Crescent City Connection Division
Department of Transportation and Development
State of Louisiana

Financial Statement Audit
For the Year Ended June 30, 2011
Issued June 20, 2012

LOUISIANA LEGISLATIVE AUDITOR
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EXECUTIVE SUMMARY

Our procedures at the Crescent City Connection Division (the division) for the period July 1, 2010, through June 30, 2011, disclosed the following:

- Based on our audit, the division's financial statements, as adjusted, are presented fairly.

- As reported in our prior year report, the Integrated Electronic Toll Collection System (IETCS II), implemented by the Louisiana Department of Transportation and Development (DOTD) for the division, continues to function improperly. Problematic areas included the auto-replenishment function, the violations invoicing module, the flagging and suspension of violators' vehicle registrations, and system documentation. IETCS II was designed and developed by Electronic Transaction Consultants (ETC) Corporation who, as of June 30, 2011, is responsible for completing, repairing, updating, and maintaining the existing system pursuant to a settlement agreement between ETC and DOTD.

This report is a public report and has been distributed to state officials. We appreciate the division's assistance in the successful completion of our work.

LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

April 26, 2012

Independent Auditor's Report

CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
New Orleans, Louisiana

We have audited the accompanying special purpose (legal basis) financial statements of the Crescent City Connection Division, a division of the Louisiana Department of Transportation and Development (DOTD), as of and for the year ended June 30, 2011, as listed in the table of contents. These special purpose financial statements are the responsibility of the Crescent City Connection Division's management. Our responsibility is to express an opinion on these special purpose financial statements based on our audit.

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

As described in note 1-A to the special purpose financial statements, the accompanying financial statements do not include all of the activity of the Crescent City Connection Division, which should be included to conform with accounting principles generally accepted in the United States of America. Activities relating to such items as movable property, compensated absences, pensions and other postemployment benefits, and certain federally funded capital outlay expenditures are reported separately with DOTD, State of Louisiana. These special purpose financial statements include only those activities as outlined in the notes to the financial statements. Furthermore, the special purpose financial statements have been prepared on a legal basis of accounting prescribed by the Division of Administration. These procedures differ from accounting principles generally accepted in the United States of America as described in the notes to the financial statements.

The effects on the financial statements of the variances between these accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Crescent City Connection Division as of June 30, 2011, or changes in its financial position for the year then ended. Furthermore, the Crescent City Connection Division has not presented a management discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the financial statements.

In our opinion, the accompanying special purpose financial statements present fairly, in all material respects, the financial position of the Crescent City Connection Division as of June 30, 2011, and the results of its operations for the year ended June 30, 2011, on the basis of accounting described in notes 1-A and 1-D.

As disclosed in note 4 to the financial statements, the Crescent City Connection Division changed its method of recording and depreciating infrastructure in fiscal year 2011.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 26, 2012, on our consideration of the Crescent City Connection Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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* and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the accompanying special purpose financial statements of the Crescent City Connection Division taken as a whole. The accompanying supplemental information schedules are presented for the purpose of additional analysis and are not a required part of the special purpose financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the special purpose financial statements and, in our opinion, based on our audit, is fairly stated in all material respects in relation to the special purpose financial statements taken as a whole.

This report is intended solely for the information and use of management of the Crescent City Connection Division, DOTD and its trustee bank, 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,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

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CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
GOVERNMENTAL FUND TYPES

Combined Balance Sheet (Legal Basis), June 30, 2011

	GOVERNMENTAL FUND TYPES				
	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUND	TOTAL (MEMORANDUM ONLY)
ASSETS					
Cash (note 2)	$4,700	$4,396,583			$4,401,283
Investments (note 3)		2,223,338	$4,391,227	$23,344,114	29,958,679
Due from DOTD		2,047,092			2,047,092
Due from Louisiana Transportation Authority		4,304			4,304
Due from state treasury (note 11)			4,655,089		4,655,089
Violations receivable		605,302			605,302
Due from other funds (note 9)	8,126,420	83,461		693,073	8,902,954
TOTAL ASSETS	$8,131,120	$9,360,080	$9,046,316	$24,037,187	$50,574,703
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$2,705,855			$418,199	$3,124,054
Bank overdraft	936,640				936,640
Tag deposits		$1,851,775			1,851,775
Due to DOTD		88,335			88,335
Due to Louisiana Transportation Authority		87,804			87,804
Due to GeauxPass		29,251			29,251
Due to other funds (note 9)		4,164,404	$4,655,089	83,461	8,902,954
Deferred revenue (note 1-K)		3,138,511			3,138,511
Total Liabilities	3,642,495	9,360,080	4,655,089	501,660	18,159,324
Fund Balances:					
Restricted for:					
Operations (note 7)	4,488,625				4,488,625
Debt service (note 7)			4,391,227		4,391,227
Capital projects (note 7)				23,535,527	23,535,527
Total Fund Balances	4,488,625	NONE	4,391,227	23,535,527	32,415,379
TOTAL LIABILITIES AND FUND BALANCES	$8,131,120	$9,360,080	$9,046,316	$24,037,187	$50,574,703

The accompanying notes are an integral part of this statement.

CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
GOVERNMENTAL FUND TYPES

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances (Legal Basis)
For the Year Ended June 30, 2011

	GENERAL FUND	SPECIAL REVENUE FUNDS	DEBT SERVICE FUNDS	CAPITAL PROJECTS FUND	TOTAL (MEMORANDUM ONLY)
REVENUES					
Interest on investments		$195	$588	$2,611	$3,394
Toll revenue		20,711,142			20,711,142
Scrip revenue - bridge and ferry		55,815			55,815
Ferry revenue		274,606			274,606
Highway Fund No. 2 (note 11)			4,655,089		4,655,089
Rental income and other income		101,977			101,977
Total revenues	NONE	21,143,735	4,655,677	2,611	25,802,023
EXPENDITURES					
Operational expenditures	$22,277,531				22,277,531
Capital outlay expenditures				2,351,103	2,351,103
Interest expense (note 11)			250,506		250,506
Bonds redeemed (note 11)			2,195,000		2,195,000
Bank charges		183,479			183,479
Total expenditures	22,277,531	183,479	2,445,506	2,351,103	27,257,619
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	(22,277,531)	20,960,256	2,210,171	(2,348,492)	(1,455,596)
OTHER FINANCING SOURCES (Uses)					
Transfers in from DOTD		484,524			484,524
Operating transfers in (note 10)	28,962,799	590,152	5,676,077	24,544,088	59,773,116
Operating transfers out (note10)	(5,441,447)	(22,034,932)	(10,331,166)	(21,965,571)	(59,773,116)
Total financing sources (uses)	23,521,352	(20,960,256)	(4,655,089)	2,578,517	484,524
NET CHANGES IN FUND BALANCES	1,243,821	NONE	(2,444,918)	230,025	(971,072)
FUND BALANCES AT BEGINNING OF YEAR, Restated (note 12)	3,244,804	NONE	6,836,145	23,305,502	33,386,451
FUND BALANCES AT END OF YEAR	$4,488,625	NONE	$4,391,227	$23,535,527	$32,415,379

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

The Crescent City Connection Division (the division) is a body politic and corporate of the State of Louisiana, incorporated under the authority of Act No. 7 of 1952, with power to acquire by purchase, lease, or otherwise, and to construct, improve, maintain, repair, and operate bridges and ferries across the Mississippi River in the City of New Orleans. Pursuant to the terms of the Reorganization Act of 1976, as amended, the Louisiana Department of Transportation and Development (DOTD), on July 1, 1977, assumed control of the operations of the then Mississippi River Bridge Authority. All of the functions of the authority's General Fund, including maintaining accounting records, issuance of all checks for payroll, operations, routine maintenance expenses and contractual obligations were transferred to DOTD on that date. In July 1988, the payment of the operating expenses of the then Mississippi River Bridge Authority again became the responsibility of the authority. However, except for collecting and depositing toll revenues, the accounting records are maintained by DOTD. In April 1992, the division issued $30,860,000 of bonds under a Second Supplemental Agreement to the 1954 Indenture and Deed of Trust to construct additional Mississippi River crossings and to make additions or improvements to the bridge and its approaches. In November 2002, the division issued $19,900,000 of bonds under an Amended and Restated Indenture and Deed of Trust to provide funds to refund all of the 1992 Bonds and to pay the costs of issuance. The division, domiciled in New Orleans, employed 119 people as of June 30, 2011.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The Governmental Accounting Standards Board (GASB) promulgates generally accepted accounting principles and reporting standards for state and local governments. These principles are found in the Codification of Governmental Accounting and Financial Reporting Standards, published by the GASB. However, the accompanying special purpose financial statements have been prepared on a legal basis prescribed by the Division of Administration, Office of Statewide Reporting and Accounting Policy, which differs from accounting principles generally accepted in the United States of America as described in the following notes.

