

LEGISLATIVE AUDITOR
STATE OF LOUISIANA



CRESCENT CITY CONNECTION DIVISION

DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
NEW ORLEANS, LOUISIANA

AUDIT REPORT
ISSUED OCTOBER 27, 2004

**LEGISLATIVE AUDITOR
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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.

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September 23, 2004

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, 2004, 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, 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. Accordingly, the accompanying special purpose financial statements are not intended to and do not present the financial position and results of operations of the Crescent City Connection Division in conformity with accounting principles generally accepted in the United States of America.

CRESCENT CITY CONNECTION DIVISION

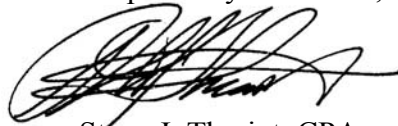
In our opinion, the accompanying special purpose financial statements present fairly, in all material respects, the financial position of the Crescent City Connection Division as of June 30, 2004, and the results of its operations for the year ended June 30, 2004, on the basis of accounting described in note 1-A.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 23, 2004, on our consideration of the Crescent City Connection Division's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was 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 the Crescent City Connection Division, the Department of Transportation and Development, and its trustee bank 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 AND ACCOUNT GROUPS**

Combined Balance Sheet (Legal Basis), June 30, 2004

	GOVERNMENTAL FUND TYPES			
	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUND
ASSETS AND OTHER DEBITS				
Assets:				
Cash and cash equivalents (note 2)	\$4,700	\$192,156		
Investments (note 3)		1,837,001	\$6,353,754	\$50,623,156
Receivables		1,537		
Accrued interest receivable (note 4)		897	2,959	23,404
Due from state treasury			4,900,901	
Due from other funds (note 10)	5,429,585	2,149,194	528,684	
Bridge construction, ferry acquisition, bridge approaches, and related structures (note 5)				
Other Debits:				
Amount available for debt service funds				
Amount to be provided for retirement of general long-term debt				
TOTAL ASSETS AND OTHER DEBITS	\$5,434,285	\$4,180,785	\$11,786,298	\$50,646,560
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable	\$2,850,821		\$63,515	\$1,294,762
Tag deposits		\$1,716,829		
Due to other funds (note 10)		528,684	5,429,585	2,149,194
Deferred revenue (note 1-L)		1,935,272		
General obligation bonds payable (note 7)				
Total Liabilities	2,850,821	4,180,785	5,493,100	3,443,956
Fund Equity:				
Investment in general fixed assets				
Fund balances:				
Reserved for operations (note 8)	2,583,464			
Reserved for projects (note 8)				47,202,604
Reserved for debt service (note 8)			6,293,198	
Total Fund Equity	2,583,464	NONE	6,293,198	47,202,604
TOTAL LIABILITIES AND FUND EQUITY	\$5,434,285	\$4,180,785	\$11,786,298	\$50,646,560

The accompanying notes are an integral part of this statement.

ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)
GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	
		\$196,856
		58,813,911
		1,537
		27,260
		4,900,901
		8,107,463
\$282,530,965		282,530,965
	\$6,293,198	6,293,198
	11,796,802	11,796,802
<u>\$282,530,965</u>	<u>\$18,090,000</u>	<u>\$372,668,893</u>
		\$4,209,098
		1,716,829
		8,107,463
		1,935,272
	\$18,090,000	18,090,000
<u>NONE</u>	<u>18,090,000</u>	<u>34,058,662</u>
\$282,530,965		282,530,965
		2,583,464
		47,202,604
		6,293,198
<u>282,530,965</u>	<u>NONE</u>	<u>338,610,231</u>
<u>\$282,530,965</u>	<u>\$18,090,000</u>	<u>\$372,668,893</u>

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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, 2004**

