

LOUISIANA TRANSPORTATION AUTHORITY
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA



FINANCIAL STATEMENT AUDIT
ISSUED NOVEMBER 15, 2006

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

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Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Thirteen copies of this public document were produced at an approximate cost of \$39.65. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.la.state.la.us. When contacting the office, you may refer to Agency ID No. 7406 or Report ID No. 06001816 for additional information.

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STEVE J. THERIOT, CPA
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October 13, 2006

Independent Auditor's Report
on the Financial Statements

LOUISIANA TRANSPORTATION AUTHORITY
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
Baton Rouge, Louisiana

We have audited the accompanying basic financial statements of the Louisiana Transportation Authority, a component unit of the State of Louisiana, as of and for the year ended June 30, 2005. These financial statements are the responsibility of management of the Louisiana Transportation Authority. Our responsibility is to express an opinion 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 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.


In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Transportation Authority as of June 30, 2005, and the changes in financial position, including cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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. While the Louisiana Transportation Authority did not directly suffer any major effects of these two hurricanes, the long-term effects of these events directly on the authority cannot be determined at this time.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2006, on our consideration of the Louisiana Transportation Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis on pages 5 through 7 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

LCW:BQD:THC:dl

LTA05

The Management's Discussion and Analysis presents a narrative overview and analysis of financial activities of the Louisiana Transportation Authority (LTA) for the year ended June 30, 2005. This document focuses on the current year's activities and currently known facts. The only activity for this fiscal year was a bond sale in June; operations will not begin until the 2006 fiscal year; comparison information will not be available until the second full year of operations. Please read this document in conjunction with the additional information contained in the financial statements.

FINANCIAL HIGHLIGHTS

- The LTA's assets exceeded its liabilities at the close of fiscal year 2005 by \$285,629, which represents the net difference between interest earnings and amortization expense for June.
- The LTA reported no operating revenues for 2005; it did issue \$195.8 million in bonded debt to fund Phase 1 of the LA 1 Project.

OVERVIEW OF THE FINANCIAL STATEMENTS

These financial statements consist of three sections: Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and supplementary information.

Basic Financial Statements

The basic financial statements present information for the LTA, as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows.

The Statement of Net Assets presents the current and long-term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets and may provide a useful indicator of whether the LTA's financial position is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents information showing how the LTA's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, transactions are included that will not affect cash until future fiscal periods.

The Statement of Cash Flows presents information showing how the LTA's cash changed as a result of current year operations. The cash flows statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS

**Statement of Net Assets
as of June 30, 2005
(in thousands)**

	2005
Current and other assets	\$462
Restricted assets - investments	157,802
Other noncurrent assets	5,919
Total assets	164,183
Liabilities - bonds payable, net	163,897
Net assets - unrestricted	\$286

**Statement of Revenues, Expenses, and
Changes in Fund Net Assets
For the Year Ended June 30, 2005
(in thousands)**

	2005
Nonoperating revenues (expenses)	\$286
Net increase (decrease) in net assets	\$286

DEBT ADMINISTRATION

The LTA issued variable interest rate debt totaling \$195,800,000 in fiscal year 2005 consisting of \$78,350,000 in Senior Lien Toll Revenue Bonds; \$51,450,000 in Senior Lien Toll Revenue Capital Appreciation Bonds (original principal of \$16,313,286); and \$66,000,000 in Subordinate Lien Toll Revenue Bond Anticipation Notes (BANS). Payment dates for the 2005A Senior Lien Bonds are December 1 and June 1 each year beginning in 2005 and ending in 2030. Principal repayment for the Series 2005B Senior Lien Capital Appreciation Bonds begins December 1, 2024, with final payment to be made in 2028. Debt service for the Subordinate Lien BANS begins December 1, 2005, and final payment is to be made in 2009. For more detailed information regarding long-term liabilities, see note 5 in the Notes to the Financial Statements.

Standard & Poor, Moody's, and Fitch have rated the Senior Lien Bonds as AAA, Aaa, and AAA, respectively, and AA, Aa3, and A+ for the Subordinate Lien Bond Anticipation Notes. In December 2005, Fitch lowered its ratings on the LTA's bonds. For additional information, see note 5 in the Notes to the Financial Statements.

Contacting LTA's Management

This financial report is designed to provide our residents, taxpayers, customers, investors, and creditors with a general overview of LTA's finances and to show its accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Michael Bridges, Undersecretary of Management and Finance, Department of Transportation and Development, P.O. Box 94245, Baton Rouge, LA 70804-9245.