Furthermore, the financial statements do not reflect the total activities of the division. Many of the activities of the division such as movable property, compensated absences, and postemployment benefits are reported with DOTD, State of Louisiana, and are not readily separable from the records and accounts of DOTD. The division's financial statements reflect only the following activities:

- Debt service funds for the purpose of refunding all 1992 Bonds and paying the cost of issuance, administered by the Trustee, Bank of New York (formerly JP Morgan Chase & Co.), in accordance with the Amended and

Restated Indenture and Deed of Trust dated as of November 1, 1954, as subsequently amended June 23, 1989; April 1, 1992; and November 1, 2002

- Collection of all tolls, Highway Fund No. 2 monies, and miscellaneous income
- Direct and allocated operating expenses incurred
- Capital projects fund and operating and maintenance expenditures reimbursed by Federal Transit Authority (FTA) grants
- Changes in fixed assets as they relate to the majority of the approaches to Bridge No. 2, ferries, and capital projects of the division
- Changes in the long-term debt as they relate to payments on bonds issued for the purpose of refunding all of the 1992 Bonds and paying the cost of issuance

The capital assets and long-term obligations of the division are not recognized in the accompanying financial statements. Amounts have been disclosed in the footnotes to the financial statements for use by the Division of Administration, Office of Statewide Accounting and Reporting Policy (OSRAP), in preparing the Comprehensive Annual Financial Report (CAFR) for the State of Louisiana. In addition, the funds do not include pension and other postemployment benefit obligations. These obligations are reflected in the State of Louisiana's basic financial statements.

B. REPORTING ENTITY

The State of Louisiana has been determined to be the reporting entity under accounting principles generally accepted in the United States of America. The accompanying financial statements present the activity of a division within a department of state government and, therefore, are a part of the funds of the State of Louisiana and its basic financial statements. Annually, the State of Louisiana issues a CAFR, which includes the activity contained in the accompanying financial statements. The CAFR is audited by the Louisiana Legislative Auditor.

C. FUND ACCOUNTING

The division uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

Funds of the division are classified as governmental funds. Governmental funds account for the division's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of fixed assets, and the servicing of long-term debt. Governmental funds of the division include the following:

1. The General Fund is used for the purpose of accounting for the operating expenses of the bridge and ferries and the administrative expenses of the division. Transfers from special revenue funds provide the funds for these expenses.

2. Special revenue funds are used to account for the proceeds of specific revenue sources which by law are designated to finance particular functions or activities of the division.

3. Debt service funds account for the accumulation of resources for, and transactions relating to the payment of long-term debt, principal, interest, and related costs.

4. The Capital Projects Fund accounts for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental funds.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by the governmental funds. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Tolls paid at the toll booth and all scrip revenue are recorded when received. Prepaid tolls used in conjunction with a toll tag are recorded when measurable and available. Federal grants are recorded when the division is entitled to the funds. Highway Fund No. 2 revenues are recorded when due. Interest earnings are recorded when the income is earned. Other revenues are recognized when they become measurable and available.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for accumulated annual and sick leave, which are recognized when paid, and principal and interest on long-term debt, which are not recognized until due.

Other Financing Sources (Uses)

Other financing sources (uses), representing transfers between funds, that are not expected to be repaid are recognized when they become measurable and available.

E. BUDGET PRACTICES

Budgets are prepared for all FTA projects (Capital Projects Fund) based on estimated costs and are included in DOTD's budget for capital outlays. The budget for the General Fund is included within the budget of DOTD. Debt service funds are not subject to budget because all amounts are paid according to the trust agreement. Special revenue funds are also not subject to budget because most revenues are transferred to other funds. Therefore, budgetary comparison information is not included in these financial statements.

F. CASH AND INVESTMENTS

Cash includes cash on hand, demand deposits with financial institutions, and cash with the paying agent. Under state law, the division may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States.

The Amended and Restated Indenture and Deed of Trust dated November 1, 2002, authorizes the division to invest in direct U.S. obligations, U.S. government agency obligations (the principal and interest of which are fully guaranteed by the government of the United States) and direct and general obligations of the State of Louisiana. It also authorizes the division to invest in certificates of deposit of any state bank or national association whose headquarters are in the State of Louisiana, repurchase agreements, money market funds registered under the Federal Investment Company Act of 1940 (whose shares are registered under the Federal Securities Act of 1933), as amended, and shares of an investment company organized under the Investment Company Act of 1940, as amended. Investments include money market funds, invested in U.S. government securities, U.S. Treasury notes and obligations of U.S. governmental agencies that are stated at fair value as required by GASB 31.

G. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital assets of governmental funds, including public domain and infrastructure assets, are recorded as expenditures at the time purchased or constructed, and the related assets are capitalized (reported) at the government-wide level of reporting in the State of Louisiana's CAFR. These assets are valued at historical cost and depreciated using the straight-line method and an estimated useful life of 40 years.

Long-term obligations expected to be financed from governmental funds, including long-term debt due after July 1 of the subsequent year, are accounted for at the government-wide level of reporting in the State of Louisiana's CAFR.

