligations, U.S. government agency obligations (the principal and interest of which are fully guaranteed by the government of the United States) and direct and general obligations of the State of Louisiana. It also authorizes the division to invest in certificates of deposit of any state bank or national association whose headquarters are in the State of Louisiana, repurchase agreements, money market funds registered under the Federal Investment Company Act of 1940 (whose shares are registered under the Federal Securities Act of 1933), as amended, and shares of an investment company organized under the Investment Company Act of 1940, as amended. Investments include money market funds, invested in U.S. government securities, U.S. Treasury notes and obligations of U.S. governmental agencies that are stated at fair value as required by GASB 31.

G. FIXED ASSETS AND LONG-TERM OBLIGATIONS

Fixed assets of governmental funds, including public domain and infrastructure assets, are recorded as expenditures at the time purchased or constructed, and the related assets are capitalized (reported) at the government-wide level of reporting in the State of Louisiana's CAFR. These assets are valued at historical cost and depreciated using the straight-line method and an estimated useful life of 40 years.

Long-term obligations expected to be financed from governmental funds including long-term debt due after July 1 of the subsequent year are accounted for at the government-wide level of reporting in the State of Louisiana's CAFR.

H. COMPENSATED ABSENCES

Employees earn and accumulate annual and sick leave at various rates depending on their years of service. The amount of annual 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 annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

The costs of current leave privileges are included in the operational expenditures on Statement B. The costs of leave privileges not requiring current resources are included in the notes of the annual fiscal report of DOTD and the State of Louisiana's CAFR.

I. FUND EQUITY - RESERVES

Reserves represent those portions of fund equity not appropriable for expenditure and are legally segregated for a specific future use.

J. FEDERAL FUNDS

The division follows DOTD's guidelines to document compliance with federal laws and regulations. FTA grants provide 80% federal funding for the capital project expenditures in the Capital Projects Fund and up to \$860,000 federal funding for operation and maintenance expenditures in the General Fund. The capital project expenditures are paid by DOTD, which then receives 80% reimbursement directly from the FTA and is reimbursed the remaining 20% by the division. The operating and maintenance expenditures are paid by DOTD, which then receives reimbursement from the FTA or the division. FTA income and the corresponding expenditures that were funded for operations and maintenance are recorded and reported by the division in the General Fund. FTA income and the corresponding expenditures that were funded for capital outlay are recorded and reported by DOTD and are not recorded or reported by the division.

K. DEFERRED REVENUE

Deferred revenue represents prepaid tolls at the end of the fiscal year that will be used in the subsequent accounting period. Prepaid tolls at June 30, 2008, are \$2,835,478.

L. ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the year ended June 30, 2008, the division implemented GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*.

M. TOTAL COLUMNS ON STATEMENTS

Total columns on the combined statements are captioned Memorandum Only (overview) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation.

2. CASH

At June 30, 2008, the division has cash (book balances) totaling \$277,460 as follows:

Demand deposits with financial institutions	\$272,760
Cash on hand - toll collector change fund	<u>4,700</u>
Total	<u><u>\$277,460</u></u>

Under state law, demand deposits with financial institutions must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At June 30, 2008, the division has \$125,663 in deposits (collected bank balances) secured by federal deposit insurance and pledged securities held at the Federal Reserve Bank in the name of the division.

3. INVESTMENTS

At June 30, 2008, investments of the division in the U. S. Treasury Plus Money Market Fund (money market fund) total \$38,732,900, which is shown on Statement A. The division used quoted market values to determine the fair value of the investments. The money market mutual fund consists of shares in investments in direct obligations of the U.S. Department of the Treasury including Treasury bills, bonds, and other obligations issued or guaranteed by the U. S. Treasury, and repurchase agreements backed by such obligations. The division's investments in the money market fund were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

4. ACCRUED INTEREST RECEIVABLE

The division has accrued interest receivables of \$48,800 at June 30, 2008. This amount represents income from investments earned before June 30, 2008, which was not received by the division until after June 30, 2008.

5. INFRASTRUCTURE

Infrastructure is defined as long-lived capital assets associated with governmental activities that normally are stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Examples include roads, bridges, tunnels, street signage, street lamps, traffic signals, drainage systems, water and sewer systems, dams, and lighting systems.