	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUND	TOTAL (MEMORANDUM ONLY)
REVENUES					
Interest on investments	\$6,473	\$10,306	\$37,047	\$281,364	\$335,190
Toll revenue		20,121,390			20,121,390
Scrip revenue - bridge and ferry		102,310			102,310
Ferry revenue		470,497			470,497
Highway Fund No. 2			5,429,585		5,429,585
Rental income and other income		82,711			82,711
Federal grants	500,000				500,000
Total revenues	506,473	20,787,214	5,466,632	281,364	27,041,683
EXPENDITURES					
Operational expenditures	20,543,910				20,543,910
Capital outlay expenditures				8,933,552	8,933,552
Interest expense			668,969		668,969
Bonds redeemed			1,810,000		1,810,000
Bank charges	3,582	133,010	7,013	55,210	198,815
Total expenditures	20,547,492	133,010	2,485,982	8,988,762	32,155,246
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES					
	(20,041,019)	20,654,204	2,980,650	(8,707,398)	(5,113,563)
OTHER FINANCING SOURCES (Uses)					
Operating transfers in (note 11)	23,805,241	2,386,134	9,035,410	21,928,330	57,155,115
Operating transfers out (note 11)	(4,513,500)	(23,041,744)	(9,960,288)	(19,639,583)	(57,155,115)
Total financing sources (uses)	19,291,741	(20,655,610)	(924,878)	2,288,747	NONE
EXCESS (Deficiency) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES					
	(749,278)	(1,406)	2,055,772	(6,418,651)	(5,113,563)
FUND BALANCES AT BEGINNING OF YEAR, Restated (note 16)					
	3,332,742	1,406	4,237,426	53,621,255	61,192,829
FUND BALANCES AT END OF YEAR					
	\$2,583,464	NONE	\$6,293,198	\$47,202,604	\$56,079,266

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 245 people as of June 30, 2004.

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 of the 1992 Bonds and paying the cost of issuance, administered by the Trustee, Bank One Trust Company, N.A., 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 the General Fixed Assets Account Group as they relate to the majority of the approaches to Bridge No. 2, ferries, and capital projects of the division
- Changes in the General Long-Term Debt Account Group as they relate to payments on bonds issued for the purpose of refunding all of the 1992 Bonds and paying the cost of issuance

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 Comprehensive Annual Financial Report (CAFR), which includes the activity contained in the accompanying financial statements. The CAFR is audited by the Office of the Legislative Auditor.

C. FUND ACCOUNTING

The division uses funds and account groups 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.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

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 general fixed assets, and the servicing of general 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 general 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. Proceeds from bonds sold are recorded as other financing sources.

E. BUDGET PRACTICES

Budgets are prepared for all Federal Transit Authority 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, a Statement of Revenues, Expenditures, and Changes in Fund Balances - Actual and Budget 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 trustee to invest in direct obligations of the United States of America or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America; bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by the federal agencies; bonds, debenture, notes or other evidence of indebtedness issued or guaranteed by the non-full faith and credit U.S. government agencies; money market funds; certificates of deposit, savings accounts, deposit accounts, or money market deposits; investment agreements; commercial paper; bonds or notes issued by any state or municipality; federal funds or bankers acceptances; repurchase agreements; any state administered pool investment fund; and any other investment acceptable to the district, the trustee and the bond issuer.

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 reported in the general fixed assets account group. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost.

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 in the general long-term obligations account group, not in the governmental funds.

The account groups are not funds. They are concerned only with the measurement of financial position, not with measurement of results of operations.

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.

**I. POSTEMPLOYMENT HEALTH CARE
AND LIFE INSURANCE BENEFITS**

The division provides certain continuing health care and life insurance benefits for its retired employees. The current costs of providing these retiree benefits are included in the operational expenditures on Statement B. The costs for continuing health care and life insurance benefits for its retired employees are included in the notes of the annual fiscal report of DOTD.

J. FUND EQUITY - RESERVES

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

K. FEDERAL FUNDS

The Crescent City Connection Division follows DOTD's guidelines to document compliance with federal laws and regulations. Federal Transit Authority (FTA) grants provide 80% federal funding for the capital project expenditures in the Capital Projects Fund and up to \$500,000 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.

L. 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, 2004 is \$1,935,272.

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.

