

LOUISIANA TRANSPORTATION AUTHORITY
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA



FINANCIAL STATEMENT AUDIT
ISSUED NOVEMBER 4, 2009

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

October 13, 2009

Independent Auditor's Report
on the Financial Statements

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

We have audited the accompanying basic financial statements of the Louisiana Transportation Authority, a component unit of the State of Louisiana, as of and for the years ended June 30, 2007 and June 30, 2006. These financial statements are the responsibility of management of the Louisiana Transportation Authority. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Louisiana Transportation Authority as of June 30, 2007 and June 30, 2006, and the changes in financial position, including cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

During August and September of 2005, the State of Louisiana suffered considerable damage from two major hurricanes, Katrina and Rita, resulting in the President of the United States declaring Louisiana a major disaster area. Because of the severity of these two separate events and the resulting losses sustained, it is unknown exactly what economic impact recovery will have on state and local governmental operations in Louisiana. The direct effects on the Louisiana Transportation Authority are the increase in construction costs that arose as a result of

these hurricanes; however, the long-term effects directly on the authority cannot be determined at this time.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2009, on our consideration of the Louisiana Transportation Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis on pages 5 through 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

RR:BQD:THC:dl

LTA06/07

The Management's Discussion and Analysis of the Louisiana Transportation Authority's (LTA) financial performance presents a narrative overview and analysis of the LTA's financial activities for the years ended June 30, 2007 and June 30, 2006. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the LTA's financial statements.

FINANCIAL HIGHLIGHTS

- The LTA's assets exceeded its liabilities at the close of fiscal year 2007 and 2006 by \$19,432,086 and \$11,033,205, respectively. LTA is in a start-up mode and until construction is complete, has no revenue except interest earnings.
- The LTA's revenue deficit increased in fiscal year 2007 to \$607,223 from fiscal 2006 of \$603,763, which was a difference of \$3,460. The revenue deficit increased from fiscal year 2006 to \$603,763 from fiscal year 2005 of \$34,004, which is a difference of \$569,759. These deficits are before considering Capital Contributions which were \$9,006,104; \$1,559,890; and \$10,111,082 in fiscal year 2007, 2006, and 2005, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

These financial statements consist of two sections - Management's Discussion and Analysis (this section) and the basic financial statements (including the notes to the financial statements).

Basic Financial Statements

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

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

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

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

FINANCIAL ANALYSIS

Statement of Net Assets
as of June 30, 2007, 2006, and 2005
(in thousands)

	2007	2006	2005 (Restated)
Current assets	\$1,716	NONE	\$462
Noncurrent restricted assets - investments	110,067	\$153,392	157,802
Noncurrent restricted assets - other	1,221	617	NONE
Construction-in-progress	77,249	24,299	15,815
Other noncurrent assets	4,794	5,377	5,960
Total assets	<u>195,047</u>	<u>183,685</u>	<u>180,039</u>
Current liabilities	11,828	8,771	6,065
Noncurrent liabilities - bonds payable, net	163,787	163,881	163,897
Total liabilities	<u>175,615</u>	<u>172,652</u>	<u>169,962</u>
Net assets	<u>\$19,432</u>	<u>\$11,033</u>	<u>\$10,077</u>

Statement of Revenues, Expenses,
and Changes in Net Assets
for the years Ended June 30, 2007, 2006, and 2005
(in thousands)

	2007	2006	2005 (Restated)
Operating revenues	NONE	NONE	NONE
Operating expenses	\$607	\$604	NONE
Operating loss	(607)	(604)	NONE
Nonoperating revenues (expenses)	NONE	NONE	(\$34)
Gain (loss) before other revenues	(607)	(604)	(34)
Capital contributions	9,006	1,560	10,111
Net increase in net assets	<u>\$8,399</u>	<u>\$956</u>	<u>\$10,077</u>

Restricted net assets represent those assets that are not available for spending as a result of legislative requirements, donor agreements, or grant requirements. Conversely, unrestricted net assets are those that do not have any limitations on how these amounts may be spent.