The information below was requested by OSRAP to prepare the government-wide financial statements for the State of Louisiana CAFR.

Infrastructure at June 30, 2008, is as follows:

	Year Ended June 30, 2008			Balance June 30, 2008
	Balance June 30, 2007	Additions	Retirements	
Infrastructure	\$307,803,427	\$10,524,800		\$318,328,227
Less - right-of-way	<u>10,865,967</u>			<u>10,865,967</u>
Adjusted Infrastructure	296,937,460	10,524,800	NONE	307,462,260
Less - accumulated depreciation	<u>128,227,762</u>	<u>6,354,709</u>	NONE	<u>134,582,471</u>
Total Infrastructure	<u>\$168,709,698</u>	<u>\$4,170,091</u>	NONE	<u>\$172,879,789</u>

Changes and balances of furniture, fixtures, automobiles, and operating equipment are not reflected in these financial statements because they are included within DOTD's annual report and reported in the government-wide financial statements in the State of Louisiana CAFR.

6. CHANGES IN LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the fiscal year ended June 30, 2008:

	Bonded Indebtedness Payable at June 30, 2007			Bonded Indebtedness Payable at June 30, 2008	
	2007	Additions	Retirements	2008	
Bridge Revenue Refunding Bonds - Series 2002	<u>\$12,640,000</u>	<u>NONE</u>	<u>\$1,900,000</u>	<u>\$10,740,000</u>	

The bonds mature November 1, 2012, and accrue interest at rates of 2.00% to 5.00%. The bonds were issued for the purpose of refunding all of the 1992 Bonds and paying the cost of issuance. Maturities of long-term debt including interest payments of \$1,224,634 are as follows:

Fiscal Year Ending June 30:	
2009	\$2,387,700
2010	2,381,631
2011	2,445,506
2012	2,372,922
2013	<u>2,376,875</u>
Total	<u>\$11,964,634</u>

The division has accumulated a balance of \$5,965,876 dedicated to the payment of bonds. Another \$4,774,124 is to be provided from future years' revenues dedicated to the payment of the bonds.

7. RESERVED FUND BALANCES

As shown on Statement A, the division has reserved fund balances of \$35,996,049 at June 30, 2008, which are restricted by enabling legislation. These balances are reserved as follows:

Reserve for Operations - Monies are reserved in the General Fund (Bridge and Ferry) for operations of the division. The amount of the reserve at June 30, 2008, is \$2,989,590.

Reserve for Debt Service - Monies are reserved in the debt service funds in accordance with the Third Supplemental Bond Indenture dated November 1, 2002. The amount of the reserve at June 30, 2008, is \$5,965,876.

Reserve for Projects - Monies are reserved in the Capital Projects Fund for ongoing projects. The amount of the reserve at June 30, 2008, is \$27,040,583.

8. LITIGATION AND CLAIMS

Obligations and losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund or by state General Fund appropriation and are not reflected in the accompanying special purpose financial statements. The self-insurance fund is operated by the Office of Risk Management, the state agency responsible for the state's self-insurance program.

9. DUE FROM/TO OTHER FUNDS

Individual fund balances due from/to other funds at June 30, 2008, are as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$5,330,222	
Special Revenue Funds:		
Toll Tag Deposits		\$283,579
Toll Collection Fund	2,114,288	
Debt Service Funds		11,034,868
Capital Projects Fund	<u>5,988,225</u>	<u>2,114,288</u>
Total	<u>\$13,432,735</u>	<u>\$13,432,735</u>

10. OPERATING TRANSFERS IN/OUT

The bond indenture specifies the specific manner in which revenues are to be deposited and distributed to the various funds. Under the 2002 revision of the bond indenture, all revenues pledged for the payment of the bonds, including revenues from the Highway Fund No. 2, are deposited into the Debt Service Fund and then distributed to the General Fund after all debt service requirements have been met. All revenues derived from tolls imposed on the bridges and ferries are deposited into the Toll Collection Fund and then distributed to the General Fund. Monies in the General Fund can be used to operate and maintain the bridges and ferries, for authorized projects, and for any lawful purpose of the division.