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**LOUISIANA TRANSPORTATION AUTHORITY
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA**

Statement of Net Assets, June 30, 2005

ASSETS

Current assets:

Cash and cash equivalents (note 2)	\$148,013
Accrued interest receivable (note 4)	313,795
Total current assets	<u>461,808</u>

Noncurrent assets

Restricted assets - investments (note 3)	157,802,384
Unamortized bond issue costs	5,919,039
Total noncurrent assets	<u>163,721,423</u>

Total Assets	<u>164,183,231</u>
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LIABILITIES

Bonds payable, noncurrent (note 5)	195,800,000
Unamortized bond discount, net (note 5)	(31,902,398)
Total liabilities	<u>163,897,602</u>

NET ASSETS

Unrestricted	<u><u>\$285,629</u></u>
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The accompanying notes are an integral part of this statement.

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**LOUISIANA TRANSPORTATION AUTHORITY
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA**

**Statement of Revenues, Expenses,
and Changes in Fund Net Assets
For the Year Ended June 30, 2005**

Operating revenues	NONE
Nonoperating revenues (expenses):	
Interest income	\$285,629
Net nonoperating revenue	<u>285,629</u>
Change in net assets	285,629
TOTAL NET ASSETS AT BEGINNING OF YEAR	<u>NONE</u>
TOTAL NET ASSETS AT END OF YEAR	<u><u>\$285,629</u></u>

The accompanying notes are an integral part of this statement.

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**LOUISIANA TRANSPORTATION AUTHORITY
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
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**Statement of Cash Flows
For the Year Ended June 30, 2005**

Cash flows from capital and related financing activities:	
Proceeds from sale of bonds	\$159,733,398
Bond issuance costs	<u>(1,783,001)</u>
Net cash provided by capital and related financing activities	157,950,397
Cash flows from investing activities:	
Purchases of investment securities	<u>(157,802,384)</u>
Net increase in cash and cash equivalents	148,013
Cash and cash equivalents at beginning of year	<u>NONE</u>
Cash and cash equivalents at end of year	<u><u>\$148,013</u></u>

The accompanying notes are an integral part of this statement.

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INTRODUCTION

The Louisiana Transportation Authority (Authority) is a public corporation created within the Department of Transportation and Development of the State of Louisiana. The Louisiana Legislature created the Authority pursuant to Act No. 1209 of the 2001 Regular Session of the Louisiana Legislature for the purpose of pursuing alternative and innovative funding sources, including but not limited to public/private partnerships, tolls, and unclaimed property bonds to supplement public revenue sources and to improve Louisiana's transportation system. The Authority is governed by nine directors who shall be the governing body of the Authority with full power to promulgate rules and regulations for the maintenance and operation of the Authority, subject to the approval of the House and Senate committees on Transportation, Highways and Public Works. In accordance with the provisions of the Act, the Authority has the power to issue bonds for any purpose of the Authority and to pledge revenues for the payment of the principal and interest of such bonds. The Authority has no taxing power.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying basic financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting principles and financial reporting standards. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB. The Authority applies all GASB pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The authority has elected to follow GASB pronouncements issued after November 30, 1989, rather than FASB pronouncements.

B. REPORTING ENTITY

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of Louisiana. The Authority is considered a component unit of the State of Louisiana because the nine Authority directors are either members of the legislature or are appointed by the governor and the state is able to impose its will on the Authority through its oversight responsibility. The accompanying financial statements present only the activity of the Authority. Annually, the State of Louisiana issues basic financial statements that include the activity contained in the accompanying financial statements. These basic financial statements are audited by the Louisiana Legislative Auditor.

C. FUND ACCOUNTING

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Assets.

Revenues are recognized in the accounting period when they are earned and expenses are recognized when the related liability is incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and/or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The Authority has no operating activity in the current fiscal year. Interest earnings are recorded when the income is earned.

E. BUDGET PRACTICES

The Authority does not adopt a formal budget on a fiscal basis.

F. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and cash equivalents include amounts on deposit with the fiscal agent bank and invested in money market funds. Under state law, the Authority 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 Master Indenture of Trust dated April 1, 2005, authorizes the trustee, as directed by the Authority, to invest in direct U.S. Treasury obligations; bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies or by U.S. government instrumentalities, which are federally sponsored; direct security repurchase agreements of any federal book-entry only securities previously referenced with a financial institution rated not less than "A" by a rating agency and with collateral held by a third party;

certificates of deposit; mutual or trust fund institutions registered by the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940 and which have underlying investments consisting solely of and limited to securities of the U.S. government or its agencies; and investment grade commercial paper of domestic U.S. corporations.

Investments that are externally restricted to make debt service payments, to maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets are reported as restricted investments.