The LTA's net assets increased \$8,398,881 from June 30, 2006 to June 30, 2007. During this reporting period, the LTA had increased construction cost on Phase 1 of the Highway 1 Project and capitalized those costs. Also, the LTA is in its start-up phase and will have no income other than interest until construction is complete.

The LTA's net assets increased \$956,127 from June 30, 2005 to June 30, 2006. The increase was caused by the capital contributions from the Department of Transportation and Development for Phase 1 of the Highway 1 project.

CAPITAL ASSETS

At the end of 2007, the LTA had \$77,249,326 invested in the construction of infrastructure. (See note 6 and the table below.) This amount represents an increase of \$52,949,950, or 69%, from fiscal year 2006. At the end of 2006, the LTA had \$24,299,376 invested in the construction of infrastructure. This was a 35% increase from fiscal year 2005. The increase in both years is due to construction on Phase 1 of the Highway 1 Project beginning in fiscal year 2005.

**Capital Assets at June 30, 2007, 2006, and 2005
(in thousands)**

	2007	2006	2005
Construction-in-progress	\$77,249	\$24,299	\$15,815

DEBT ADMINISTRATION

The LTA had \$195,800,000 in bonds and notes outstanding at fiscal year-end 2007 and 2006, which has remained constant each of the last two years as no principal payments have been made at this time (see note 5). No new debt was issued in fiscal year 2007 or 2006.

The LTA's bond rating from Standard & Poor's and Moody's remain at AAA and Aaa for the Senior Lien Bonds and AA and Aa3 for the Subordinate Lien Bond Anticipation Notes, respectively. Fitch removed the Rating Watch Negative designation and affirmed the AAA rating on the long-term Senior Lien Bonds.

The LTA has no outstanding claims and judgments at either fiscal year-end.

ECONOMIC FACTORS AND NEXT YEAR'S ACTIVITIES

Because construction is anticipated to take two to three years for Phase 1 of the Highway 1 Project, the LTA anticipates no revenues from operations. Interest earnings on the investment of bond proceeds will be reported as required in the Official Statement. Continuing expenditures paid by the Department of Transportation and Development on the project will result in additional contributed capital that will increase net assets over the next year.

CONTACTING LTA'S MANAGEMENT

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

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

**Statement of Net Assets
June 30, 2007 and June 30, 2006**

	JUNE 30,	
	2007	2006
ASSETS		
Current assets - due from Louisiana		
Department of Transportation and Development	\$1,716,389	NONE
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents (note 2)	91,220	\$99,740
Investments (note 3)	110,067,244	153,391,685
Accrued interest receivable (note 4)	1,128,913	517,763
Construction-in-progress (note 6)	77,249,326	24,299,376
Unamortized bond issue costs	4,794,103	5,377,031
Total noncurrent assets	193,330,806	183,685,595
Total assets	195,047,195	183,685,595
LIABILITIES		
Current liabilities:		
Accounts payable	11,334,970	2,025,839
Due to Louisiana Department of Transportation and Development		6,269,781
Accrued interest on bonds payable	551,973	551,973
Unamortized bond discount, net (note 5)	(58,745)	(76,631)
Total current liabilities	11,828,198	8,770,962
Noncurrent liabilities:		
Bonds payable, noncurrent (note 5)	195,800,000	195,800,000
Unamortized bond discount, net (note 5)	(32,013,089)	(31,918,572)
Total noncurrent liabilities	163,786,911	163,881,428
Total liabilities	175,615,109	172,652,390
NET ASSETS		
Invested in capital assets, net of related debt	22,604,024	12,136,056
Unrestricted	(3,171,938)	(1,102,851)
Total Net Assets	\$19,432,086	\$11,033,205

The accompanying notes are an integral part of this statement.