CRESCENT CITY CONNECTION DIVISION

2. CASH

At June 30, 2004, the division has cash (book balances) totaling \$196,856 as follows:

Demand deposits with financial institutions	\$192,156
Cash on hand - toll collector change fund	<u>4,700</u>
Total	<u><u>\$196,856</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, 2004, the division has \$117,976 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, 2004, investments of the division total \$58,813,911, which is shown on Statement A. The investments, which consist entirely of money market mutual funds, are stated at fair value. The division used quoted market values to determine the fair value of the investments. The money market mutual funds consist of shares in investments in direct obligations of the U.S. Department of the Treasury. The division's investments in the U.S. Treasury Securities Money Market Funds were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

4. ACCRUED INTEREST RECEIVABLE

The division has accrued interest receivable of \$27,260 at June 30, 2004. This amount represents income from investments earned before June 30, 2004, which was not received by the division until after June 30, 2004.

5. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
Bridge construction, ferry acquisitions, bridge approaches, and related structures	<u>\$273,597,413</u>	<u>\$8,933,552</u>	<u>NONE</u>	<u>\$282,530,965</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.

6. PENSION PLAN

Substantially all employees of the division are members of the Louisiana State Employees Retirement System (System), a cost-sharing, multiple-employer defined benefit pension plan. The System is a statewide public employee retirement system (PERS) for the benefit of state employees, which is administered and controlled by a separate board of trustees.

All full-time division employees are eligible to participate in the System. Benefits vest with 10 years of service. At retirement age, employees are entitled to annual benefits equal to \$300 plus 2.5% of their highest consecutive 36 months' average salary multiplied by their years of credited service. Vested employees may retire at (a) any age with 30 years of service, (b) age 55 with 25 years of service, or (c) age 60 with 10 years of service. In addition, vested employees have the option of reduced benefits at any age with 20 years of service. The System also provides death and disability benefits. Benefits are established or amended by state statute. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Employees Retirement System, Post Office Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

Members are required by state statute to contribute 7.5% of gross salary, and the division is required to contribute at an actuarially determined rate as required by Louisiana Revised Statute 11:102. The contribution rate for the year ended June 30, 2004, was 15.8% of annual covered payroll; 14.1 % for the fiscal year ended June 30, 2003; and 13% for the fiscal year ended June 30, 2002. The division's contributions to the System including employee contributions for fiscal year ending June 30, 2004, for fiscal year ending June 30, 2003, and for fiscal year ending June 30, 2002, were \$1,573,813, \$1,391,320, and \$1,256,296, respectively, equal to the required contribution for each year.

7. CHANGES IN GENERAL LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the fiscal year ended June 30, 2004:

	Bonded Indebtedness Payable at June 30, 2003	Additions	Retirements	Bonded Indebtedness Payable at June 30, 2004
Bridge Revenue Refunding Bonds - Series 2002	\$19,900,000	NONE	\$1,810,000	\$18,090,000
Total	\$19,900,000	NONE	\$1,810,000	\$18,090,000

CRESCENT CITY CONNECTION DIVISION

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 \$3,503,353 are as follows:

Fiscal Year Ending June 30:	
2005	\$2,413,069
2006	2,409,850
2007	2,406,244
2008	2,399,556
2009	2,387,700
2010-2013	<u>9,576,934</u>
Total	<u>\$21,593,353</u>

The division has accumulated a balance of \$6,293,198 dedicated to the payment of bonds. Another \$11,796,802 is to be provided from future years' revenues dedicated to the payment of the bonds.

8. RESERVED FUND BALANCES

As shown on Statement A, the division has reserved fund balances of \$56,079,266 at June 30, 2004. 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, 2004, is \$2,583,464.

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, 2004, is \$6,293,198.

Reserve for Projects - Monies are reserved in the Capital Projects Fund for incomplete projects. The amount of the reserve at June 30, 2004, is \$47,202,604.

9. 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.

10. DUE FROM/TO OTHER FUNDS

Individual fund balances due from/to other funds at June 30, 2004, are as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$5,429,585	
Special Revenue Funds	2,149,194	\$528,684
Debt Service Funds	528,684	5,429,585
Capital Projects Fund		2,149,194
	\$8,107,463	\$8,107,463
Total		

11. 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, 2004:

	Transfers In	Transfers Out
General Fund	\$23,805,241	\$4,513,500
Special Revenue Funds:		
Toll Tag Deposits	121,698	154,635
Toll Collection Fund	2,264,436	22,887,109
Debt Service Funds:		
Reserve Fund		8,410
Sinking Fund	3,865,422	
Interest Fund	648,078	
Debt Service Fund	4,521,910	9,951,878
Capital Projects Fund	21,928,330	19,639,583
Total	\$57,155,115	\$57,155,115