The distributions of these revenues are shown as operating transfers. The following is a summary of the operating transfers in and out for the year ended June 30, 2008:

	Transfers In	Transfers Out
General Fund	\$30,275,845	\$5,573,030
Special Revenue Funds:		
Toll Tag Deposits		105,810
Toll Collection Fund	2,071,982	27,212,418
Debt Service Funds:		
Reserve Fund		66,106
Sinking Fund	2,179,606	
Interest Fund	321,837	
Debt Service Fund	5,573,030	11,034,868
Capital Projects Fund	30,629,843	27,059,911
Total	\$71,052,143	\$71,052,143

11. PLEDGED REVENUES

The Mississippi River Bridge Authority issued its bridge revenue refunding bonds in 2002 for the Crescent City Connection Project in the amount of \$19,900,000 to refund all or a portion of the outstanding 1992 bonds and fund the costs of issuance. The bonds are payable from and secured by a pledge of Highway Fund No. 2 monies (comprised of the annual vehicular license taxes collected in six parishes), income earned from investments, and any other monies accruing to the Authority. The Authority has obligated the Highway Fund No. 2 monies to cover the principal and interest requirements until the bonds are fully paid in 2012. The Authority earned \$5,629,039 of Highway Fund No. 2 revenue plus interest earned as of June 30, 2008, and paid principal and interest of \$1,900,000 and \$499,556, respectively, on the bonds. The outstanding bond principal and interest is \$10,740,000 and \$1,224,634.

12. COOPERATIVE ENDEAVORS

R.S. 33:9022 defines cooperative endeavor as any form of economic development assistance between and among the state, its local government subdivisions, political corporations, public benefit corporations, the U.S. government or its agencies, or any public or private association, corporation, or individual. The term “cooperative endeavor” includes cooperative financing, cooperative development, or any form of cooperative economic development activity. The division has entered into three cooperative agreements. Two of the agreements are with the Jefferson Parish Council and one is with the City of Gretna. The agreements are to improve access to the bridges and are funded with the district’s toll collections (self-generated revenues). The estimated amount outstanding as of June 30, 2008, for these agreements is \$2,968,598, which is not reflected in the accompanying financial statements.

13. ELIMINATION ENTRIES

Certain information concerning revenue and expenditure transactions and related receivables and payables of the division is also included in the annual financial statements of DOTD. The division provided information to OSRAP to allow OSRAP to eliminate this duplicate reporting in the state’s CAFR. Information regarding these elimination entries is not included in this report.

14. OTHER FINANCING SOURCES

The division received a check for \$2,232,960 from Ace American Insurance Company. The check was a result of the settlement agreement reached between the two parties for claims of business interruption services because of Hurricane Katrina.

15. FULL ACCRUAL REVENUES/RECEIVABLES

The division has \$3,377,424 in outstanding receivables for toll violations at June 30, 2008, which are not reported in the accompanying fund financial statements prepared on a legal basis of accounting. This information was requested by OSRAP for the state’s government-wide financial statements prepared on a full accrual basis of accounting.

**CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA**

**SUPPLEMENTAL INFORMATION SCHEDULES
As of and for the Year Ended June 30, 2008**

SPECIAL REVENUE FUNDS

TOLL TAG DEPOSIT FUND

The Toll Tag Deposit Fund is used to account for all deposits made on toll tags issued. These deposits are refundable upon return of the toll tag device.

TOLL COLLECTION FUND

The Toll Collection Fund accounts for all tolls imposed on the bridges and ferries collected by the district.