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

**Statement of Revenues, Expenses, and Changes in Net Assets
For the Years Ended June 30, 2007 and June 30, 2006**

	JUNE 30,	
	2007	2006
OPERATING REVENUES	NONE	NONE
OPERATING EXPENSES		
Bank charges	\$295	\$335
Fees and services	24,000	20,500
Amortization of bond issue cost	582,928	582,928
Total operating expenses	<u>607,223</u>	<u>603,763</u>
OPERATING LOSS	(607,223)	(603,763)
NONOPERATING EXPENSES	NONE	NONE
LOSS BEFORE OTHER REVENUES	(607,223)	(603,763)
Capital contributions	<u>9,006,104</u>	<u>1,559,890</u>
INCREASE IN NET ASSETS	8,398,881	956,127
NET ASSETS AT BEGINNING OF YEAR, Restated (note 7)	<u>11,033,205</u>	<u>10,077,078</u>
NET ASSETS AT END OF YEAR	<u><u>\$19,432,086</u></u>	<u><u>\$11,033,205</u></u>

The accompanying notes are an integral part of this statement.

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

Statement of Cash Flows

For the Years Ended June 30, 2007 and June 30, 2006

	JUNE 30,	
	2007	2006
Cash flows from operating activities:		
Cash payments for operating expenses	(\$24,295)	(\$20,835)
Cash flows from capital and related financing activities:		
Interest paid on bonds	(6,623,675)	(6,476,482)
Acquisition/construction of capital assets	(41,159,021)	(3,867,700)
Bond issuance costs	NONE	(62,907)
Net cash used for capital and related financing activities	(47,782,696)	(10,407,089)
Cash flows from investing activities:		
Proceeds from sale of investment securities	43,324,441	4,432,548
Interest earned on investment securities	4,474,030	5,947,103
Net cash provided by capital and related financing activities	47,798,471	10,379,651
Net decrease in cash	(8,520)	(48,273)
Cash at beginning of the year	99,740	148,013
Cash at end of the year	\$91,220	\$99,740
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:		
Operating loss	(\$607,223)	(\$603,763)
Adjustment to reconcile operating loss to net cash used for operating activities - amortization expense	582,928	582,928
Net cash used for operating activities	(\$24,295)	(\$20,835)
Schedule of Noncash Capital and Financing Activities:		
Addition to CIP through capital contributions	\$927,754	\$1,559,890
Addition to CIP for amounts funded by and due to DOTD	6,361,961	6,269,781
Addition to CIP for capitalized net interest expense	1,461,864	379,800

The accompanying notes are an integral part of this statement.

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INTRODUCTION

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

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

B. REPORTING ENTITY

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

C. FUND ACCOUNTING

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

D. BASIS OF ACCOUNTING

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and/or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

E. BUDGET PRACTICES

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

F. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

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

G. FIXED ASSETS

The Authority follows the capitalization policies established by the Louisiana Division of Administration, Office of Statewide Accounting and Reporting Policy. Any infrastructure exceeding \$3 million is capitalized and depreciated using the straight-line method over 40 years.

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

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

I. NONCURRENT LIABILITIES

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

J. NET ASSETS

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

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

Restricted net assets consist of net assets subject to external constraints placed on net asset use by creditors, grantors, contributors, or laws or regulations of other

governments or constraints imposed by law through constitutional provisions or enabling legislation.

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

2. CASH AND CASH EQUIVALENTS, RESTRICTED

At June 30, 2007 and June 30, 2006, the Authority has cash and cash equivalents totaling \$91,220 and \$99,740, respectively. These assets are money market funds that consist of shares in investments in direct obligations of the U.S. Department of the Treasury including Treasury bills, bonds, notes and other obligations issued or guaranteed by the U.S. Treasury and repurchase agreements backed by such obligations. The Authority's investments in the U.S. Treasury Plus Money Market Funds were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. These funds are reflected as restricted assets in the Statement of Net Assets.