G. COMPENSATED ABSENCES, PENSION BENEFITS, AND POSTRETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS

The Authority has no employees. The Department of Transportation and Development employees perform the administrative and accounting functions for the Authority. Therefore, no compensated absences, pension benefits, or postretirement benefits are provided by the Authority.

H. NONCURRENT LIABILITIES

Bond issuance costs are reported and amortized over the life of the bonds using the straight-line method. Bond premium and discounts are amortized over the life of the bonds using the effective interest-rate method.

I. NET ASSETS

Net assets comprise the various net earnings from operations, nonoperating revenues, expenses, and contributions of capital. Net assets are generally classified in the following three components:

Invested in capital assets, net of related debt consists of all capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets consist of net assets subject to external constraints placed on net asset use by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of all other net assets that are not included in the other categories previously mentioned.

2. CASH AND CASH EQUIVALENTS

At June 30, 2005, cash equivalents of the Authority, totaling \$148,013, are money market funds that consist of shares in investments in direct obligations of the U.S. Department of the Treasury including Treasury bills, bonds, notes and other obligations issued or guaranteed by the U.S. Treasury and repurchase agreements backed by such obligations. The Authority's investments in the U.S. Treasury Plus Money Market Funds were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

3. INVESTMENTS, RESTRICTED

At June 30, 2005, the Authority has investments stated at cost, which approximates market totaling \$157,802,384 which are composed of repurchase agreements. At June 30, 2005, the repurchase agreements were collateralized by Federal Home Loan Mortgage Corporation mortgage backed securities, with a fair market value of \$161,244,070 (102%). The securities are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. Repurchase agreements totaling \$153,802,384 have a maturity of 1-5 years and the remaining \$4,000,000 has a maturity of greater than 10 years.

Credit Risk. Credit risk is limited by mandating in the repurchase agreements that the market value of the securities underlying repurchase agreements must equal at least 100%-105% of the value of the repurchased securities, depending on the type of underlying security. The Authority further limits its credit risk by limiting collateral for repurchase agreements, to securities issued with an explicit U.S. government guarantee (U.S. Treasury, Ginnie Mae) and securities issued with an implicit U.S. government guarantee by government sponsored entities (Fannie Mae, Freddie Mac, Federal Home Loan Bank).

Concentration of Credit Risk. The Authority addresses the concentration of credit risk as it pertains to repurchase agreements by limiting these transactions to financial institutions rated not less than "A" by a Rating Agency and with collateral of 100%-105% held by a third party.

Interest Rate Risk. The Authority has no policy related to interest rate risk.

4. ACCRUED INTEREST RECEIVABLE

The Authority has accrued interest receivable of \$313,795 at June 30, 2005. This amount represents income from investments earned before June 30, 2005, which was not received by the division until after June 30, 2005.

5. LONG-TERM LIABILITIES

The following is a summary of changes in long-term debt of the Authority for the year ended June 30, 2005:

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005	Amounts Due Within One Year
Bonds payable		\$195,800,000		\$195,800,000	
Less deferred amounts:					
Unamortized bond discount		(36,380,126)	\$52,566	(36,327,560)	\$916,160
Unamortized bond premium		4,483,428	(58,266)	4,425,162	(1,008,965)
Unamortized bond discount, net	NONE	(31,896,698)	(5,700)	(31,902,398)	(92,805)
Total liabilities	NONE	\$163,903,302	(\$5,700)	\$163,897,602	(\$92,805)

On June 9, 2005, the Authority issued Series 2005A Senior Lien Toll Revenue Bonds, Series 2005B Senior Lien Toll Revenue Capital Appreciation Bonds, and Series 2005 Subordinate Lien Toll Revenue Bond Anticipation Notes (BANS), in accordance with the Master Indenture of Trust, as supplemented by a First Supplemental Indenture of Trust and a Second Supplemental Indenture of Trust all dated as of April 1, 2005. These bonds have maturities between September 1, 2009 and December 1, 2030, with interest rates from 3.5% to 5.0%, except for the Capital Appreciation Bonds, which are interest free bonds issued at a deep discount.

In addition, the Authority has entered into a Secured Loan Agreement with the U.S. Department of Transportation (USDOT) pursuant to which the Authority is authorized, subject to the conditions set forth therein, to borrow up to \$66,000,000 to pay or reimburse the Authority for "Eligible Project Costs" of Phase I by refinancing the Series 2005 Subordinate Lien BANS.

Pursuant to the provisions of the Secured Loan Agreement, the USDOT has agreed to lend the Authority up to \$66,000,000 to pay or reimburse a portion of the Eligible Project Costs of Phase I under the Secured Loan Agreement between the Authority and the USDOT for the purpose of refinancing the Series 2005 Subordinate Lien BANS. To evidence the Authority's obligations under the Secured Loan Agreement, the Authority has issued the Series 2005 TIFIA Bond as a Subordinate Lien Bond.

