LOUISIANA TRANSPORTATION AUTHORITY
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
A COMPONENT UNIT OF THE
STATE OF LOUISIANA

FINANCIAL STATEMENT AUDIT
FOR THE YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013
ISSUED NOVEMBER 19, 2014

LOUISIANA LEGISLATIVE AUDITOR
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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

November 18, 2014

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Louisiana Transportation Authority (Authority), a component unit of the state of Louisiana, as of and for the years ended June 30, 2014 and June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2014 and June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in note 1-L and note 10 to the financial statements, the implementation of Governmental Accounting Standards Board (GASB) Statement 65 required bond issuance costs to be expensed instead of being amortized over the life of the bonds. The overall impact of this implementation for the fiscal year ended June 30, 2013, is a decrease in net position of $2,968,906.

As discussed in note 10 to the financial statements, the 2013 financial statements have also been restated to correct misstatements totaling $6,822,976.

Our opinion is not modified with respect to the matters emphasized above.

Other Matter

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2014 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

AB:RR:BQD:THC:aa

LTA 2014

LOUISIANA TRANSPORTATION AUTHORITY
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA

Statement of Net Position
June 30, 2014 and 2013

	2014	2013
ASSETS		
Noncurrent assets		
Restricted assets:		
Cash (note 2)	$252,464	$336,331
Investments (note 3)	3,479,261	5,112,667
Due from other entities (note 9)	1,379,487	2,418,815
Accounts receivable, net (note 4)	74,975	46,647
Capital assets, net, (note 5)	338,038,566	347,252,200
Total assets	343,224,753	355,166,660
LIABILITIES		
Current liabilities:		
Unearned revenue	1,026,874	481,392
Due to other entities (note 9)	810,148	732,786
Accrued interest on bonds payable	2,631,115	563,799
Bonds payable, net (note 6)	170,263	1,554,242
Total current liabilities	4,638,400	3,332,219
Noncurrent liabilities - bonds payable, net (note 6)	174,955,571	176,651,192
Total liabilities	179,593,971	179,983,411
DEFERRED INFLOWS OF RESOURCES (note 7)	7,468,301	
NET POSITION		
Net investment in capital assets	155,444,431	169,046,766
Restricted for debt service	718,050	6,136,483
Total net position	$156,162,481	$175,183,249

The accompanying notes are an integral part of this statement.

LOUISIANA TRANSPORTATION AUTHORITY
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA

Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Years Ended June 30, 2014 and 2013

	2014	2013
OPERATING REVENUES		
Toll fees	$5,816,524	$4,269,537
Total operating revenues	5,816,524	4,269,537
OPERATING EXPENSES		
Administrative expenses	1,540	1,556
Depreciation (note 5)	9,395,479	9,518,473
Total operating expenses	9,397,019	9,520,029
OPERATING LOSS	(3,580,495)	(5,250,492)
NONOPERATING REVENUES (Expenses)		
Interest expense	(15,733,582)	(8,022,837)
Other revenue - interest income	111,464	180,983
Total nonoperating revenues (expenses)	(15,622,118)	(7,841,854)
LOSS BEFORE CAPITAL CONTRIBUTIONS	(19,202,613)	(13,092,346)
Capital contributions (note 10)	181,845	4,401,306
CHANGE IN NET POSITION	(19,020,768)	(8,691,040)
NET POSITION AT BEGINNING OF YEAR (restated, note 10)	175,183,249	183,874,289
NET POSITION AT END OF YEAR	$156,162,481	$175,183,249

The accompanying notes are an integral part of this statement.

LOUISIANA TRANSPORTATION AUTHORITY
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA

Statement of Cash Flows
For the Years Ended June 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$7,450,368	$3,479,147
Cash payments to suppliers for goods or services	(1,540)	(1,556)
Net cash provided by operating activities	7,448,828	3,477,591
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from sale of bonds	175,276,713	
Principal paid on bonds	(170,510,821)	(810,000)
Interest paid on bond maturities	(14,043,457)	(3,314,223)
Net cash used by capital and related financing activities	(9,277,565)	(4,124,223)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investment securities	(13,054,814)	(8,066,309)
Proceeds from sale of investment securities	14,688,220	8,542,129
Interest and dividends earned on investment securities	111,464	180,983
Net cash provided by investing activities	1,744,870	656,803
NET INCREASE (Decrease) IN CASH	(83,867)	10,171
CASH AT BEGINNING OF YEAR	336,331	326,160
CASH AT END OF YEAR	$252,464	$336,331

(Continued)

The accompanying notes are an integral part of this statement.