H. COMPENSATED ABSENCES

Employees earn and accumulate annual and sick leave at various rates depending on their years of service. The amount of annual and sick leave that may be accumulated by each employee is unlimited. Upon termination, employees or their heirs are compensated for up to 300 hours of unused annual leave at the employee's hourly rate of pay at the time of termination. Upon retirement, unused annual leave in excess of 300 hours plus unused sick leave are used to compute retirement benefits.

The costs of current leave privileges are included in the operational expenditures on Statement B. The costs of leave privileges not requiring current resources are included in the notes of the annual fiscal report of DOTD and the State of Louisiana’s CAFR.

I. FUND BALANCES

In the governmental fund financial statements, fund balances are classified as follows:

1. Non-spendable fund balance – amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.

2. Restricted fund balance – amounts that can be spent only for specific purposes because of the Constitution of the State of Louisiana, other state and federal laws, or externally imposed conditions by grantors, creditors, or voter approved propositions.

3. Committed fund balance – amounts that can be used only for specific purposes determined by a formal action by the DOTD.

4. Assigned fund balance – amounts that are constrained by the DOTD’s intent that they will be used for specific purposes.

5. Unassigned fund balance – all other amounts not included elsewhere.

J. FEDERAL FUNDS

The division follows DOTD’s guidelines to document compliance with federal laws and regulations. FTA grants provide 80% federal funding for the capital project expenditures in the Capital Projects Fund and up to $860,000 federal funding for operation and maintenance expenditures in the General Fund. The capital project expenditures are paid by DOTD, which then receives 80% reimbursement directly from the FTA and is reimbursed the remaining 20% by the division. The operating and maintenance expenditures are paid by DOTD, which then receives reimbursement from the FTA or the division. FTA income and the corresponding expenditures that were funded for operations and maintenance are recorded and reported by the division in the General Fund. FTA income and the corresponding expenditures that were funded for capital outlay are recorded and reported by DOTD and are not recorded or reported by the division.

K. DEFERRED REVENUE

Deferred revenue represents prepaid tolls at the end of the fiscal year that will be used in the subsequent accounting period. Prepaid tolls at June 30, 2011, are $3,138,511.

L. ADOPTION OF NEW ACCOUNTING PRINCIPLE

For the year ended June 30, 2011, the division implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which changed the reporting of fund balance in the balance sheets of the governmental type funds. Note 1-I discloses the current presentation of the governmental type funds affected by this statement.

M. 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.

N. TOTAL COLUMNS ON STATEMENTS

Total columns on the combined statements are captioned Memorandum Only (overview) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation.

2. CASH

At June 30, 2011, the division has cash (book balances) totaling $4,401,283 as follows:

Demand deposits with financial institutions	$4,393,583
Cash on hand - toll collector change fund	7,700
Total	$4,401,283

Under state law, demand deposits with financial institutions must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The fair value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At June 30, 2011, the division has $4,358,479 in deposits (collected bank balances) secured by federal deposit insurance and pledged securities held at the Federal Reserve Bank in the name of the division.

3. INVESTMENTS

At June 30, 2011, investments of the division in the U.S. Treasury Plus Money Market Fund (money market fund) total $29,958,679, which is shown on Statement A. The division used quoted market values to determine the fair value of the investments. The money market fund consists of shares in investments in direct obligations of the U.S. Department of the Treasury including Treasury bills, bonds, and other obligations issued or guaranteed by the U. S. Treasury, and repurchase agreements backed by such obligations. The division's investments in the money market fund were rated AAAm by Standard & Poor's and Aaa by Moody's Investors Service.

4. INFRASTRUCTURE

Infrastructure is defined as long-lived capital assets associated with governmental activities that normally are stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Examples include roads, bridges, tunnels, street signage, street lamps, traffic signals, drainage systems, water and sewer systems, dams, and lighting systems.

Beginning infrastructure assets for the Division increased by $121,415,992 for infrastructure and construction-in-progress. The prior period adjustment was because of DOTD changing the way it capitalizes infrastructure. Since the implementation of GASB Statement 34 in 2002, DOTD used the Wooster Method to capitalize its infrastructure assets. Under this method, infrastructure was capitalized by recording the total dollars spent on infrastructure by year, which resulted in one aggregate value each year instead of separate values for each individual infrastructure asset. All infrastructure expenditures were capitalized, including maintenance and repairs. In fiscal year 2011, DOTD converted to the LaGov ERP software. The new software allows for tracking of individual road control sections, bridges, right-of-way parcels, and construction-in-progress. The effect of the conversion of the infrastructure assets is reported as a restatement to the balance at June 30, 2010.

