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

FINANCIAL STATEMENT AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
ISSUED NOVEMBER 20, 2013

LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
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DARYL G. PURPERA, CPA, CFE

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

November 19, 2013

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 year ended 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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 financial position of the Authority as of June 30, 2013, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 19, 2013, 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

Daryl G. Purpera, CPA, CFE
Legislative Auditor

BWS:RR:BQD:THC:ch

LTA 2013

LOUISIANA TRANSPORTATION AUTHORITY
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA

Statement of Net Position
June 30, 2013

ASSETS	
Noncurrent assets	
Restricted assets:	
Cash (note 2)	$336,331
Investments (note 3)	5,112,667
Due from other entities (note 8)	2,418,815
Accounts receivable, net (note 4)	46,647
Capital assets, net (note 5)	340,581,972
Unamortized bond issuance cost	2,807,698
Total assets	351,304,130
LIABILITIES	
Current liabilities:	
Unearned revenue	481,392
Due to other entities (note 8)	732,786
Accrued interest on bonds payable	563,799
Bonds payable, net (note 6)	1,554,242
Total current liabilities	3,332,219
Noncurrent liabilities - bonds payable, net (note 6)	176,651,192
Total liabilities	179,983,411
NET POSITION	
Net investment in capital assets	162,376,538
Restricted for debt service	6,136,483
Unrestricted	2,807,698
Total net position	$171,320,719

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 Year Ended June 30, 2013

OPERATING REVENUES	
Toll fees	$4,269,537
Total operating revenues	4,269,537
OPERATING EXPENSES	
Administrative expenses	1,555
Depreciation (note 5)	9,290,946
Amortization of bond issuance costs	161,208
Total operating expenses	9,453,709
OPERATING LOSS	(5,184,172)
NONOPERATING REVENUES (Expense)	
Interest expense	(8,022,837)
Other revenue - interest income	180,983
Total nonoperating revenues (expenses)	(7,841,854)
LOSS BEFORE CAPITAL CONTRIBUTIONS	(13,026,026)
Capital contributions	3,350,567
CHANGE IN NET POSITION	(9,675,459)
NET POSITION AT BEGINNING OF YEAR	180,996,178
NET POSITION AT END OF YEAR	$171,320,719

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 Year Ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	$3,479,148
Cash payments to suppliers for goods or services	(1,557)
Net cash provided by operating activities	3,477,591
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal paid on bonds	(810,000)
Interest paid on bond maturities	(3,314,223)
Net cash used by capital and related financing activities	(4,124,223)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of investment securities	(8,066,309)
Proceeds from sale of investment securities	8,542,129
Interest and dividends earned on investment securities	180,983
Net cash provided by investing activities	656,803
NET INCREASE IN CASH	10,171
CASH AT BEGINNING OF YEAR	326,160
CASH AT END OF YEAR	$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 Year Ended June 30, 2013

RECONCILIATION OF OPERATING LOSS TO	
NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	($5,184,172)
Adjustment to reconcile operating loss to	
net cash provided by operating activities:	
Depreciation expense	9,290,946
Amortization expense	161,208
Decrease in accounts receivable	29,617
(Increase) in due from	(1,075,827)
Increase in due to	169,334
Increase in unearned revenues	86,485
Total adjustments	8,661,763
Net cash provided by operating activities	$3,477,591

Schedule of Noncash Investing, Capital, and Financing Activities:	
Capital contributions	$3,350,567

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying basic financial statements have been prepared on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. 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 and a repurchase agreement. 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 Master Indenture of Trust dated April 1, 2005, authorizes the trustee, as directed by the Authority, to invest in direct U.S. Treasury obligations; bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies or by U.S. government instrumentalities, which are federally sponsored; direct security repurchase agreements of any federal book-entry only securities previously referenced with a financial institution rated not less than "A" by a rating agency and with collateral held by a third party; certificates of deposit; mutual or trust fund institutions registered by the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940 and which have underlying investments consisting solely of and limited to securities of the U.S. government or its agencies; and investment grade commercial paper of domestic U.S. corporations.