LOUISIANA TRANSPORTATION AUTHORITY
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
Statement of Cash Flows
For the Years Ended June 30, 2014 and 2013

	2014	**2013**
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	($3,580,495)	($5,250,492)
Adjustment to reconcile operating loss to net cash provided by operating activities:		
Depreciation expense	9,395,479	9,518,473
(Increase) Decrease in accounts receivable	(28,328)	29,617
(Increase) Decrease in due from	1,039,328	(1,075,826)
Increase in due to	77,362	169,334
Increase in unearned revenues	545,482	86,485
Total adjustments	11,029,323	8,728,083
Net cash provided by operating activities	$7,448,828	$3,477,591

Schedule of Noncash Investing, Capital, and Financing Activities:		
Capital contributions	$181,845	$4,401,306

(Concluded)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

The Louisiana Transportation Authority (Authority) is a public corporation created within the Department of Transportation and Development (DOTD) of the state of Louisiana. The Louisiana Legislature created the Authority pursuant to Act 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. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and reporting principles. These principles are found in the *Codification of Governmental Accounting and Financial Reporting Standards*, published by the GASB.

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 Position.

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.

E. BUDGET PRACTICES

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

F. CASH AND INVESTMENTS

Cash includes amounts on deposit with the fiscal agent bank and an imprest account. Investments include amounts invested in money market funds. The Authority considers all highly-liquid investments and deposits with a maturity of three months or less when purchased to be cash equivalents. 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 Trust Indenture dated November 1, 2013, authorizes the trustee, as directed by the Authority, to invest in direct United States Treasury obligations of which the principal and interest are guaranteed by the United States government; bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies and provided such obligations are backed by the full faith and credit of the United States of America or by U.S. government instrumentalities, which are federally sponsored; and mutual or trust fund institutions which are registered with 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.

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. CAPITAL ASSETS

The Authority follows the capitalization policies established by the Louisiana Division of Administration, Office of Statewide Accounting and Reporting Policy. Buildings and infrastructure assets have a capitalization threshold of $100,000 and $3 million, respectively, and are capitalized and depreciated using the straight-line method over 40 years. Construction-in-progress is not depreciated.

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

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

I. NONCURRENT LIABILITIES

Prior to fiscal year 2014, bond issuance costs were reported and amortized over the life of the bonds using the straight-line method. During fiscal year 2014 GASB 65 was implemented, now requiring bond issuance costs to be expensed in the period incurred. Bond premium and discounts are amortized over the life of the bonds using the effective interest-rate method.

J. NET POSITION

Net position comprises the various net earnings from operations, nonoperating revenues, expenses, and contributions of capital. Net position is generally classified in the following three components:

- Net investment in capital assets consists of all capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Authority's policy is to first apply the expense toward restricted resources, then toward unrestricted resources.

K. USE OF ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about amounts reported in the financial statements. Actual results could differ from those estimates.

L. ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the year ended June 30, 2014, the Authority implemented GASB Statement 65 – *Items Previously Reported as Assets and Liabilities*. There were two effects of this implementation: 1) expense bond issuance costs instead of amortizing over the life of the bonds, and 2) for current refundings, report the difference between the reacquisition price and the net carrying amount of the old debt as a deferred outflow of resources or a deferred inflow of resources and recognize as a component of interest expense over the life of the old debt or the life of the new debt, whichever is shorter.

2. CASH

As reflected on Statement A, the Authority has cash (book balances) totaling $252,464 at June 30, 2014, and $336,331 at June 30, 2013. 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 pledge securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At June 30, 2014, the Authority had $150,393 in deposits (collected bank balances) secured by federal deposit insurance. At June 30, 2013, the Authority had $287,609 in deposits (collected bank balances), of which only $250,000 was secured by federal deposit insurance and $37,609 collateralized with securities held by the pledging institution's trust department or agent, but not in the entity's name.

3. INVESTMENTS

At June 30, 2014, the Authority has investments stated at cost, which approximates market, totaling $3,479,261, which are composed of money market mutual 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. The Authority's investments in the Federated Government Obligations Tax Managed Fund were rated AAAm by Standard and Poor's and Aaa-mf by Moody's Investors Service. The fund invests primarily in short-term U.S. Treasury and government securities that have remaining maturities of 365 days or less. These funds are reflected as restricted assets in the Statement of Net Position. The fund does not invest in repurchase agreements.