The following information was requested by OSRAP to prepare the government-wide financial statements for the State of Louisiana CAFR.

Infrastructure at June 30, 2011, is as follows:

	Year Ended June 30, 2011					
	Balance June 30, 2010	Prior Period Adjustment	Balance June 30, 2010 (Restated)	Additions	Retirements	Balance June 30, 2011
Roads and Bridges	$316,129,496	$322,104,200	$638,233,696	$5,046,312		$643,280,008
Less - accumulated depreciation	147,687,760	209,022,862	356,710,623	15,378,166		372,088,789
Total Roads and Bridges	168,441,736	113,081,338	281,523,073	(10,331,854)	NONE	271,191,219
Construction-in-Progress	NONE	8,334,654	8,334,654	10,049,637	$5,046,312	13,337,979
Total Infrastructure	$168,441,736	$121,415,992	$289,857,727	($282,217)	$5,046,312	$284,529,198

Changes and balances of furniture, fixtures, automobiles, and operating equipment are not reflected in these financial statements because they are included within DOTD's annual report and reported in the government-wide financial statements in the State of Louisiana CAFR.

5. LAND AND LAND IMPROVEMENTS

Land acquisitions for right-of-way are reported at cost, estimated cost, or estimated fair value at date of acquisition and include all expenses necessary to obtain title, such as legal fees.

The following information was requested by OSRAP to prepare the government-wide financial statements for the State of Louisiana CAFR.

	Year Ended June 30, 2011			
	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011
Right-of-way	$10,865,967	NONE	NONE	$10,865,967

6. CHANGES IN LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the fiscal year ended June 30, 2011:

	Bonded Indebtedness Payable at June 30, 2010	Additions	Retirements	Bonded Indebtedness Payable at June 30, 2011	Amounts Due Within One Year
Bridge Revenue Refund Bonds - Series 2002	$6,735,000	NONE	$2,195,000	$4,540,000	$2,215,000

The bonds mature November 1, 2012, and accrue interest at rates of 2% to 5%. The bonds were issued for the purpose of refunding all of the 1992 Bonds and paying the cost of issuance. Maturities of long-term debt, including interest payments, of $209,797 are as follows:

Fiscal Year Ending June 30:	
2012	$2,372,922
2013	2,376,875
Total	$4,749,797

The division has accumulated a balance of $4,391,227 dedicated to the payment of bonds.

7. RESTRICTED FUND BALANCES

As shown on Statement A, the division has restricted fund balances of $32,415,379 at June 30, 2011, which are restricted by enabling legislation. These balances are restricted as follows:

Restricted for Operations - Monies restricted in the General Fund (Bridge and Ferry) for operations of the division amounted to $4,488,625 at June 30, 2011.

Restricted for Debt Service - Monies restricted in the debt service funds in accordance with the Third Supplemental Bond Indenture dated November 1, 2002, amounted to $4,391,227 at June 30, 2011.

Restricted for Capital Projects - Monies restricted in the Capital Projects Fund for ongoing projects amounted to $23,535,527 at June 30, 2011.

8. LITIGATION AND CLAIMS

Obligations and losses arising from judgments, claims, and similar contingencies are paid through the state's self-insurance fund or by state General Fund appropriation and are not reflected in the accompanying special purpose financial statements. The self-insurance fund is operated by the Office of Risk Management, the state agency responsible for the state's self-insurance program.

9. DUE FROM/TO OTHER FUNDS

Individual fund balances due from/to other funds at June 30, 2011, are as follows:

	Due from Other Fund	Due to Other Fund
General Fund	$8,126,420	
Special Revenue Funds:		
Toll Tag Deposits		$401,818
Toll Collection Fund	83,461	3,762,586
Debt Service Funds		4,655,089
Capital Projects Fund	693,073	83,461
Total	$8,902,954	$8,902,954

10. OPERATING TRANSFERS IN/OUT

The bond indenture specifies the specific manner in which revenues are to be deposited and distributed to the various funds. Under the 2002 revision of the bond indenture, all revenues pledged for the payment of the bonds, including revenues from the Highway Fund No. 2, are deposited into the Debt Service Fund and then distributed to the General Fund after all debt service requirements have been met. All revenues derived from tolls imposed on the bridges and ferries are deposited into the Toll Collection Fund and then distributed to the General Fund. Monies in the General Fund can be used to operate and maintain the bridges and ferries, for authorized projects, and for any lawful purpose of the division.

The distributions of these revenues are shown as operating transfers. The following is a summary of the operating transfers in and out for the year ended June 30, 2011.