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**CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
SPECIAL REVENUE FUNDS**

Combining Balance Sheet (Legal Basis), June 30, 2008

	TOLL COLLECTION FUND	TOLL TAG DEPOSIT FUND	TOTAL
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$272,760		\$272,760
Investments	445,877	\$2,212,409	2,658,286
Accounts receivable	1,975		1,975
Due from other funds	2,114,288		2,114,288
Accrued interest receivable	578	2,740	3,318
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$2,835,478</u>	<u>\$2,215,149</u>	<u>\$5,050,627</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Tag deposits		\$1,931,570	\$1,931,570
Due to other funds		283,579	283,579
Deferred revenue	\$2,835,478		2,835,478
Total Liabilities	<u>2,835,478</u>	<u>2,215,149</u>	<u>5,050,627</u>
Fund balance	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$2,835,478</u>	<u>\$2,215,149</u>	<u>\$5,050,627</u>

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**CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
SPECIAL REVENUE FUNDS**

**Combining Schedule of Revenues, Expenditures,
and Changes in Fund Balances (Legal Basis)
For the Year Ended June 30, 2008**

	TOLL COLLECTION FUND	TOLL TAG DEPOSIT FUND	TOTAL
REVENUES			
Interest on investments	\$21,063	\$64,005	\$85,068
Toll revenue	21,866,920		21,866,920
Tag revenue	509,088		509,088
Scrip revenue - bridge and ferry	51,198		51,198
Ferry revenue	261,647		261,647
Rental income and other income	432,591	41,805	474,396
Total revenues	<u>23,142,507</u>	<u>105,810</u>	<u>23,248,317</u>
 EXPENDITURES - bank charges	 <u>235,031</u>	 <u>NONE</u>	 <u>235,031</u>
 EXCESS OF REVENUES OVER EXPENDITURES	 <u>22,907,476</u>	 <u>105,810</u>	 <u>23,013,286</u>
 OTHER FINANCING SOURCES (Uses)			
Operating transfers in	2,071,982	NONE	2,071,982
Operating transfers out	(27,212,418)	(105,810)	(27,318,228)
Insurance recoveries	2,232,960		2,232,960
Total financing sources (uses)	<u>(22,907,476)</u>	<u>(105,810)</u>	<u>(23,013,286)</u>
 NET CHANGES IN FUND BALANCES	 NONE	 NONE	 NONE
 FUND BALANCES AT BEGINNING OF YEAR	 <u>NONE</u>	 <u>NONE</u>	 <u>NONE</u>
 FUND BALANCES AT END OF YEAR	 <u><u>NONE</u></u>	 <u><u>NONE</u></u>	 <u><u>NONE</u></u>

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**CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA**

**SUPPLEMENTAL INFORMATION SCHEDULES
As of and for the Year Ended June 30, 2008**

DEBT SERVICE FUNDS

RESERVE FUND

The Reserve Fund is used to account for those funds restricted by the indenture to be used to pay bond principal and interest should the other funds not have sufficient funds to meet current obligations. The trustee is directed to use these funds to meet debt payments only if the Debt Service Sinking Fund is exhausted.

SINKING FUND

The Sinking Fund is used to account for those expenditures made to liquidate current bond principal.

INTEREST FUND

The Interest Fund is used to account for expenditures related to the accrued interest on bonds.

DEBT SERVICE FUND

The Debt Service Fund is used to account for those revenues pledged to the payment of bonds issued under the amended and restated bond indenture.

PROCEEDS FUND

The Proceeds Fund was established to account for the 2002 Bonds and any monies transferred to or deposited in the Proceeds Fund by the trustee from any other source. The fund remains to account for residual funds on deposit and the interest earned on these funds.

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**CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
DEBT SERVICE FUNDS**

Combining Balance Sheet (Legal Basis), June 30, 2008

	RESERVE FUND	SINKING FUND	INTEREST FUND	DEBT SERVICE FUND	TOTAL
ASSETS					
Investments	\$2,069,425	\$3,032,631	\$856,438	\$5,697,590	\$11,656,084
Accrued interest receivable	2,565	3,756	1,061	7,056	14,438
Due from state treasury				5,330,222	5,330,222
TOTAL ASSETS	<u>\$2,071,990</u>	<u>\$3,036,387</u>	<u>\$857,499</u>	<u>\$11,034,868</u>	<u>\$17,000,744</u>
LIABILITIES AND FUND BALANCES					
Liabilities - due to other funds	NONE	NONE	NONE	\$11,034,868	\$11,034,868
Fund balance - reserved for debt service	\$2,071,990	\$3,036,387	\$857,499	NONE	5,965,876
TOTAL LIABILITIES AND FUND BALANCES	<u>\$2,071,990</u>	<u>\$3,036,387</u>	<u>\$857,499</u>	<u>\$11,034,868</u>	<u>\$17,000,744</u>