At June 30, 2013, the Authority had investments stated at cost, which approximates market, totaling $5,112,667, which are composed of money market mutual funds totaling $1,112,667 (21.76% of the total) 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 a repurchase agreement totaling $4,000,000 (78.24% of the total) backed by such obligations. The Authority's investments in the U.S. Treasury Plus Money Market Funds were rated AAAm by Standard and Poor's and Aaa-mf by Moody's Investors Service. The fund will only invest in securities that have remaining maturities of 397 days or less. These funds are reflected as restricted assets in the Statement of Net Position. At June 30, 2013, the repurchase agreement is collateralized by Government National Mortgage Association (Ginnie Mae), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (Freddie Mac) mortgage-backed securities, with a fair market value of $4,193,859. The maturity of the investments held at June 30, 2013, is greater than 10 years.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At year end, June 30, 2014, the Authority limited credit risk by not investing in repurchase agreements. During the year ended June 30, 2013, the Authority limited its credit risk with the repurchase agreement by requiring the market value of the securities underlying repurchase agreements to equal at least 100%-105% of the value of the repurchased securities at all times, depending on the type of underlying security. The Authority further limited its credit risk by limiting collateral for repurchase agreements to securities explicitly guaranteed by the U.S. government (U.S. Treasury, Government National Mortgage Association) and implicitly guaranteed by the U.S. government for government-sponsored entities (Fannie Mae, Freddie Mac, and Federal Home Loan Bank).

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. No investments were held at June 30, 2014, requiring concentration of credit risk disclosure. However, during the year ended June 30, 2013, the Authority limited concentration of credit risk by investing in repurchase agreements of financial institutions rated not less than "A" by a rating agency and by requiring collateral of 100%-105% held by a third party.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority has no policies to limit its interest rate risk. No investments were held at June 30, 2014 requiring interest rate risk disclosure. However, the repurchase agreement held at June 30, 2013, had underlying investments that were mortgage-backed securities, and therefore prepayment options caused them to be highly sensitive to changes in interest rates.

4. ACCOUNTS RECEIVABLE, RESTRICTED

The Authority has accounts receivable of $74,975 at June 30, 2014, all of which are for tolls (net of the allowance for doubtful accounts). At June 30, 2013, the Authority had $46,647 in accounts receivable representing income from investments and tolls (net of the allowance for doubtful accounts) of $15,000 and $31,647, respectively. These amounts were earned before the year-end but not received by the Authority until after the applicable year-end. Allowance for doubtful accounts is estimated to be 90% of all invoiced violations 0 to 180 days old. Violation receivables older than 180 days are deemed uncollectible. The estimated collectible percentage is based on collections of prior-year violations and the Authority's ability to collect aged accounts receivable.

5. CAPITAL ASSETS

The capital assets are included on the Statement of Net Position and are capitalized at cost. Depreciation of all exhaustible capital assets used by the entity is charged as an expense against operations. Depreciation is computed by the straight-line method over the useful lives of the assets.

A summary of changes in capital assets follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets not depreciated:				
Construction-in-progress				NONE
Total capital assets not depreciated	NONE	NONE	NONE	NONE
Other capital assets:				
Buildings	$889,750			$889,750
Less accumulated depreciation	(88,975)	($22,244)		(111,219)
Total buildings	800,775	(22,244)	NONE	778,531
Infrastructure	374,400,827	181,845		374,582,672
Less accumulated depreciation	(27,949,402)	(9,373,235)		(37,322,637)
Total infrastructure	346,451,425	(9,191,390)	NONE	337,260,035
Total other capital assets	$347,252,200	($9,213,634)	NONE	$338,038,566
Capital asset summary:				
Capital assets not depreciated				
Other capital assets, book value	$375,290,577	$181,845		$375,472,422
Total cost of capital assets	375,290,577	181,845	NONE	375,472,422
Less accumulated depreciation	(28,038,377)	(9,395,479)		(37,433,856)
Capital assets, net	$347,252,200	($9,213,634)	NONE	$338,038,566