3. INVESTMENTS, RESTRICTED

At June 30, 2007 and June 30, 2006, the Authority has investments stated at cost, which approximates market, totaling \$110,067,244 and \$153,391,685, respectively, which are composed of repurchase agreements. At June 30, 2007, the repurchase agreements were collateralized by Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Association (FNMA) mortgage-backed securities, with a fair market value of \$108,183,414 (90%) and \$12,556,708 (10%), respectively, for a total collateral of \$120,740,122 (110% of investments). At June 30, 2006, the repurchase agreements were collateralized by FHLMC, FNMA mortgage-backed securities and Federal Farm Credit Bank Discount Notes, with a fair market value of \$144,497,778 (91%); \$10,347,885 (7%); and \$3,685,570 (2%), respectively, for a total collateral of \$158,531,233 (103% of investments). The securities are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service, except for the Farm Credit Bank Discount Notes, which are rated A-1+ by Standard & Poor's and Prime-1 by Moody's.

Maturity of Investments Held at June 30, 2007 and June 30, 2006

Maturity	June 30,	
	2007	2006
1-5 years	\$106,067,244	\$149,391,685
6-10 years	NONE	NONE
10 years or longer	4,000,000	4,000,000
Totals	\$110,067,244	\$153,391,685

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

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

Interest Rate Risk. The Authority has no policy related to interest rate risk. Because the FNMA and FHLMC investments underlying the repurchase agreements are mortgage-backed securities, prepayment options cause them to be highly sensitive to changes in interest rates.

4. ACCRUED INTEREST RECEIVABLE, RESTRICTED

The Authority has accrued interest receivable at June 30, 2007 and June 30, 2006, of \$1,128,913 and \$517,763, respectively. These amounts represent income from investments earned before the year-end but not received by the Authority until after the applicable year-end as noted.

5. LONG-TERM LIABILITIES

The following is a summary of changes in long-term debt of the Authority for the year ended June 30, 2007:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Amounts Due Within One Year
Bonds payable	\$195,800,000	NONE	NONE	\$195,800,000	NONE
Less deferred amounts:					
Unamortized bond discount	(35,411,400)		\$964,393	(34,447,007)	\$1,015,665
Unamortized bond premium	3,416,197		(1,041,024)	2,375,173	(1,074,410)
Unamortized bond discount, net	(31,995,203)	NONE	(76,631)	(32,071,834)	(58,745)
 Total liabilities	 \$163,804,797	 NONE	 (\$76,631)	 \$163,728,166	 (\$58,745)

LOUISIANA TRANSPORTATION AUTHORITY

The following is a summary of changes in long-term debt of the Authority for the years ended June 30, 2006:

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006	Amounts Due Within One Year
Bonds payable	\$195,800,000	NONE	NONE	\$195,800,000	NONE
Less deferred amounts:					
Unamortized bond discount	(36,327,560)		\$916,160	(35,411,400)	\$964,393
Unamortized bond premium	4,425,162		(1,008,965)	3,416,197	(1,041,024)
Unamortized bond discount, net	(31,902,398)	NONE	(92,805)	(31,995,203)	(76,631)
 Total liabilities	 \$163,897,602	 NONE	 (\$92,805)	 \$163,804,797	 (\$76,631)

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

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

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

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

Detailed summaries, by issues, of all bonded debt outstanding at June 30, 2007, follow:

NOTES TO THE FINANCIAL STATEMENTS

	Date of Issue	Original Issue	Outstanding June 30, 2006	Issued (Redeemed)	Outstanding June 30, 2007	Maturities	Interest Rates	Future Interest Payments, June 30, 2007
Series 2005A Senior Lien Toll Revenue Bonds	June 9, 2005	\$78,350,000	\$78,350,000		\$78,350,000	2014-2031	3.5% - 4.5%	\$61,194,863
Series 2005B Senior Lien Toll Revenue Capital Appreciation Bonds	June 9, 2005	51,450,000	51,450,000		51,450,000	2025-2029	5.17% - 5.34%	
Series 2005 Subordinate Lien Toll Revenue Bond Anticipation Notes	June 9, 2005	66,000,000	66,000,000		66,000,000	2010	3.875% - 5.0%	7,293,375
Total		<u>\$195,800,000</u>	195,800,000	<u>NONE</u>	195,800,000			<u>\$68,488,238</u>
Net premium (discounts)			(31,902,398)		(31,995,203)			
Net accumulated amortization of premiums/discounts			<u>(92,805)</u>		<u>(76,631)</u>			
Bonds payable, net			<u>\$163,804,797</u>		<u>\$163,728,166</u>			