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

G. 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 ASSETS AND LIABILITIES

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

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 and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- Restricted net position consists of assets subject to external constraints by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

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

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 ACCOUTNING PRINCIPLES

For the year ended June 30, 2013, the Authority implemented GASB Statement 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The effect of the implementation was to replace the term of net assets with net position.

2. CASH

As reflected on Statement A, the Authority has cash (book balances) totaling $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, 2013, the Authority has $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, 2013, the Authority has 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 the 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. The Authority limits 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 limits 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. The Authority limits 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. Because the investment underlying the repurchase agreement is mortgage-backed securities, prepayment options cause them to be highly sensitive to changes in interest rates.

4. ACCOUNTS RECEIVABLE, RESTRICTED

The Authority has accounts receivable at June 30, 2013, of $46,647. These amounts represent income from investments and tolls (net of the allowance for doubtful accounts), $15,000 and $31,647, respectively, 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.

Following is a schedule of capital assets for the year ended June 30, 2013.

	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)				
Less accumulated depreciation	(66,731)	66,731				
Total buildings	823,019	(823,019)	NONE	NONE	NONE	NONE
Infrastructure	354,415,359	889,750	$355,305,109	$12,824,795		$368,129,904
Less accumulated depreciation	(18,190,256)	(66,731)	(18,256,987)	(9,290,945)		(27,547,932)
Total infrastructure	336,225,103	823,019	337,048,122	3,533,850	NONE	340,581,972
Total other capital assets	$337,048,122	NONE	$337,048,122	$3,533,850	NONE	$340,581,972
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		355,305,109	$12,824,795		$368,129,904
Total cost of capital assets	364,779,337		364,779,337	12,824,795	(9,474,228)	368,129,904
Less accumulated depreciation	(18,256,987)		(18,256,987)	(9,290,945)		(27,547,932)
Capital assets, net	$346,522,350	NONE	$346,522,350	$3,533,850	($9,474,228)	$340,581,972

6. LONG-TERM LIABILITIES

The following is a summary of changes in long-term debt of the Authority for the year ended June 30, 2013.

	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 has 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%.

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

As of fiscal year end June 30, 2013, Fitch rated the Series 2005A Senior Lien Toll Revenue Bonds, and Series 2005B Senior Lien Toll Revenue Capital Appreciation Bonds as BBB. Moodys and Standard & Poors rated the bonds Aa3 and AA-/Stable, respectively. The rating on the TIFIA by Fitch was CCC.

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

	Date of Issue	Original Issue	Outstanding June 30, 2012	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, 2013, are as follows:

	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 provides that no payment of the principal or interest is 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 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.

7. PLEDGED REVENUES

The Authority issued toll revenue bonds of $195,800,000 in 2005 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 were $4,269,537.

8. DUE FROM/TO OTHER ENTITIES

The following is a summary of due from/to other entities at June 30, 2013:

Due from:	
DOTD - LA 1 tolls in GeauxPass and Toll Clearing accounts	$2,418,815
Due to:	
DOTD - Tag sales collected on behalf of DOTD	$732,786

9. 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 (FHWA) 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 are 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 are no outstanding liabilities with DED based on the cooperative endeavor agreement.

10. SUBSEQUENT EVENTS

The DOTD, on behalf of the Authority, successfully negotiated with the United States Department of Transportation a restructuring of all debt issued by the Authority to finance the LA 1 toll road. The refinancing, which closed on November 14, 2013, consisted of two TIFIA loans, including a $78,000,000 loan at one-half of the treasury rate in effect on the date of execution of the refinancing (LA 1 Project TIFIA Bonds, Series 2013B); a $44,000,000 loan at the full treasury rate (LA 1 Project TIFIA Bonds, Series 2013C); $53,151,734.59 in public market bonds (LTA Refunding Bonds, Series 2013A bonds); $5,337,663.93 in toll funds on hand with the Bank of New York Mellon and $4,110,982.22 from the 2005 debt service reserve fund.