	Transfers In	Transfers Out
General Fund	$28,962,799	$5,441,447
Special Revenue Funds:		
Toll Tag Deposits	188,525	21,528,049
Toll Collection Fund	401,627	506,883
Debt Service Funds:		
Reserve Fund		234,630
Sinking Fund	234,630	
Debt Service Fund	5,441,447	10,096,536
Capital Projects Fund	24,544,088	21,965,571
Total	$59,773,116	$59,773,116

11. PLEDGED REVENUES

The Mississippi River Bridge Authority (the Authority) issued its bridge revenue refunding bonds in 2002 for the Crescent City Connection Project in the amount of $19,900,000 to refund all or a portion of the outstanding 1992 Bonds and fund the costs of issuance. The bonds are payable from and secured by a pledge of Highway Fund No. 2 monies (comprised of the annual vehicular license taxes collected in six parishes), income earned from investments, and any other monies accruing to the Authority. The Authority has obligated the Highway Fund No. 2 monies to cover the principal and interest requirements until the bonds are fully paid in 2012. The Authority earned $4,655,089 of Highway Fund No. 2 revenue plus interest earned as of June 30, 2011, and paid principal and interest of $2,915,000 and $250,506, respectively, on the bonds. The outstanding bond principal and interest is $4,540,000 and $209,797, respectively.

12. RESTATEMENT OF BEGINNING FUND BALANCE

The beginning fund balance as reflected on the Statement of Revenues, Expenditures, and Changes in Fund Balances for the Capital Projects Fund has been restated to reflect the correction of a prior year error. The effect of the restatement is as follows:

Capital Projects Fund:	
Fund balance at June 30, 2010	$23,308,430
Adjustment to prior year expenditures	(2,928)
Fund balance at July 1, 2010	$23,305,502

13. COOPERATIVE ENDEAVORS

R.S. 33:9022 defines cooperative endeavor as any form of economic development assistance between and among the state, its local government subdivisions, political corporations, public benefit corporations, the 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 division has entered into three cooperative agreements. Two of the agreements are with the Jefferson Parish Council and one is with the City of Gretna. The agreements are to improve access to the bridges and are funded with the district's toll collections (self-generated revenues). The estimated amount outstanding as of June 30, 2011, for these agreements is $2,760,094, which is not reflected in the accompanying financial statements.

14. ELIMINATION ENTRIES

Certain information concerning revenue and expenditure transactions and related receivables and payables of the division is also included in the annual financial statements of DOTD. The division provided information to OSRAP to allow OSRAP to eliminate this duplicate reporting in the state's CAFR. Information regarding these elimination entries is not included in this report.

SUPPLEMENTAL INFORMATION SCHEDULES

SPECIAL REVENUE FUNDS

TOLL TAG DEPOSIT FUND

The Toll Tag Deposit Fund is used to account for all deposits made on toll tags issued. These deposits are refundable upon return of the toll tag device.

TOLL COLLECTION FUND

The Toll Collection Fund accounts for all tolls imposed on the bridges and ferries collected by the division.

CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
SPECIAL REVENUE FUNDS

Combining Balance Sheet (Legal Basis), June 30, 2011

	TOLL TAG DEPOSIT FUND	TOLL COLLECTION FUND	TOTAL
ASSETS			
Cash	$4,396,583		$4,396,583
Investments		$2,223,338	2,223,338
Due from DOTD	2,047,092		2,047,092
Due from Louisiana Transportation Authority	4,304		4,304
Violations receivable	605,302		605,302
Due from other funds	83,461		83,461
TOTAL ASSETS	$7,136,742	$2,223,338	$9,360,080
LIABILITIES AND FUND BALANCES			
Liabilities:			
Tag deposits	$30,255	$1,821,520	$1,851,775
Due to DOTD	88,335		88,335
Due to Louisiana Transportation Authority	87,804		87,804
Due to Geaux Pass	29,251		29,251
Due to other funds	3,762,586	401,818	4,164,404
Deferred revenue	3,138,511		3,138,511
Total Liabilities	7,136,742	2,223,338	9,360,080
Fund balance	NONE	NONE	NONE
TOTAL LIABILITIES AND FUND BALANCES	$7,136,742	$2,223,338	$9,360,080

CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances (Legal Basis)
For the Year Ended June 30, 2011