	Balance June 30, 2012	Prior Period Adjustments	Restated Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Capital assets not depreciated:						
Construction-in-progress	$9,474,228		$9,474,228		($9,474,228)	NONE
Total capital assets not depreciated	$9,474,228	NONE	$9,474,228	NONE	($9,474,228)	NONE
Other capital assets:						
Buildings	$889,750		$889,750			$889,750
Less accumulated depreciation	(66,731)		(66,731)	($22,244)		(88,975)
Total buildings	823,019	NONE	823,019	(22,244)	NONE	800,775
Infrastructure	354,415,359	$6,109,934	360,525,293	13,875,534		374,400,827
Less accumulated depreciation	(18,190,256)	(262,917)	(18,453,173)	(9,496,229)		(27,949,402)
Total infrastructure	336,225,103	5,847,017	342,072,120	4,379,305	NONE	346,451,425
Total other capital assets	$337,048,122	$5,847,017	$342,895,139	$4,357,061	NONE	$347,252,200
Capital asset summary:						
Capital assets not depreciated	$9,474,228		$9,474,228		($9,474,228)	NONE
Other capital assets, book value	$355,305,109	$6,109,934	$361,415,043	$13,875,534		$375,290,577
Total cost of capital assets	364,779,337	6,109,934	370,889,271	13,875,534	(9,474,228)	375,290,577
Less accumulated depreciation	(18,256,987)	(262,917)	(18,519,904)	(9,518,473)		(28,038,377)
Capital assets, net	$346,522,350	$5,847,017	$352,369,367	$4,357,061	($9,474,228)	$347,252,200

6. LONG-TERM LIABILITIES

The following is a summary of changes in long-term debt of the Authority for the years ended June 30, 2014 and 2013:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Amounts Due Within One Year
Bonds payable	$193,750,000	$173,530,000	$193,750,000	$173,530,000	$170,000
Accreted interest on TIFIA bond	11,897,535		11,897,535		
Unamortized bond premium (discount)	(27,442,101)	1,746,713	(27,291,222)	1,595,834	263
Total	$178,205,434	$175,276,713	$178,356,313	$175,125,834	$170,263

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Amounts Due Within One Year
Bonds payable	$194,560,000		$810,000	$193,750,000	$1,605,000
Accreted interest on TIFIA bond	8,811,466	$3,086,069		11,897,535	
Unamortized bond discount	(28,778,043)		(1,335,942)	(27,442,101)	(50,758)
Total	$174,593,423	$3,086,069	($525,942)	$178,205,434	$1,554,242

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. The Series 2005A Senior Lien Toll Revenue Bonds have maturity dates of December 1, 2013 to December 1, 2030, with interest rates of 3.5% to 4.5%. The Capital Appreciation Bonds are interest-free bonds issued at a deep discount. The Series 2005 Subordinate Lien Toll Revenue BANS matured on September 1, 2009.

In addition, the Authority entered into a Secured Loan Agreement with the USDOT to borrow $66,000,000 to reimburse the Authority for “Eligible Project Cost” of Phase 1 by refinancing the Series 2005 Subordinate Lien BANS. To evidence the Authority’s obligations under the Secured Loan Agreement, the Authority issued the Series 2005 Transportation Infrastructure Finance and Innovation Act (TIFIA) Bond as a Subordinate Lien Toll Revenue Bond. The TIFIA Bond has a maturity of December 1, 2040, with an interest rate of 4.45%.

On November 14, 2013, in accordance with the Trust Indenture, the Authority issued $51,530,000 of Louisiana Transportation Authority Refunding Bonds, Series 2013A for the purpose of providing funds, together with other available funds including a portion of TIFIA bonds (described below), to currently refund the Authority’s Series 2005A Senior Lien Toll Revenue Bonds and Series 2005B Senior Lien Toll Revenue Capital Appreciation Bonds. The Series 2013A Refunding Bonds have maturity dates of August 15, 2014 to August 15, 2043, with interest rates of 2.0% to 5%.