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**CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
DEBT SERVICE FUNDS**

**Combining Schedule of Revenues, Expenditures,
and Changes in Fund Balances (Legal Basis)
For the Year Ended June 30, 2008**

	RESERVE FUND	SINKING FUND	INTEREST FUND	DEBT SERVICE FUND	TOTAL
REVENUES					
Interest on investments	\$60,829	\$77,490	\$28,884	\$131,614	\$298,817
Highway Fund No. 2				5,330,222	5,330,222
Total revenues	<u>60,829</u>	<u>77,490</u>	<u>28,884</u>	<u>5,461,836</u>	<u>5,629,039</u>
EXPENDITURES					
Interest expense			499,556		499,556
Bonds redeemed		1,900,000			1,900,000
Total expenditures	<u>NONE</u>	<u>1,900,000</u>	<u>499,556</u>	<u>NONE</u>	<u>2,399,556</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES					
	<u>60,829</u>	<u>(1,822,510)</u>	<u>(470,672)</u>	<u>5,461,836</u>	<u>3,229,483</u>
OTHER FINANCING SOURCES (Uses)					
Operating transfers in		2,179,606	321,837	5,573,030	8,074,473
Operating transfers out	(66,106)			(11,034,868)	(11,100,974)
Total financing sources (uses)	<u>(66,106)</u>	<u>2,179,606</u>	<u>321,837</u>	<u>(5,461,838)</u>	<u>(3,026,501)</u>
NET CHANGES IN FUND BALANCES					
	(5,277)	357,096	(148,835)	(2)	202,982
FUND BALANCES AT BEGINNING OF YEAR					
	<u>2,077,267</u>	<u>2,679,291</u>	<u>1,006,334</u>	<u>2</u>	<u>5,762,894</u>
FUND BALANCES AT END OF YEAR					
	<u>\$2,071,990</u>	<u>\$3,036,387</u>	<u>\$857,499</u>	<u>NONE</u>	<u>\$5,965,876</u>

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OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

The following pages contain our report on internal control over financial reporting and on compliance with laws, regulations, and other matters as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any significant deficiencies and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

February 4, 2009

Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of the Special Purpose Financial Statements
Performed in Accordance With *Government Auditing Standards*

**CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA**
New Orleans, Louisiana

We have audited the special purpose (legal basis) financial statements of the Crescent City Connection Division, a division of the Louisiana Department of Transportation and Development, as of and for the year ended June 30, 2008, and have issued our report thereon dated February 4, 2009. Our report was modified to include an adverse opinion on the presentation of the financial statements in accordance with generally accepted accounting principles (unqualified opinion on legal basis presentation) and an explanatory paragraph for the implementation of a new reporting standard and an emphasis of a matter regarding the impact of hurricanes Katrina and Rita. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Crescent City Connection Division's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Crescent City Connection Division's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Crescent City Connection Division's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the legal basis of accounting as

described in our independent auditor's report dated February 4, 2009, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Crescent City Connection Division's special purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

In a separate performance audit report, dated March 26, 2009, our office reported certain matters to management of the Crescent City Connection Division (CCCD) relating to the following issues:

- Over the last 5 years, CCCD's fund balance has decreased over \$25 million.
- The Crescent City Connection Oversight Authority has met some but not all of its oversight duties.
- The Department of Transportation and Development has not exercised sufficient oversight over CCCD's contracting activities.
- All required ferry maintenance was not documented.
- CCCD exceeded its targeted performance for completing scheduled ferry trips in fiscal year 2008.

Management's responses to those issues are also included in that report. Based upon that performance audit, we expanded our tests of contracts to determine the extent of any financial statement impact. While the issues reported in the performance audit report are valid and require management's attention, we determined that no material financial statement adjustments were necessary. Copies of the report are available for public inspection at the Baton Rouge and New Orleans offices of the Legislative Auditor and can also be found on the Internet at www.lla.la.gov.

This report is intended solely for the information and use of management of the Crescent City Connection Division, the Department of Transportation and Development and its trustee bank, others within the entity, and the Louisiana Legislature, and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

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