	TOLL TAG DEPOSIT FUND	TOLL COLLECTION FUND	TOTAL
REVENUES			
Interest on investments	$4	$191	$195
Toll revenue	20,711,142		20,711,142
Scrip revenue - bridge and ferry	55,815		55,815
Ferry revenue	274,606		274,606
Rental income and other income	101,977		101,977
Total revenues	21,143,544	191	21,143,735
EXPENDITURES - bank charges	183,479	NONE	183,479
EXCESS OF REVENUES OVER EXPENDITURES	20,960,065	191	20,960,256
OTHER FINANCING SOURCES (Uses)			
Transfers in from DOTD	484,524		484,524
Operating transfers in	188,525	401,627	590,152
Operating transfers out	(21,528,049)	(506,883)	(22,034,932)
Total financing sources (uses)	(20,855,000)	(105,256)	(20,960,256)
NET CHANGES IN FUND BALANCES	105,065	(105,065)	NONE
FUND BALANCES AT BEGINNING OF YEAR	(105,065)	105,065	NONE
FUND BALANCES AT END OF YEAR	NONE	NONE	NONE

SUPPLEMENTAL INFORMATION SCHEDULES

DEBT SERVICE FUNDS

RESERVE FUND

The Reserve Fund is used to account for those funds restricted by the indenture to be used to pay bond principal and interest should the other funds not have sufficient funds to meet current obligations. The trustee is directed to use these funds to meet debt payments only if the Debt Service Sinking Fund is exhausted.

SINKING FUND

The Sinking Fund is used to account for those expenditures made to liquidate current bond principal.

INTEREST FUND

The Interest Fund is used to account for expenditures related to the accrued interest on bonds.

DEBT SERVICE FUND

The Debt Service Fund is used to account for those revenues pledged to the payment of bonds issued under the amended and restated bond indenture.

CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
DEBT SERVICE FUNDS

Combining Balance Sheet (Legal Basis), June 30, 2011

	RESERVE FUND	SINKING FUND	INTEREST FUND	DEBT SERVICE FUND	TOTAL
ASSETS					
Investments	$1,835,028	$2,450,100	$106,088	$11	$4,391,227
Due from state treasury				4,655,089	4,655,089
TOTAL ASSETS	$1,835,028	$2,450,100	$106,088	$4,655,100	$9,046,316
LIABILITIES AND FUND BALANCES					
Liabilities - due to other funds				$4,655,089	$4,655,089
Fund balance - restricted for debt service	$1,835,028	$2,450,100	$106,088	11	4,391,227
TOTAL LIABILITIES AND FUND BALANCES	$1,835,028	$2,450,100	$106,088	$4,655,100	$9,046,316

CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
DEBT SERVICE FUNDS

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances (Legal Basis)
For the Year Ended June 30, 2011

	RESERVE FUND	SINKING FUND	INTEREST FUND	DEBT SERVICE FUND	TOTAL
REVENUES					
Interest on investments	$173	$377	$28	$10	$588
Highway Fund No. 2				4,655,089	4,655,089
Total revenues	173	377	28	4,655,099	4,655,677
EXPENDITURES					
Interest expense			250,506		250,506
Bonds redeemed		2,195,000			2,195,000
Total expenditures	NONE	2,195,000	250,506	NONE	2,445,506
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	173	(2,194,623)	(250,478)	4,655,099	2,210,171
OTHER FINANCING SOURCES (Uses)					
Operating transfers in		234,630		5,441,447	5,676,077
Operating transfers out	(234,630)			(10,096,536)	(10,331,166)
Total financing sources (uses)	(234,630)	234,630	NONE	(4,655,089)	(4,655,089)
NET CHANGES IN FUND BALANCES	(234,457)	(1,959,993)	(250,478)	10	(2,444,918)
FUND BALANCES AT BEGINNING OF YEAR	2,069,485	4,410,093	356,566	1	6,836,145
FUND BALANCES AT END OF YEAR	$1,835,028	$2,450,100	$106,088	$11	$4,391,227

OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

Exhibit A

The following pages contain a report on internal control over financial reporting and on compliance with laws and regulations and other matters required by *Government Auditing Standards*, issued by the Comptroller General of the United States. The 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

April 26, 2012

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*

CRESCENT CITY CONNECTION DIVISION
DEPARTMENT OF TRANSPORTATION AND DEVELOPMENT
STATE OF LOUISIANA
New Orleans, Louisiana

We have audited the special purpose (legal basis) financial statements of the Crescent City Connection Division, a division of the Louisiana Department of Transportation and Development (DOTD), as of and for the year ended June 30, 2011, and have issued our report thereon dated April 26, 2012. Our report was modified to include an adverse opinion on the presentation of the financial statements in accordance with generally accepted accounting principles (unqualified opinion on legal basis presentation). In addition, our report was modified to include an emphasis of a matter regarding the change in the method of reporting and depreciating infrastructure. 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

Management of the Crescent City Connection Division is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Crescent City Connection Division'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 Crescent City Connection Division's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Crescent City Connection Division's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the following deficiency to be a material weakness.