All principal and interest are funded in accordance with Article 7, Section 27 of the Louisiana Constitution of 1974. These bonds are not general obligations of the state or any political subdivision thereof, and the faith and credit of the state is not pledged to the payment of these bonds. The Series 2005 Senior Lien bonds are payable solely from a first lien on and pledge of toll revenues. The Series 2005 Subordinate Lien BANS, which are to be refinanced by the TIFIA loan, are payable solely from a second lien on and pledge of toll revenues.

LOUISIANA TRANSPORTATION AUTHORITY

Detailed summaries, by issues, of all bonded debt outstanding at June 30, 2005, follow:

	Date of Issue	Original Issue	Outstanding June 30, 2004	Issued (Redeemed)	Outstanding June 30, 2005	Maturities	Interest Rates	Future Interest Payments, June 30, 2005
Series 2005A Senior Lien Toll Revenue Bonds	June 9, 2005	\$78,350,000		\$78,350,000	\$78,350,000	2014-2031	3.5% - 4.5%	\$146,234,064
Series 2005B Senior Lien Toll Revenue Capital Appreciation Bonds	June 9, 2005	51,450,000		51,450,000	51,450,000	2025-2029	5.17% - 5.34%	
Series 2005 Subordinate Lien Toll Revenue Bond Anticipation Notes	June 9, 2005	66,000,000		66,000,000	66,000,000	2010	3.875% - 5.0%	13,704,342
Total		<u>\$195,800,000</u>	<u>NONE</u>	195,800,000	195,800,000			<u>\$159,938,406</u>
Net original premium (discounts)				(31,896,698)	(31,896,698)			
Net accumulated amortization of premiums/discounts				(5,700)	(5,700)			
Bonds payable, net				<u>\$163,897,602</u>	<u>\$163,897,602</u>			

The annual requirements to amortize all bonds outstanding at June 30, 2005, are as follows:

	Principal	Interest	Total
2006		\$6,476,483	\$6,476,483
2007		6,623,676	6,623,676
2008		6,623,676	6,623,676
2009		6,623,676	6,623,676
2010	\$66,000,000	4,192,551	70,192,551
2011-2015	1,630,000	16,829,600	18,459,600
2016-2020	10,415,000	16,004,961	26,419,961
2021-2025	36,465,000	11,329,791	47,794,791
2026-2030	66,170,000	6,543,792	72,713,792
2031	15,120,000	340,200	15,460,200
Total	<u>\$195,800,000</u>	<u>\$81,588,406</u>	<u>\$277,388,406</u>

6. SUBSEQUENT EVENTS

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. While the Louisiana Transportation Authority did not directly suffer any major effects of these two hurricanes, the long-term effects of these events directly on the Authority cannot be determined at this time.

NOTES TO THE FINANCIAL STATEMENTS

The bonds issued by the Authority were downgraded by Fitch on December 1, 2005, to reflect what they consider to be the “. . . economic uncertainties and the financial pressures facing the State of Louisiana . . .” Louisiana provides credit enhancement and financial support for the project. The rating has dropped from “A-” to “BBB+” for \$78.4 million outstanding in Senior Lien Toll Revenue Bonds Series 2005A and \$16.3 million outstanding in Senior Lien Toll Revenue Bonds Series 2005B. The Series 2005 bond anticipation notes remain on Rating Watch Negative.

Since June 30, 2005, two contracts have been awarded on the LA 1 project. A contract for Phase 1B (Port Fourcheon to Leesville) was awarded February 14, 2006 for \$141,441,150 and a contract for Phase 1C (main spans) was awarded May 2, 2006, for \$20,203,759.

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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 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 reportable conditions and/or material weaknesses in internal control or compliance and other matters that would be material to the presented financial statements.



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

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October 13, 2006

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

**LOUISIANA TRANSPORTATION AUTHORITY
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
Baton Rouge, Louisiana**

We have audited the basic financial statements of the Louisiana Transportation Authority, a component unit of the State of Louisiana, as of and for the year ended June 30, 2005, and have issued our report thereon dated October 13, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Louisiana Transportation Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

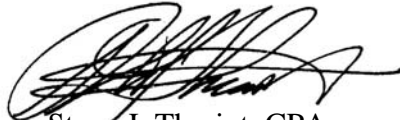
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Louisiana Transportation Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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*.

This report is intended solely for the information and use of the Louisiana Transportation Authority and its management 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

LCW:BQD:THC:dl

LTA05