The annual requirements to amortize all bonds outstanding at June 30, 2007, are as follows:

	Principal	Interest	Total
2008		\$6,623,676	\$6,623,676
2009		6,623,676	6,623,676
2010	\$66,000,000	4,192,551	70,192,551
2011		3,382,176	3,382,176
2012		3,382,176	3,382,176
2013-2017	2,945,000	16,672,191	19,617,191
2018-2022	19,485,000	14,791,999	34,276,999
2023-2027	49,370,000	8,692,962	58,062,962
2028-2031	58,000,000	4,126,840	62,126,840
Total	<u>\$195,800,000</u>	<u>\$68,488,247</u>	<u>\$264,288,247</u>

Detailed summaries, by issues, of all bonded debt outstanding at June 30, 2006, follow:

	Date of Issue	Original Issue	Outstanding June 30, 2005	Issued (Redeemed)	Outstanding June 30, 2006	Maturities	Interest Rates	Future Interest Payments, June 30, 2006
Series 2005A Senior Lien Toll Revenue Bonds	June 9, 2005	\$78,350,000	\$78,350,000		\$78,350,000	2014-2031	3.5% - 4.5%	\$64,577,038
Series 2005B Senior Lien Toll Revenue Capital Appreciation Bonds	June 9, 2005	51,450,000	51,450,000		51,450,000	2025-2029	5.17% - 5.34%	
Series 2005 Subordinate Lien Toll Revenue Bond Anticipation Notes	June 9, 2005	66,000,000	66,000,000		66,000,000	2010	3.875% - 5.0%	10,534,875
Total		<u>\$195,800,000</u>	195,800,000	<u>NONE</u>	195,800,000			<u>\$75,111,913</u>
Net premium (discounts)			(31,896,698)		(31,902,398)			
Net accumulated amortization of premiums/discounts			<u>(5,700)</u>		<u>(92,805)</u>			
Bonds payable, net			<u>\$163,897,602</u>		<u>\$163,804,797</u>			

The annual requirements to amortize all bonds outstanding at June 30, 2006, are as follows:

	Principal	Interest	Total
2007		\$6,623,676	\$6,623,676
2008		6,623,676	6,623,676
2009		6,623,676	6,623,676
2010	\$66,000,000	4,192,551	70,192,551
2011		3,382,176	3,382,176
2012-2016	2,105,000	16,763,486	18,868,486
2017-2021	14,800,000	15,496,230	30,296,230
2022-2026	42,980,000	9,901,036	52,881,036
2027-2031	69,915,000	5,505,416	75,420,416
Total	\$195,800,000	\$75,111,923	\$270,911,923

6. CHANGES IN FIXED ASSETS

A summary of changes in fixed assets for the year ended June 30, 2007, follows:

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
Construction-in-progress	\$24,299,376	\$52,949,950	NONE	\$77,249,326

A summary of changes in fixed assets for the year ended June 30, 2006, follows:

	Balance June 30, 2005	Prior Period Adjustment	Restated Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Construction-in-progress	NONE	\$15,815,439	\$15,815,439	\$8,483,937	NONE	\$24,299,376

7. RESTATEMENT OF BEGINNING NET ASSETS

The beginning net assets as reflected on Statement B for the fiscal year ended June 30, 2006, have been restated to reflect capital contributions previously excluded from the Authority's financial statements and reflected as capital assets of the Louisiana Department of Transportation and Development (DOTD). Because of a lack of funding for Phase I of the LA 1 project, DOTD is participating in the financing of this project. The portion of funding provided by DOTD is now reflected in the Authority's financial statements as capital contributions. Beginning net assets were restated to capture capital contributions provided by DOTD prior to July 1, 2005, along with some additional adjustments for prior year accrued interest on bonds and other miscellaneous errors. The effect of the restatement is as follows:

Net assets at June 30, 2005	\$285,629
Adjustments for prior year construction-in-progress	10,111,082
Adjustment for prior year accrued interest on bonds	(404,780)
Adjustments for other miscellaneous errors	<u>85,147</u>
 Net assets at July 1, 2005	 <u><u>\$10,077,078</u></u>

8. COOPERATIVE ENDEAVORS

Louisiana Revised Statute (R.S.) 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 has the following obligations under the agreement: (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, 2006, the Authority owed DOTD \$6,269,781 for reimbursement of project costs under the cooperative endeavor agreement, which increased to \$6,361,961 at June 30, 2007. Because of a subsequent change in funding source for certain project expenditures, DOTD owed the Authority \$8,078,350 at June 30, 2007, for a net amount due from DOTD totaling \$1,716,389, as shown on Statement A.

DED has the obligations under the agreement 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, 2007 and June 30, 2006, there were no outstanding liabilities with DED based on the cooperative endeavor agreement.

9. SUBSEQUENT EVENTS

On October 1, 2006, JPMorgan Chase Bank, trustee for the Authority, sold its trust department to the Bank of New York. Some operational changes are being made to consolidate duplicated functions, but personnel responsible for the trust activities of the Authority will not change and we anticipate no negative impact.

The James Construction Group was awarded a \$137,480,000 construction contract for Phase 1A of the LA 1 Toll Road, the elevated roadway to Port Fourchon, on February 9, 2007. In June 2005, the cost for phases 1A, 1B, and 1C was estimated at \$153,877,619 with actual bids coming in at \$299,124,000.

During 2009, Phase 1A of the LA 1 Toll Road was completed. It was opened to the public on July 8, 2009, and toll collection began on August 3, 2009.

On August 26, 2009, the Authority received \$66 million from the TIFIA. The funds were sent directly from the federal government to the Bank of New York, who is the trustee for the Authority. Bank of New York used those funds to pay the Series 2005 Subordinate Lien Toll Revenue 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 BANS matured and were paid on September 1, 2009.

OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

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

October 13, 2009

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

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

We have audited the basic financial statements of the Louisiana Transportation Authority (Authority), a component unit of the State of Louisiana, as of and for the years ended June 30, 2007 and June 30, 2006, and have issued our report thereon dated October 13, 2009. Our report was modified for an emphasis of a matter regarding the impact of hurricanes Katrina and Rita. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed in the following paragraph, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record,

process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control over financial reporting.

Inaccurate and Incomplete Annual Financial Report

The Department of Transportation and Development (department) on behalf of the Louisiana Transportation Authority (Authority) did not prepare and submit an accurate and complete Annual Financial Report (AFR) to the Division of Administration, Office of Statewide Reporting and Accounting Policy (OSRAP) for the fiscal years ended June 30, 2007, and June 30, 2006. Louisiana Revised Statute 39:79 authorizes the commissioner of administration to establish the format of each agency's AFR and requires a sworn statement, which is a signed affidavit that the financial statements present fairly the financial position of the Authority. Good internal control requires management to develop procedures to record, process, and summarize financial data needed to prepare accurate financial reports, and adequate supervision of staff and review of the prepared reports so that any preparation errors can be detected and corrected prior to submission of the reports to OSRAP.

During our audit of the original AFRs for fiscal years 2007 and 2006, we brought an issue to the attention of the department regarding the reporting of construction costs funded by the department. After further research, the Authority revised the AFRs in October of 2008 for both fiscal years to include these construction costs and to include additional adjustments to the financial statements and footnotes we had proposed as of that date.