Lack of Adequate Toll Collection System

As reported in our prior year report, the Integrated Electronic Toll Collection System (IETCS II), implemented by DOTD for its Crescent City Connection Division (the division), continues to function improperly. The IETCS II, which began operating on December 1, 2008, is used for collecting tolls from vehicles crossing the Crescent City Connection Bridge over the Mississippi River in New Orleans and is managed by the division. IETCS II was designed and developed by Electronic Transaction Consultants (ETC) Corporation who, as of June 30, 2011, is responsible for completing, repairing, updating, and maintaining the existing system pursuant to a settlement agreement between ETC and DOTD.

Although DOTD attempted to correct the system's malfunctions during fiscal year 2011, the following problems continued to occur:

- The IETCS II's Customer Service Center (CSC) auto-replenishment function for the division is not working as designed; therefore, CSC managers have to manually review and verify these auto-replenishments for their customers' toll accounts.

- The IETCS II violations invoicing module does not function properly. During the intermittent down times, violation invoices backlog. When the invoicing system is back up, the backlogged invoices have to be manually reviewed which requires additional man hours. Because of timing problems created by these backlogs, invoices that are not mailed within 90 days of a violation have to be dismissed pursuant to Louisiana Revised Statute 47:820.5.2.

- Communications breakdown between the IETCS II Violation Processing System and the Office of Motor Vehicles mainframe computer has prevented the flagging and suspension of violators' vehicle registrations.

- There was a lack of system documentation that has resulted in a lack of understanding of how the system works and greater cost to develop alternate procedures.

Some of the possible causes for the problems include lack of an understanding by the vendor of the business processes/rules of the division, inadequate communication between ETC and the division, and lack of specific detailed system requirements in the initial planning phase. The lack of an adequate toll collection system and resulting unbilled violations may cause additional cost and loss of revenues for the division. During the litigation period, DOTD entered contracts for expert assistance to prevent the IETCS II from failing, to develop alternate processes, and to evaluate the current IETCS II system.

Good business practices require that when implementing a new information technology system, the software should be developed in accordance with business processes, contract requirements, development standards, quality assurance requirements, and approval standards. A project management plan should be implemented to ensure that these standards and practices are satisfied.

Management of DOTD should take the necessary actions to develop alternate procedures to limit lost revenue and resolve system failures, continue to evaluate its project implementation policies and procedures to avoid similar problems in the future, and ensure that all agreed-upon implementation, repair, update, and improvement tasks outlined in the ETC settlement agreement are completed 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 division's special purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The division's response to the finding identified in our audit is attached in Appendix A. We did not audit the division's response, and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of the division, DOTD and its trustee bank, 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,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

EE:JR:EFS:THC:ch

CCCD 2011

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
www.dotd.la.gov

SHERRI H. LEBAS, P.E.
SECRETARY

April 16, 2012

Mr. Daryl G. Purpera, CPA, CFE
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804

SUBJECT: **Crescent City Connection Division Audit**
Single Audit Finding FY 11
Lack of Adequate Toll Collection System

Dear Mr. Pupera:

Thank you for the opportunity to respond to your audit. We have been dealing with this issue regarding the electronic toll collection system for some time now. Currently, our efforts have shown progress and we see a permanent solution in the near future.

Response to Finding: Lack of Adequate Toll Collection System

The Department concurs with the finding.

The Department and ETTC have settled their respective lawsuits and in August of 2011, ETCC personnel began the task of completing the electronic toll collection system. It is our hope that most, if not all, of the issues with the incomplete electronic tolling system will be corrected by late spring/early summer of 2012. This will permit the Department to increase the collection rate to an acceptable level that is closer to the "industry standard".

In December of 2010, the Department retained the services of HNTB, a world leader in toll road consulting, to assist with the evaluation of the electronic tolling system and to make recommendations for improvement. The recommendation was to work towards completion of the system which was currently operating. Another recommendation was to enter into reciprocity agreements with neighboring states so that violation notices could be issued to out of state users. We recently executed an agreement with Texas and are working with the State of Mississippi.

Please be assured that the Department is continuing to keep the current system operating and are developing alternate procedures to limit lost revenue and resolve system failures. We are also working very closely with ETCC and HNTB to implement the corrections to the electronic toll collection system as quickly as possible.

Thank you for the opportunity to respond to this single audit finding and to have this Management Response letter included in the final audit report. Please feel free to contact me or Michael Bridges, Undersecretary, should you have any questions.

Sincerely,

Sherri H. LeBas

Sherri H. LeBas, P.E.
Secretary

C: Mr. Rhett Desselle
Mr. David Tippett
Mr. Michael Bridges
Mrs. Cheryl Duvieilh
Mr. John Lyon
Mrs. Beverly Hodges