12. INFRASTRUCTURE

The following information was requested by the Office of Statewide Reporting and Accounting Policy (OSRAP) to convert the financial statements of the Crescent City Connection Division from modified accrual basis to full accrual basis for the state’s Comprehensive Annual Financial Report (CAFR):

Infrastructure	
Balance at June 30, 2003 (gross)	\$262,764,478
Plus - additions	8,922,972
Less - accumulated depreciation	<u>(110,482,962)</u>
Balance at June 30, 2004 (net of depreciation)	<u><u>\$161,204,488</u></u>

Accumulated depreciation of \$110,482,962 is composed of current year depreciation expense of \$5,461,112 and \$105,021,850 accumulated from prior years. Infrastructure is reported in the General Fixed Asset Account Group at the gross amount of \$282,530,965, which includes the amount for land and land improvements.

13. LAND AND LAND IMPROVEMENTS

Land and land improvements for the Crescent City Connection Division include right-of-way acquisitions and improvement to those properties. Land and land improvements do not depreciate and are included in the General Fixed Asset Account Group. Changes to the land and land improvements category of assets are as follows:

Balance at June 30, 2003	\$10,832,935
Additions	10,580
Deletions	<u>NONE</u>
Balance at June 30, 2004	<u><u>\$10,843,515</u></u>

14. 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 United States 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 Crescent City Connection Division has entered into six cooperative agreements. Three of those agreements are with the Jefferson Parish Council; one is with the Regional Planning Commission for Jefferson, Orleans, Plaquemines, St. Bernard and St. Tammany parishes; one is with the Port of New Orleans; and one is with the City of Gretna. All 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, 2004, for these agreements is \$4,297,579, which is not reflected on the accompanying financial statements.

15. ELIMINATION ENTRIES

Certain information concerning revenue and expenditure transactions and related receivables and payables of the Crescent City Connection 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.

16. BEGINNING FUND BALANCE, RESTATED

Beginning fund balance for the General Fund was decreased by \$472,519 to correct a prior year overstatement of federal revenue as follows:

General Fund:	
Fund Balance, July 1, 2003	\$3,805,261
Adjustment	<u>(472,519)</u>
Fund Balance, July 1, 2003, as restated	<u><u>\$3,332,742</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, 2004**

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, 2004

	TOLL COLLECTION FUND	TOLL TAG DEPOSIT FUND	TOTAL
ASSETS			
Cash and cash equivalents	\$192,156		\$192,156
Investments	160,345	\$1,676,656	1,837,001
Receivables	1,537		1,537
Accrued interest receivable	116	781	897
Due from other funds	2,109,802	39,392	2,149,194
	<u>2,463,956</u>	<u>39,392</u>	<u>2,149,194</u>
TOTAL ASSETS	<u>\$2,463,956</u>	<u>\$1,716,829</u>	<u>\$4,180,785</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Tag deposits		\$1,716,829	\$1,716,829
Due to other funds	\$528,684		528,684
Deferred revenue	1,935,272		1,935,272
Total Liabilities	<u>2,463,956</u>	<u>1,716,829</u>	<u>4,180,785</u>
Fund Equity - fund balance - reserved for projects	<u>NONE</u>	<u>NONE</u>	<u>NONE</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$2,463,956</u>	<u>\$1,716,829</u>	<u>\$4,180,785</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, 2004**

	TOLL COLLECTION FUND	TOLL TAG DEPOSIT FUND	TOTAL
REVENUES			
Interest on investments	\$1,432	\$8,874	\$10,306
Toll revenue	20,121,390		20,121,390
Scrip revenue - bridge and ferry	102,310		102,310
Ferry revenue	470,497		470,497
Rental income and other income	58,393	24,318	82,711
Total revenues	<u>20,754,022</u>	<u>33,192</u>	<u>20,787,214</u>
EXPENDITURES - Bank charges	<u>131,349</u>	<u>1,661</u>	<u>133,010</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>20,622,673</u>	<u>31,531</u>	<u>20,654,204</u>
OTHER FINANCING SOURCES (Uses)			
Operating transfers in	2,264,436	121,698	2,386,134
Operating transfers out	<u>(22,887,109)</u>	<u>(154,635)</u>	<u>(23,041,744)</u>
Total financing sources (uses)	<u>(20,622,673)</u>	<u>(32,937)</u>	<u>(20,655,610)</u>
EXCESS (Deficiency) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	NONE	(1,406)	(1,406)
FUND BALANCES AT BEGINNING OF YEAR	<u>NONE</u>	<u>1,406</u>	<u>1,406</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, 2004**