On November 6, 2013, the Authority entered into a Secured Loan Agreement with USDOT to borrow $122,000,000, which effectively cancels the previous agreement with USDOT noted above for $66,000,000. Simultaneously with the issuance of the Series 2013A bonds noted above, the Authority issued its LA 1 Project TIFIA Bonds, Series 2013B, in the amount of $78,000,000 and LA 1 Project TIFIA Bonds, Series 2013C, in the amount of $44,000,000. The Series 2013B and 2013C are collectively called the TIFIA Bonds. The purpose of the issuance of the TIFIA Bonds was to provide funds to currently refund the outstanding principal amount of the Series 2005 TIFIA Bonds, a portion of the Senior Bonds described above, and paying cost of issuance for the TIFIA bonds. The TIFIA Bonds were issued to evidence the obligation of the Authority under the Secured Loan Agreement to repay the loan made by USDOT. The Series 2013B TIFIA Bonds mature on

August 15, 2046 and have an interest rate of 1.89%. The Series 2013C TIFIA Bonds mature on August 15, 2032 and have an interest rate of 3.46%.

All principal and interest prior to the 2013 bonds were 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.

On November 6, 2013, the Authority entered into a Cooperative Endeavor Agreement, amended November 13, 2013, with the state of Louisiana, subject to appropriation, through the Commissioner of Administration, to make payments to the Authority in an amount sufficient to pay the principal of, premium, and interest on the bonds. The Authority has agreed to reimburse the state, as provided by a Pledge Agreement, to the extent funds are available. All toll revenue is pledged to payment of the debt.

As of fiscal year ended June 30, 2014, Fitch and Standard & Poors rated the Series 2013A Refunding Bonds AA-. Moodys rated the bonds Series 2013A as Aa3.

Details of all debt outstanding at June 30, 2014 and June 30, 2013, are as follows:

	Date of Issue	Original Issue	Outstanding June 30, 2013	Issued/Added (Redeemed)	Outstanding June 30, 2014	Maturities	Interest Rates	Future Interest Payments, June 30, 2014
Series 2005A Senior Lien Toll Revenue Bonds	June 9, 2005	$78,350,000	$76,300,000	($76,300,000)		2014-2031	3.5% - 4.5%	
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 TIFIA Bonds	Aug. 26, 2009	66,000,000	77,897,535	(77,897,535)		2041	4.45%	
Series 2013A Refunidng Bonds	Nov. 14, 2013	51,530,000		51,530,000	$51,530,000	2014-2043	2.0%-5.0%	$49,500,916
Series 2013B TIFIA Bonds	Nov. 14, 2013	78,000,000		78,000,000	78,000,000	2046	1.89%	39,725,052
Series 2013C TIFIA Bonds	Nov. 14, 2013	44,000,000		44,000,000	44,000,000	2032	3.46%	18,682,665
Total		$369,330,000	205,647,535	($32,117,535)	173,530,000			$107,908,633
Bond premium (discount)			(27,442,101)		1,595,834			
Bonds payable, net			$178,205,434		$175,125,834			

	Date of Issue	Original Issue	Outstanding June 30, 2012 (As Adjusted)	Issued/Added (Redeemed)	Outstanding June 30, 2013	Maturities	Interest Rates	Future Interest Payments, June 30, 2013
Series 2005A Senior Lien Toll Revenue Bonds	June 9, 2005	$78,350,000	$77,110,000	($810,000)	$76,300,000	2014-2031	3.5% - 4.5%	$39,287,434
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 TIFIA Bonds	August 26, 2009	66,000,000	74,811,466	3,086,069	77,897,535	2041	4.45%	79,322,003
Total		$195,800,000	203,371,466	$2,276,069	205,647,535			$118,609,437
Bond discount			(28,778,043)		(27,442,101)			
Bonds payable, net			$174,593,423		$178,205,434			

The annual requirements to amortize all bonds outstanding at June 30, 2014 and June 30, 2013, are as follows:

As of June 30, 2014	Principal	Interest	Total
2015	$170,000	$6,034,716	$6,204,716
2016	545,000	5,410,948	5,955,948
2017	735,000	5,390,624	6,125,624
2018	855,000	5,364,876	6,219,876
2019	2,790,000	5,300,686	8,090,686
2020-2024	14,955,000	24,929,903	39,884,903
2025-2029	21,760,000	21,409,939	43,169,939
2030-2034	29,475,000	16,480,197	45,955,197
2035-2039	34,775,000	11,210,534	45,985,534
2040-2044	40,450,000	5,605,542	46,055,542
2045-2047	27,020,000	770,668	27,790,668
Total	$173,530,000	$107,908,633	$281,438,633