Fiscal year ended June 30, 2007

Combined agency and audit adjustments made in preparing the revised AFR for the fiscal year ended June 30, 2007, resulted in a net increase of \$28,119,209 to assets; \$6,361,961 to liabilities; \$9,006,104 to capital contributions; \$11,670,972 to beginning net assets; and \$21,757,248 to net assets. There was also a net decrease of \$1,080,172 to nonoperating expenses. After the department issued the revised AFR, additional audit adjustments were required including the following:

- Reclassify \$22,604,024 in net assets from unrestricted to invested in capital assets, net of related debt
- Decrease beginning net assets and increase accrued interest on bonds for \$551,973 to accrue the current year and prior year interest on bonds payable

- Increase beginning net assets and interest expense for \$104,902 to correct the prior year interest accrual on investments and offset from interest expense in accordance with Financial Accounting Standards Board (FASB) Statement No. 62, and increase interest expense and decrease accrued interest receivable by \$13,489 for correction of the current year interest accrual and offset from interest expense in accordance with FASB 62
- Increase construction-in-progress by \$1,926,948; increase beginning net assets by \$465,084; and decrease interest expense by \$1,461,864 to capitalize current year and prior year interest expense in accordance with FASB 34

Fiscal year ended June 30, 2006

Combined agency and audit adjustments made in preparing the revised AFR for the fiscal year ended June 30, 2006, resulted in a net increase of \$16,418,240 to assets; \$5,066,917 to liabilities; \$566,923 to nonoperating expenses; \$11,670,972 to capital contributions; \$117,184 to beginning net assets; and \$11,351,323 to net assets. There was also a net decrease of \$130,090 to operating expenses. After the department issued the revised AFR, additional audit adjustments were required including the following:

- Reclassify \$195,800,000 in bonds payable and \$31,995,203 in net unamortized bond discount from current to noncurrent
- Reclassify \$12,136,056 in net assets from unrestricted to invested in capital assets, net of related debt
- Reclassify \$10,111,082 of capital contributions recorded in FY06 to the prior year
- Increase accrued interest on bonds and interest expense for \$551,973 to accrue the current year interest on bonds payable
- Decrease beginning net assets and interest expense for \$404,780 to accrue prior year interest on bonds payable
- Increase construction-in-progress by \$465,084; increase beginning net assets by \$85,284; and decrease interest expense by \$379,800 to capitalize current year and prior year interest expense in accordance with FASB 34
- Increase accrued interest receivable and decrease interest expense for \$104,902 to correct the accrued interest on investments and offset from interest expense as required by FASB 62

Management did not establish detailed written procedures for the compilation and review of the AFRs for the fiscal years ended June 30, 2007 and 2006 to ensure that the financial statements presented were fairly stated, in all material respects. Inadequate preparation and review could result in misstated financial reports and undetected errors and/or fraud.

Management should establish a formal written compilation process to ensure an adequate compilation and supervisory review of AFRs before submission to the Division of Administration.

Management concurs in part with the finding stating that the AFRs were revised “as a result of the recommendation by LLA to change the reporting requirement for the LTA and the Department’s infrastructure.” In addition, management contends that the department had implemented adequate controls over preparation of the AFR at the time the restated AFRs were audited (see Appendix A).

Additional Comments: We recommended a change in the reporting of infrastructure by the Authority and the department to comply with applicable accounting and reporting standards. To its credit, the department accepted the recommendation and issued revised AFRs to comply with those standards. However, in auditing the revised AFRs, we found multiple errors requiring further adjustments to the AFRs (as bulleted on the preceding pages) which indicate a lack of controls in place at the time the revised AFRs were prepared. Any corrective action implemented by the department subsequent to the preparation of those AFRs should be evident in our audit of future fiscal years.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described previously regarding the inaccurate and incomplete annual financial report to be a material weakness.

Compliance and Other Matters

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

The department’s response to the finding is included in Appendix A. We did not audit the response, and, accordingly, we express no opinion on it.