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, 2004

	RESERVE FUND	SINKING FUND	INTEREST FUND	DEBT SERVICE FUND	PROCEEDS FUND	TOTAL
ASSETS						
Investments	\$2,075,931	\$3,886,097	\$327,962		\$63,764	\$6,353,754
Accrued interest receivable	967	1,810	152		30	2,959
Due from other funds				\$528,684		528,684
Due from state treasury				4,900,901		4,900,901
TOTAL ASSETS	\$2,076,898	\$3,887,907	\$328,114	\$5,429,585	\$63,794	\$11,786,298
LIABILITIES AND FUND EQUITY						
Liabilities:						
Accounts payable					\$63,515	\$63,515
Due to other funds				\$5,429,585		5,429,585
Total Liabilities	NONE	NONE	NONE	5,429,585	63,515	5,493,100
Fund Equity - fund balance - reserved for debt service	\$2,076,898	\$3,887,907	\$328,114	NONE	279	6,293,198
TOTAL LIABILITIES AND FUND EQUITY	\$2,076,898	\$3,887,907	\$328,114	\$5,429,585	\$63,794	\$11,786,298

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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, 2004**

	<u>RESERVE FUND</u>	<u>SINKING FUND</u>	<u>INTEREST FUND</u>
REVENUES			
Interest on investments	\$11,283	\$21,267	\$3,366
Highway Fund No. 2			
Total revenues	<u>11,283</u>	<u>21,267</u>	<u>3,366</u>
EXPENDITURES			
Interest expense			668,969
Bonds redeemed		1,810,000	
Bank charges	2,176	3,703	665
Total expenditures	<u>2,176</u>	<u>1,813,703</u>	<u>669,634</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>9,107</u>	<u>(1,792,436)</u>	<u>(666,268)</u>
OTHER FINANCING SOURCES (Uses)			
Operating transfers in		3,865,422	648,078
Operating transfers out	(8,410)		
Total financing sources (uses)	<u>(8,410)</u>	<u>3,865,422</u>	<u>648,078</u>
EXCESS (Deficiency) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER USES	697	2,072,986	(18,190)
FUND BALANCES AT BEGINNING OF YEAR	<u>2,076,201</u>	<u>1,814,921</u>	<u>346,304</u>
FUND BALANCES AT END OF YEAR	<u><u>\$2,076,898</u></u>	<u><u>\$3,887,907</u></u>	<u><u>\$328,114</u></u>

DEBT SERVICE FUND	PROCEEDS FUND	TOTAL
\$785	\$346	\$37,047
5,429,585		5,429,585
<u>5,430,370</u>	<u>346</u>	<u>5,466,632</u>
		668,969
		1,810,000
402	67	7,013
<u>402</u>	<u>67</u>	<u>2,485,982</u>
5,429,968	279	2,980,650
4,521,910		9,035,410
(9,951,878)		(9,960,288)
<u>(5,429,968)</u>	<u>NONE</u>	<u>(924,878)</u>
NONE	279	2,055,772
NONE	NONE	4,237,426
<u>NONE</u>	<u>\$279</u>	<u>\$6,293,198</u>

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OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

The following pages contain a report on compliance with laws and regulations and on internal control 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 matters that would be material to the presented financial statements.

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STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

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September 23, 2004

Report on Compliance and on Internal Control Over Financial
Reporting 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, 2004, and have issued our report thereon dated September 23, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting


In planning and performing our audit, we considered the Crescent City Connection Division's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the special purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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.

CRESCENT CITY CONNECTION DIVISION

We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management of the Crescent City Connection Division, Department of Transportation and Development, and its trustee bank 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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[CCCD04]