As of June 30, 2013	Principal	Interest	Total
2014	$1,605,000	$6,727,809	$8,332,809
2015	225,000	6,694,755	6,919,755
2016	575,000	6,683,864	7,258,864
2017	940,000	6,644,772	7,584,772
2018	1,330,000	6,604,177	7,934,177
2019-2023	24,975,000	30,587,056	55,562,056
2024-2028	56,095,000	24,328,092	80,423,092
2029-2033	57,745,000	18,778,050	76,523,050
2034-2038	36,904,000	9,837,447	46,741,447
2039-2041	25,253,535	1,723,415	26,976,950
Total	$205,647,535	$118,609,437	$324,256,972

Section 9 of the Secured Loan Agreement related to the 2005 debt provided that no payment of the principal or interest was required during the capitalized interest period, which was defined as the period beginning on August 12, 2009 and ending on June 1, 2013. The agreement requires on each June 1 and December 1 occurring during the capitalized interest period that the interest accrued shall be capitalized and added to the outstanding secured loan balance. In the June 30, 2013 schedule above, $11,897,535, representing total interest in the capitalized interest period, has been added to the outstanding principal amount of the TIFIA Bond. No such provision was a part of the Secured Loan Agreement signed in November 2013.

7. DEFEASED DEBT

As disclosed in Note 6 above, the Authority issued the Series 2013A, Series 2013B, and Series 2013C bonds to currently refund the Authority's Series 2005A Senior Lien Toll Revenue Bonds, Series 2005B Senior Lien Toll Revenue Capital Appreciation Bonds, and the Series 2005 TIFIA Bonds.

The following schedule discloses the proceeds from the 2013 issuance and other available funding, the use of the funds, cash flow difference, and economic gain on the refunding.

Refunding Bonds Series 2013A	$51,530,000
Premium on bonds	1,746,713
Underwriter discount	(124,978)
TIFIA Bond proceeds	122,000,000
LA 1 Bond funds available	5,151,585
Debt Service Reserve funds	4,110,981
Total available funding	$184,414,301
Refunding of Series 2005 Bonds	$182,608,903
Deposit to prepaid interest fund	771,727
Cost of issuance	1,033,671
Total use of available funding	$184,414,301
Total of payments under old debt (if not refunded)	$324,256,974
Total of payments under new debt	282,210,360
Cash flow difference	$42,046,614
Present value of old debt service cash flows	$225,952,980
Present value of new debt service cash flows	178,870,621
Economic gain	$47,082,359

In connection with the refunding, the Authority was able to benefit from the lower interest, resulting in an accounting gain which will be systematically recognized over the life of the refunding bonds. The accounting gain is recognized as deferred inflows in the amount of $7,694,613. As of June 30, 2014, $226,312 of the deferred inflow was amortized, resulting in a deferred amount on refunding of $7,468,301 in the Statement of Net Position as of June 30, 2014.

8. PLEDGED REVENUES

2013

On June 9, 2005, the Authority issued toll revenue bonds of $195,800,000 to finance a highway project in the lower portion of Lafourche Parish. The project created elevated highways that run parallel to Highway 1 with a bridge over Bayou Lafourche. The bonds are secured by a pledge of toll revenues on the southbound lane of the new highway from Leeville to Port Fourchon and are payable through 2041. The Authority has committed the toll revenues to cover the principal and interest requirements until the bonds are fully paid and discharged. Toll revenues reported on Statement B for fiscal year ended June 30, 2013 were $4,269,537.

2014

On November 14, 2013, the Authority issued refunding and TIFIA bonds totaling $173,530,000. On November 6, 2013, the Authority entered into a cooperative endeavor agreement, amended November 13, 2013, with the state of Louisiana, subject to appropriation, through the Commissioner of Administration, to make payments to the Authority in an amount sufficient to pay the principal of, premium, and interest on the bonds. The Authority has agreed to reimburse the state, as provided by a Pledge Agreement, to the extent funds are available. All toll revenue is pledged to payment of the debt. Toll revenues reported on Statement B for fiscal year ended June 30, 2014 were $5,816,524.