OTHER REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Exhibit A

The following pages contain our report on internal control over financial reporting and on compliance and other matters as required by *Government Auditing Standards*, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statements and includes, where appropriate, any 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 19, 2013

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 year ended 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 19, 2013.

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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Weaknesses Over Toll Collection

The Authority does not have adequate controls in place to ensure that all toll revenues are being collected and deposited. Inadequate controls over toll collections increase the risk of misappropriation and result in a potential loss of toll revenues.

The Authority prepares daily reconciliations between system-calculated tolls using the treadle counts and the amount of tolls deposited. Of the 35 reconciliations reviewed, 26 had a variance of greater than ±5% and 18 of these had variances of greater than ±10%. Although written procedures for performing these reconciliations exist, the procedures do not define what is considered an acceptable variance and do not prescribe actions to be taken in response to unacceptable variances and potential fraud. It was also noted that these reconciliations were not performed for three months of the fiscal year.

In addition, the Authority's fiscal year 2012 audit report disclosed that approximately 300,000 violation images from prior years remained unprocessed and unbilled because of system and personnel constraints. As of June 30, 2013, the images have been processed, but remain unbilled, increasing the risk of these accounts becoming uncollectible.

The Authority should perform toll collection reconciliations daily and should modify its reconciliation procedures to define what is considered an acceptable variance and prescribe actions to be taken when unacceptable variances are noted. In addition, the Authority should design and implement controls to identify, bill, and collect all past and current toll violation revenues in a timely manner. Management concurred with the finding and provided a corrective action plan (see Appendix A).

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.*

Authority's Response to Finding

The Authority's response to the finding identified in our audit is attached in Appendix A. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 *Government 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, CPA, CFE
Legislative Auditor

BWS:RR:BQD:THC:ch

LTA 2013

APPENDIX A

Management's Corrective Action Plan and Response to the Finding and Recommendation

Office of the Secretary
PO Box 94245 | Baton Rouge, LA 70804-9245
ph: 225-379-1200 | fx: 225-379-1851

Bobby Jindal, Governor
Sherri H. LeBas, P.E., Secretary

November 13, 2013

Mr. Daryl G. Purpera, CPA, CFE
Legislative Auditor
Office of the Louisiana Legislative Auditor
1600 North Third Street
Baton Rouge, LA 70804-9397

Subject: Response to FY 2013 Financial Audit Findings for the Louisiana Transportation Authority

Dear Mr. Purpera:

Please accept this letter as the Department's response to your correspondence dated November 5, 2013 regarding the audit finding for the Louisiana Transportation Authority as it relates to the LA 1 Toll Collection system. The specific findings, along with DOTD's response, are detailed below.

However, it should be noted that DOTD has significantly improved its capability to collect tolls on LA 1. Since the implementation of an in-lane cash/credit card payment option, current collection rates are above 95% and above the industry standards for this collection methodology. Recent legislation shortening the violation notice process will reduce the cost and time required for the Department collection activities for outstanding payments. Implementation of automated notification letters has made it easier for customers to stay informed of their account standing.

Finding No. 1

The Authority prepares daily reconciliations between system-calculated tolls using treadle counts and the amount of tolls deposited. Of the 35 reconciliations reviewed, 26 had a variance of greater than ±5% and 18 of these had variances greater than ±10%. Although written procedures for performing these reconciliations exist, the procedures do not define what is considered an acceptable variance and do not prescribe actions to be taken in response to unacceptable variances and potential fraud. It was also noted that these reconciliations were not performed for 3 months of the fiscal year.

Response

DOTD concurs with the finding.

DOTD has made significant on-going efforts to reconfigure and convert its integrated electronic toll collection system. The toll system at the LA 1 Bridge was not originally designed for manual toll collection. Due to the malfunction of the pre-pay/post-pay method using the Kiosks and in an effort to improve the toll collection rate, an in-lane cash/credit card payment method was implemented. Initially, DOTD implemented an Automatic Toll Payment Machine (ATPM) solution as a means to collect cash and credit card payments on site. It was later determined that, due to significant and atypical fluctuations in traffic demand and user transaction times, supplementing the ATPM collection with manual toll collection was needed.