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

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

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LTA06/07

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Appendix A

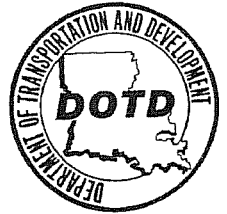
Management's Corrective Action Plan and Response to the Finding and Recommendation



BOBBY JINDAL
GOVERNOR

STATE OF LOUISIANA
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT

P.O. Box 94245
Baton Rouge, Louisiana 70804-9245
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WILLIAM D. ANKNER, Ph.D.
SECRETARY

September 11, 2009

Mr. Steve Theriot
Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, La. 70804-9397

Re: **Legislative Auditor Report
Louisiana Transportation Authority
Inaccurate and Incomplete Annual Financial Report for FY 06 and 07**

Dear Mr. Theriot:

The Louisiana Transportation Authority was created by statute within the Department of Transportation and Development and as such is dependent on the LADOTD to provide support services. To that end, the Management response letter will be from the Department of Transportation and Development (Department).

The Department concurs in part with the finding. The Department does agree that the figures from the 2006 and 2007 Louisiana Transportation Authority (LTA) Annual Financial Reports (AFR) were restated but this was as a result of the recommendation from the LLA to change the reporting requirement for the LTA and the Department's infrastructure. The decision to report the LTA assets at 100% on the LTA annual financial reports resulted in the reclassification of several figures within these two annual financial reports. The Department was given a very limited amount of time to go back two years and restate two additional sets of annual financial statements as well as prepare the financial statements for fiscal year 2008. As a result, some errors were unfortunately made. These errors were not systemic nor were they a lack of management control. They were a result of an unexpected and extremely tight deadline with new parameters.

Comments on bulleted paragraphs:

2006 AFR Bullet #1 - The reclassification error did not affect the total amount of liabilities within the financial statements or the total net assets. The amount was erroneously included on the wrong line within the AFR format. **This error was corrected in the restated 2007 AFR.** Furthermore, this error did not exist in the initial 2006 AFR.

2006 AFR Bullet #-2 - The reclassification error did not affect the total amount of net assets within the financial statements. The 2006 and 2007 AFRs were restated during

fiscal year 2008, and both were audited in fiscal year 2008. Therefore, the error was carried forward in the 2007 AFR. **Related to Bullet #1 in 2007 AFR.**

2006 AFR Bullet #3 & 5 – These errors appear to relate to figures that should have been recorded in the 2005 AFR which caused a decrease to the restated 2006 AFR. The Department was not asked to restate the 2005 AFR; therefore, adjustments were not made within prior fiscal years.

2006 AFR Bullet #4 – The Department concurs with the accrued interest revision. Since both the 2006 and 2007 AFRs were restated at the same time and both AFRs were audited at the same time the error carried forward in the 2007 AFR without correction. **Related to Bullet # 2 in 2007 AFR.**

2006 AFR Bullet #6 –FASB 34 requirement related to capitalizing interest expense. We concur with this revision. Since both the 2006 and 2007 AFRs were restated at the same time and both AFRs were audited at the same time the error carried forward in the 2007 AFR without correction. **Related to Bullet #4 in 2007 AFR.**

2006 AFR Bullet #7 –FASB 62 requirement related to recording accrued interest and offsetting interest expense. We concur with this revision. Since both the 2006 and 2007 AFRs were restated at the same time and both AFRs were audited at the same time the error carried forward in the 2007 AFR without correction. **Related to Bullet # 3 in 2007 AFR.**

It is important to note at this point, that the LLA audit of the LTA FY08 AFR that was recently delivered to the Department will have some of the same findings as noted in the FY 06 and 07 AFR. This is due to the fact that the FY 08 AFR was completed without the benefit of the LLA audit of the FY 07 AFR, so any errors had a good chance of being carried forward.

In closing, I believe the Department made a diligent effort to resolve the outstanding issues within these AFRs by working with both the LLA and OSRAP. I also believe the Department had implemented internal controls over the preparation of the LTA annual financial reports at the time of the audit of the restated AFRs. More recently, the Department has hired a CPA firm to assist with the preparation of the annual financial statements for fiscal year 2009, 2010 and 2011.

Sincerely,



William D. Ankner, Ph.D.
Secretary

C: Michael Bridges, Undersecretary
Kirt Clement, Deputy Undersecretary
Monica Mealie, Financial Services Administrator
John Lyon, Audit Director