9. DUE FROM/TO OTHER ENTITIES

The following is a summary of due from/to other entities:

	As of June 30, 2014	As of June 30, 2013
Due from:		
DOTD - LA 1 tolls in GeauxPass and Toll Clearing accounts	$1,379,487	$2,418,815
Due to:		
DOTD - Tag sales collected on behalf of DOTD	$810,148	$732,786

10. RESTATEMENT OF NET POSITION

Beginning net position for the year ended June 30, 2013, has been restated as follows:

Net position at July 1, 2012	$180,996,178
Adjustment for correction of error in capital assets	5,847,017
Adjustment to expense bond issuance costs for the implementation of GASB 65	(2,968,906)
Net position at July 1, 2012, as restated	$183,874,289

An additional adjustment was made to the previously reported net position at June 30, 2013, for the correction of an error in capital assets and capital contributions totaling $975,959.

11. COOPERATIVE ENDEAVORS

Louisiana Revised Statute 33:9022 defines cooperative endeavors as any form of economic development assistance between and among the state of Louisiana; its local governmental 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 state of Louisiana has entered into cooperative endeavor agreements with certain entities aimed at developing the economy of the state.

The Authority entered into two cooperative endeavors, one with DOTD and the other with the state of Louisiana through the Division of Administration and the Louisiana Department of Economic Development (DED) in April 2005 to enhance the feasibility of financing Phase I of the LA 1 Project.

DOTD's obligations under the agreement are as follows: (1) align funding agreements with the Federal Highway Administration for advance construction; (2) guarantee the payment of costs overruns of Phase I; and (3) pay future operating and maintenance expenses from available DOTD funding subject to appropriation. The guarantee of funding from DOTD is to ensure that the owners of the Series 2005 bonds will be granted a gross revenue pledge on any tolls generated by Phase I. At June 30, 2013, the Authority did not have a liability to DOTD based on the cooperative endeavor agreement. DED's obligations under the agreement were limited to $18,000,000 per fiscal year, given that the Louisiana Legislature appropriates funds to cover this amount to supplement the Debt Service Reserve for the Senior Lien Bond Debt if insufficient funds are on deposit to make payment obligations. The Authority must reimburse all amounts paid under this agreement before any additional bonds can be issued. At June 30, 2013, there were no outstanding liabilities with DED based on the cooperative endeavor agreement.

As disclosed in Notes 6 and 7, the Authority issued new debt during fiscal year 2014 to defease the 2005 debt, which effectively terminated the cooperative endeavor with DED. The agreement with DOTD was amended at the time of the debt refinancing to reflect the issuance of the Series 2013 obligations and the refunding of the Series 2005 obligations. Since Phase I is complete, DOTD obligations noted above related to funding for construction are no longer applicable; however, DOTD remains responsible for all operating and maintenance. The amendment to the cooperative endeavor agreement with DOTD was effective November 6, 2013, and added/modified the following DOTD obligations: (1) DOTD will furnish financial and other information to the Authority, trustee, and U.S. government; (2) DOTD will maintain business interruption insurance covering loss of revenues, and DOTD will repair or replace any portion of Phase I essential to operations; (3) DOTD will no longer be responsible for the payment of the debt in any manner; and (4) the agreement shall be binding until the debt is paid in full.

On November 6, 2013, the Authority entered into an agreement, amended November 13, 2013, with the state of Louisiana, acting by and through the Commissioner of Administration, in which the state agrees to make payments to the Authority sufficient to pay principal of, premium, if any, and interest on the bonds, subject to appropriation. The payments from the state to the Authority shall be satisfied by making such payments directly to the trustee on behalf of the Authority. These payments will begin in fiscal year 2015 and each fiscal year thereafter through fiscal year 2047. The Authority agrees it will apply payments made solely to pay debt service, administrative expenses, or other payments required by the bond indenture. The Authority agrees to reimburse the state, as prescribed in the pledge agreement between the Authority and the trustee, to the extent funds are available.

OTHER REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Exhibit A

The following pages contain our report on internal control over financial reporting and on compliance with laws and 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.

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

November 18, 2014

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*

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Louisiana Transportation Authority (Authority), a component unit of the State of Louisiana, as of and for the years ended June 30, 2014 and June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 18, 2014.

Our report includes an Emphasis of Matters section explaining that the implementation of Governmental Accounting Standards Board Statement 65 required bond issuance costs to be expensed instead of being amortized over the life of the bonds, resulting in a decrease to net position at June 30, 2013, of $2,968,906; and that the 2013 financial statements have been restated to correct misstatements totaling $6,822,976.

Internal Control over Financial Reporting

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

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Daryl G. Purpera

Daryl G. Purpera, CPA, CFE
Legislative Auditor

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