The ATPM/Toll Collector process is as follows:

- When a Toll Collector is present, the Collector determines the amount due from each vehicle based on the prescribed toll schedule. The Toll Collector then enters the vehicle type and the amount paid onto an on-site laptop computer situated in the toll booth.
- When a collector is not present, the ATPM requires each customer to enter their vehicle type and then pay the appropriate toll.
- Once the customer pays the toll, they then drive over a treadle counter. Through the treadle counter, the system then determines the class of vehicle and associated toll required.
- Based on current limitations of the system, all vehicles that paid the Toll Collector are technically recorded as a violation.
- Those that paid through the ATPM are recorded as a violator only if the amount paid differs from the amount determined by the system.

Since the in-lane cash/credit card solution has proven to be successful, DOTD is now revising its standard operating procedures (SOP's) to include a variance of +/-5% when reconciling the toll payment records from the on-site laptop with the lane controller data. Follow-up occurs if patterns of exceptions are noted or if large discrepancies exist, up to and including video monitoring or investigations.

While the daily reconciliations were not completed for a three month period during the transition of responsibilities after the toll election, DOTD has consistently completed these responsibilities since May 2013. It should also be noted that compensating controls exist over this process as reconciliations occur between actual receipts and system expectations. Additionally, the Department is in the process of implementing a system enhancement that will allow automatic recording of information entered into the on-site computer within the electronic toll collection system. This enhancement is referred to as the Manual Lane Terminal (MLT) project and is expected to be completed no later than the first quarter of calendar year 2014. This improvement will provide the Department with the ability to reconcile tolls collected at an even higher degree of accuracy.

Finding No. 2

The Authority's fiscal year 2012 audit report disclosed that approximately 300,000 violation images from prior years remained unprocessed and unbilled because of system and personnel constraints. As of June 30, 2013, the images have been processed, but remain unbilled, increasing the risk of these accounts becoming uncollectable.

Response

DOTD concurs with the finding.

Although a situation existed during the audit period wherein billings were constrained, the violations were processed prior to the end of FY 2012-2013. However, delays in issuance of the invoices were encountered due to system changes required to comply with Act No. 206 of the 2013 Legislative Session, which became effective in June 2013.

There were 278,556 images to be processed.

A detailed breakdown and current disposition of the violation images processed is as follows:

- 199,723 images are not pursuable due to license plate illegible, license plate blocked, license plate not present in image, poor image quality, or no registered owner information available from the Office of Motor Vehicles (OMV) database.
- 10,999 images identified as a violation-toll or V-toll (i.e., GeauxPass toll-tag was not read in the lane, the vehicle license plate in the image was associated with a GeauxPass Account, and that account was debited). In August 2013, DOTD processed the images from the violation-toll, resulting in additional collected revenue.
- 67,834 pursuable violations, including out of state violators from Texas and Mississippi On October 21, 2013, after the system modifications were completed, DOTD began mailing the violation notices for these pursuable violations and is expected to be complete by the first quarter of calendar year 2014.

DOTD recognizes the need and is committed to implementing financially sound and auditable procedures in accordance with toll industry standards. Significant improvement has been made and further enhancements are planned for FY 2013-14 to provide better accounting of toll collections.

Sincerely,

Sherri H. LeBas, P.E.
Secretary

Attachment

c: Mr. Ricky Rodriguez, CPA LLA
Ms. Lesha Woods, DOTD Financial Services Administrator
Ms. Nita Chambers, DOTD Deputy Undersecretary
Mr. Michael Bridges, DOTD Undersecretary
Mr. Mark St. Cyr, DOTD Audit Director
Ms. Linda McNeil, DOTD Internal Auditor
Mr. Rhett Desselle, DOTD Assistant Secretary for Operation